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PROCESS AND STRUCTURE IN LEADER-MEMBER EXCHANGE

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Theory supporting the key premise of the leader-member exchange (LMX) approach to leadership, that leaders differentiate between subordinates, has not been fully developed. We address this deficiency by (a) returning LMX research to its historical roots in exchange processes by introducing a framework for understanding relationship quality that is based on reciprocity, and (b) extending the traditional domain of LMX research beyond the formal leader-subordinate relationship in order to offer a more complete explanation of the differentiation process. We employ insights derived from social network analysis to describe how social structure facilitates the exchange processes through which leaders assist in incorporating some members into the inner life of an organization but exclude others.

The primary contribution that the leader-member exchange (LMX) perspective has brought to researchers' understanding of leadership lies in its fundamental premise: leaders form different types of exchange relationships with their subordinates. The quality of the member's exchange relationship with the leader, which is based upon the degree of emotional support and exchange of valued resources, is pivotal in determining the member's fate within the organization. Although empirical research has supported the LMX perspective on leadership (Liden, Sparrowe, & Wayne, in press), there are two prominent features of LMX research that, when taken together, warrant a critical examination of past and present research as well as an appraisal of its future contribution to the study of leadership. First, the nature of the exchange processes through which differentiated leader-member relationships develop largely has been overlooked. Instead, LMX research has been focused primarily on leaders' and members' perceptions of the "negotiating latitude" (Graen & Cashman, 1975: 144), or of the loyalty, contribution, liking, and professional respect (Liden & Maslyn, in press; Schriesheim, Scandura, Eisenbach, & Neider, 1992) characterizing the relationship. Even though these approaches have proven fruitful in predicting work-related outcomes, they

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leave unexamined the processes that are purported to be central to the formation of differentiated leader-member relationships.

Second, with very few exceptions (Seers, 1989; Seers, Petty, & Cashman, 1995), the domain of LMX research has been the leader-member relationship as formally defined by the organization chart, often referred to as the *vertical dyad linkage* (Dansereau, Graen, & Haga, 1975). This emphasis on the leader-member relationship is hardly surprising in a stream of research that focuses on *leadership*. However, both of the perspectives used in the development of LMX theory, role theory, and social exchange theory recognize how dyadic relations develop within a social context. According to *role theory* (Katz & Kahn, 1978; Thibaut & Kelley, 1959), the role-making process is described as one in which an individual has role episodes not only with a formally designated leader, but also with an entire role set of others who communicate important role information. Similarly, *social exchange theory* (Emerson, 1962) describes how power and influence among leaders and members are conditioned on the availability of alternative exchange partners from whom these leaders and members can obtain valued resources.

We thus respond to two challenges: clarifying the exchange processes that underlie differentiated leader-member relations, and extending the domain of LMX theory and research beyond the formally established vertical dyad linkage. These two challenges are interwoven: a single social exchange relationship is affected by the context of other relationships in which it is embedded (Blau, 1964; Cook, 1990). Our intent is to develop a theoretical model that unites exchange processes with social structure in describing the development of differentiated leader-member relations. However, our model also has implications for several closely related streams of research: diversity and relational demography, mentoring, and relationships within teams. In our concluding section, we sketch the direction of the implications of our model for research in these areas.

LEADER-MEMBER EXCHANGE PROCESSES

Blau, when describing the differences between social and economic exchange, said, "Only social exchange tends to engender feelings of personal obligation, gratitude, and trust; purely economic exchange as such does not" (1964: 94). This distinction between social and economic exchange is fundamental to the way in which low ("out-group") and high ("in-group") exchanges have been distinguished in LMX research (Liden & Graen, 1980; Liden, Wayne, & Stilwell, 1993; Zalesny & Graen, 1987). Low-quality leader-member relations have been characterized in terms of *economic* (contractual) exchanges that do not progress beyond what is specified in the employment agreement, whereas high-quality leader-member relations have been characterized in terms of *social* exchanges that extend beyond what is required of the employment contract.

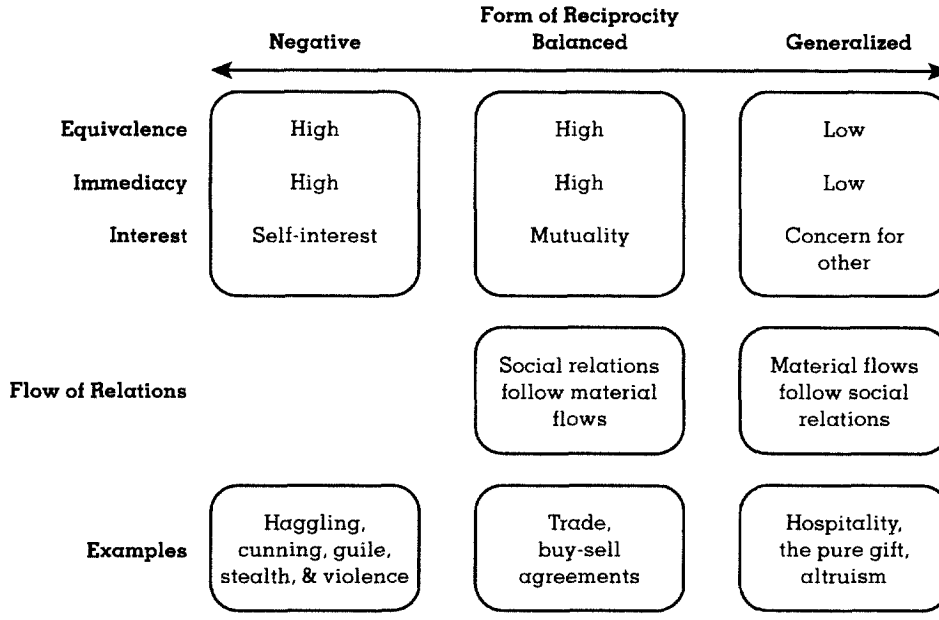
Although Blau's (1964) distinction between economic and social exchange has been helpful in describing the underlying processes occurring

between leaders and members, there are several limitations in its application to LMX research. First, the dimensions of actual exchange behavior that differentiate economic from social exchange have not been specified in a way that facilitates empirical verification. Second, the differences between actual social and economic exchanges have not been described in ways that would indicate why social exchange leads to trust (Blau, 1964; Butler, 1991; McAllister, 1995) but economic exchange to vigilance (Zahn & Wolf, 1981). Third, the distinction between social and economic exchange omits leader-member relationships in which a leader or member actively engages in negative forms of exchange (Zahn & Wolf, 1981). Examples of negative exchanges in organizations include leaders who take credit for the original work of their members and members who set up leaders for failure by withholding crucial information necessary for completion of a high-visibility project. Other examples include a supervisor intentionally assigning a task to a subordinate who is not expected to be able to successfully complete it or a subordinate who publicly ridicules the leader.

To address these limitations, we turn to the work of Marshall Sahlins (1972), an anthropologist who, like Blau (1964), developed his views on social exchange from earlier work by Malinowski (1922) and Mauss (1950). Sahlins derived exchange types on the basis of three primary dimensions of reciprocity: (a) the immediacy of returns, (b) the equivalence of returns, and (c) the degree and nature of the interest of each party in the exchange. *Immediacy of returns* captures the timing with which the recipient must reciprocate to discharge the obligation and ranges from instantaneous to, in theory, an indefinite period. Thus, relatively low immediacy of returns reflects reciprocity at some distant point in the future, whereas relatively high immediacy of returns depicts nearly simultaneous reciprocation. *Equivalence of returns* specifies the extent to which partners reciprocate in kind and in quantity and ranges from one-to-one correspondence to complete divergence. Low equivalence refers either to the reciprocation of a good with one that is considerably more or less valuable or to exchanges in which the contents are so different that it is difficult to impute a measure of comparable value. Conversely, high equivalence involves an exchange of equal or highly comparable goods. The *interest* dimension reflects the nature of the exchange partners' involvement in the exchange process and ranges from unbridled self-interest, through mutual interest, to interest in and concern for the other (Sahlins, 1972).

These three dimensions establish a continuum of reciprocities along which actual exchange types can be located (Figure 1). Sahlins (1972) used these dimensions to describe three commonly found forms of reciprocity: generalized, balanced, and negative. *Generalized reciprocity* is characterized by indefiniteness in the obligation, both in terms of equality and immediacy of returns, and it reflects a kind of altruistic interest in others. Examples of generalized reciprocity include hospitality, help, and generosity. *Balanced reciprocity* is characterized by immediacy of the return of

FIGURE 1
The Reciprocity Continuum[a]



[a] Adapted from Sahlins (1972).

a customary and recognized equivalent and reflects mutuality in interests between exchange partners. Examples include trade, rents, and similar buying-selling relationships. Sahlins's third exchange form, *negative reciprocity*, reflects the antithesis of generalized reciprocity, in which giving is replaced by taking and complete self-interest. Negative reciprocity, which overlaps with Gouldner's (1960) norm of retaliation, is "the attempt to get something for nothing with impunity" (Sahlins, 1972: 195).

Sahlins's (1972) formulation of exchange processes addresses the limitations inherent in applying Blau's (1964) dichotomy between social and economic exchange in LMX research. Several benefits to LMX theory accrue from the application of Sahlins's reciprocity continuum. First, reciprocity takes different forms along a continuum from negative through balanced to generalized exchange, paralleling the continuous nature of leader-member exchange quality but with the added advantage of including the fuller range of exchange relationships. Second, the dimensions of immediacy of returns, equivalence of returns, and interest describe the character of actual exchanges, whereas negotiating latitude is a proxy for exchange processes (Graen & Cashman, 1975). Third, these characteristics of actual exchanges can be linked with relational quality as demonstrated in experimental research by Tognoli (1975).

In previous research, members' exchange relationships with leaders and team members have been treated as distinct constructs and measured

using different instruments (e.g., Major, Kozlowski, Chao, & Gardner, 1995; Seers, 1989; Seers et al., 1995). Expanding the domain of LMX theory and research beyond the formally constituted vertical dyad requires a means for specifying the quality of leader-member relationships in a way that is consistent with other potentially salient social relationships. In addition to capturing the full range of relationship quality, Sahlins' (1972) reciprocity continuum also offers the advantage of applying to the entire domain of exchange relationships in which LMX relationships are embedded. Prior to integrating Sahlins' reciprocity continuum with social network analysis, however, we provide rationale for the extension of LMX to include the larger system of relationships surrounding leader-member dyads.

EXTENDING THE DOMAIN OF LMX RESEARCH

The traditional domain of LMX research has been the formal reporting relationship between leaders (superiors) and their members (subordinates), described as the "vertical dyad linkage" (Graen & Cashman, 1975). The assumption in this research has been that exchange resources flow down the lines of the formal organizational chart (Cashman, Dansereau, Graen, & Haga, 1976; Graen, Cashman, Ginsburgh, & Schiemann, 1977). Leaders, by virtue of their "linking pin" positions, enjoy the power to decide how to distribute meaningful resources and key opportunities among their subordinates. This argument has been extended to include a dependence upon leaders for intangible resources such as loyalty, information, emotional support, and respect (Dienesch & Liden, 1986; Liden & Maslyn, in press).

To the extent that organizations are hierarchically structured with linking pin positions as the branches and with exchange resources flowing principally along the lines demarcated by the organizational chart, then the emphasis on the vertical dyad linkage in leader-member exchange research is not problematic. However, there are reasons to question whether these conditions can confidently be assumed to occur across organizational settings. As early as the Hawthorne studies, researchers have recognized the effects of informal social relationships on work-related outcomes. More recently, Lincoln and Miller (1979) described how individuals maintain networks of friendship and work ties in organizations and, more important, have indicated how expressive relationships are important for work-related purposes. Even in bureaucratic organizations—perhaps especially in such organizations—informal relationships are held to be essential in achieving instrumental ends (Ibarra, 1992). Informal relationships are likely to be even more important as competitive pressures force organizations to become flatter (Miles & Snow, 1986; Mills, 1991), shift toward matrix forms through downsizing (DeWitt, 1993), or utilize teams and ad hoc project groups (Daft & Lewin, 1993). In such organizations, exchanges are less likely to flow strictly along the lines of the formal organizational chart. In cases in which significant work is accomplished through project teams, such teams may emerge on the basis of existing

informal exchange relations. Leader-member exchange status vis-à-vis the formally designated leader thus may not be the only, or even the primary, cause for outcomes otherwise attributable to the quality of leader-member exchanges.

Social network analysis[1] (Burt & Minor, 1983; Wellman & Berkowitz, 1988), through its emphasis on the effects of the structure of relationships on important outcomes, offers a means for extending the domain of LMX research beyond the vertical dyad linkage. Although empirical evidence supports the salience of the formally designated leader in providing subordinates with desired resources, informal social networks and horizontal exchanges also are critical in the provision of resources as well as in determining outcomes closely paralleling those studied in terms of formal leader-member relations. Research on the effects of individuals' social networks in organizations provides evidence that the structural configuration of relationships (ties) with others beyond their immediate superiors has salutary effects upon promotions (Burt, 1992), influence (Brass, 1984; Brass & Burkhardt, 1992; Friedkin, 1993; Marsden & Friedkin, 1993), reputation (Kilduff & Krackhardt, 1994), turnover (Krackhardt & Porter, 1986), and career progression (Sparrowe & Popielarz, 1995).

Social Network Analysis

Where LMX research accounts for member outcomes in relation to the *quality* of his or her relationship with the leader, social network analysis emphasizes the *structure* of relationships in explaining outcomes. The interplay of relationship quality and network structure in social network analysis finds its classic statement in Granovetter's (1973) influential article, entitled "The Strength of Weak Ties." Granovetter argued the counterintuitive thesis that distant contacts, or "weak ties," provide distinct advantages over close relationships, or "strong ties," in transmitting certain kinds of information, ideas, and influence. He supported his thesis with empirical evidence (Granovetter, 1974) that weak ties are particularly effective in finding a job. Although Granovetter defined strong ties in terms of relationship *quality*—the duration, emotional intensity, intimacy, and reciprocity characterizing the relationship (1973: 1361)—he appealed specifically to social network *structure* in accounting for the advantages of weak ties:

> The fewer indirect contacts a person has the more encapsulated he will be in terms of knowledge of the world beyond his own friendship circle; thus *bridging weak ties* (and the consequent indirect contacts) are important (Granovetter, 1973: 1371; emphasis added).

[1] Following social network analysis research, we use *social networks* and *networks* interchangeably. Both are generic terms for interpersonal relationships, regardless of the content of any given relationship.

Granovetter took the position that bridging ties necessarily are weak ties. Strong ties do not bridge to distant social locations because they are found among inner circles of close relationships. However, ties may be weak in terms of relationship quality without fulfilling the critical advantage of bridging to distant social locales. Only those ties that reach beyond an individual's group of close relationships bring the benefits of novel information and opportunities. Thus, the "strength of weak ties" thesis does not turn on the amount of time, emotional intensity, intimacy, and reciprocal services that characterize a relationship so much as on the *structure* of an individual's network of contacts.

Figure 2a depicts a bridging weak tie connecting an individual in one social circle to a distant social locale. For example, individuals A, B, and C may work in sales and individuals D, E, and F in research and development. A's weak tie to D provides access to information that is not available to B and C, allowing A the possible advantage of knowing in advance what new products are in the pipeline. A's acquired knowledge would likely benefit those enjoying strong ties with A as well, such as A's superior or some of A's subordinates.

Granovetter's (1973) thesis about the relative advantages of network structure over relationship quality has been examined empirically by Burt (1992), who found that competitive advantages in performance and promotions accrue to those whose social networks provide maximum information benefits and opportunities for leveraging negotiations. These desirable benefits accrue to individuals whose social networks are, to use Burt's phrase, "rich in structural holes" (1992: 2). A *structural hole* refers to the *absence* of a relationship between two contacts within an individual's social network, and is depicted in Figure 2b. The absence of a relationship between two contacts places the individual in the potentially advantageous entrepreneurial position of brokering resources between them. In competitive situations the individual is able to play one contact against the other in negotiation and bargaining without them forming a coalition.

Redundant contacts, in contrast, are those ties to contacts who know and share information with one another and the focal individual. To illustrate this contrast, Figure 2b compares two social networks of three individuals; one social network has redundant contacts and the other a structural hole. Redundant contacts add little new information to what an individual already knows from his or her other contacts. Moreover, contacts who know one another are capable of forming a coalition. In Figure 2b individual A can play individuals B and C against each other in a bargaining situation, because they are not tied (they do not know one another). Individual D, however, faces the prospect of individuals E and F forming a coalition, because they are tied to each other. Burt (1992: 54) named this disadvantage "constraint." Constraint increases with the amount of time and energy invested in the contact, and, more important, with the lack of structural holes surrounding the tie to that contact. Thus, a person is most constrained by a high-maintenance tie to a contact who has connections to many other

FIGURE 2
Network Structures[a]

Figure 2a: A bridging weak tie (Granovetter, 1973) connects individual A to a distant social locale through contact D, thus providing access to novel information.

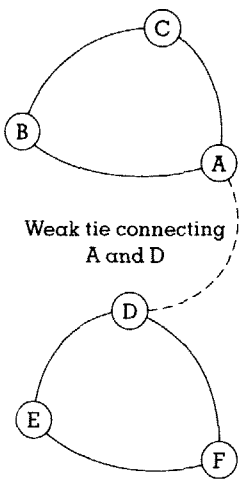
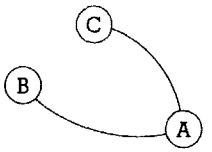
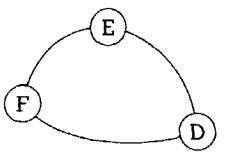


Figure 2b: A structural hole (Burt, 1992) exists between contacts B and C in the upper network, whereas E and F are redundant contacts in the lower network.

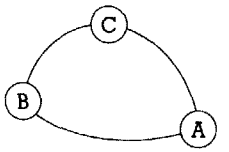


Structural hole (absence of a relationship) between B and C

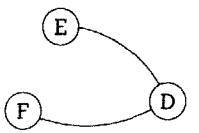


E and F are redundant contacts with respect to D

Figure 2c: A Simmelian tie (Krackhardt, 1995) unites A, B, and C in the upper network, whereas D, E, and F in the lower network are not Simmelian tied because there is no relationship between E and F.



Simmelian tie uniting A, B, & C



No Simmelian tie due to the absence of relationship between E and F

[a] Described by Granovetter (1973), Burt (1992), and Krackhardt (1995).

contacts in his or her social network, resulting in the expenditure of a relatively large amount of time with a contact who brings little unique information.

The expected advantages of structural holes have received empirical support. Burt (1992) presented empirical analyses of performance and promotions among managers in a high-technology firm, demonstrating that those managers with high-constraint networks suffer slower promotion rates. Similarly, Sparrowe and Popielarz (1995) found that structural holes in the career networks of hospitality industry managers significantly increased promotion rates within and across firms, whereas the network size, density, and number of weak ties had no effect on promotion rates.

The counterintuitive nature of Granovetter's (1973) strength of weak ties thesis may account for the empirical attention it has received when compared to the relative paucity, in social network analysis, of research on the effects of strong tie relationships on work-related outcomes. Krackhardt (1992), however, has argued that strong ties characterized by mutual trust, which he terms *philos* relationships, are particularly important in organizations in periods of uncertainty. Drawing on empirical data from a high-technology firm undergoing a union certification vote, he found that holding a central position in the friendship (*philos*) network was a better predictor of the outcome of the vote than was centrality in the advice network. Recently, Krackhardt (1995) broadened his focus on strong tie relationships from dyads to triads and, by extension, to larger social network structures. Following Simmel (1950), Krackhardt named these strong tie relationships shared by three individuals *Simmelian ties*. Our graph in Figure 2c compares a Simmelian tie with an ordinary triad. Social networks that are composed of densely connected, strong tie relationships may function to reduce individuality and individual power. Individuals within these triads "are less free in that they are more constrained by the group's norms than a person who is only part of a strong dyadic relationshp" (Krackhardt, 1995: 6). A reanalysis of the data from his earlier *philos* study (Krackhardt, 1992) showed how pro-union individuals who were tied in triads to alters opposed the union were constrained from active support, whereas pro-union members not part of such triads explicitly disagreed with the organizational norm.

Krackhardt's (1995) development of Simmel's original observations about triads provides a structural account of how Simmelian ties are the ties that bind, and bind doubly. First, such ties are instrumental in fostering inclusion, cohesiveness, and group identity. Second, strong ties facilitate socialization by reducing individuality and individual power. They constrain individual activity through the enforcement of group norms.

Despite their constraining effects on individuality, there are distinctive advantages to Simmelian ties. Socialization into work organizations, although it involves the partial abandonment of individual attitudes and values (Van Maanen, 1975), may also result in effective role performance,

satisfaction, and longevity within the firm (Feldman, 1981). Newcomers to work organizations who enjoy high-quality relationships with leaders are less likely to report the detrimental effects of unmet expectations (Major et al., 1995).

Taken together, Burt's (1992) structural hole theory and Krackhardt's (1995) analysis of transitive triads can be seen as extensions, from dyads to larger network structures, of Granovetter's (1973) original distinction between weak and strong ties. Structural holes (nonredundant network contacts) are valuable in relation to outcomes that depend upon access to information and the control benefits that are possible when exchange partners can be played against each other (Burt, 1992). *Philos,* or Simmelian ties, are valuable in relation to outcomes that depend upon social facilitation and cohesion, such as being perceived as trustworthy (Krackhardt, 1992), as well as complying with group norms (Krackhardt, 1995). The complementary nature of these social structures is evident when comparing Figure 2b with Figure 2c. The interconnected structure that Burt (1992) saw as disadvantageous because persons E and F are redundant contacts (Figure 2b, lower panel) is precisely the same structure that Krackhardt (1995) saw as advantageous, because persons A, B, and C are "Simmelian tied" (Figure 2c, upper panel). The difference lies in the processes and outcomes that characterize these structures: structural holes are advantageous in competitive situations, whereas Simmelian ties are advantageous where trust and cooperation are essential. Conversely, Simmelian ties are disadvantageous in bringing outcomes that depend upon competition, because of the constraint they pose on opportunistic behavior, just as structural holes are disadvantageous when crisis looms and interpersonal trust is necessary.

The contrasting advantages and disadvantages of structural holes and Simmelian ties in leader-member relations can be illuminated by means of an example. An associate in a consulting firm has, through her marketing efforts, brought in an engagement with a high-profile client that, if conducted effectively, will result in substantial future billings. Moreover, success in bringing in new work will secure the associate's bid for a partnership. She must delegate responsibility for this sensitive client relationship to one of the firm's project managers. Two managers (A & B) are well qualified in terms of their expertise and experience. Manager A enjoys close, mutual relationships within the associate's own network, whereas Manager B is closely tied with another associate who also is up for partnership. Manager A, because of his Simmelian ties to the associate, is clearly in line to benefit from this high-visibility assignment. Manager B, because he is closely tied to a competing associate, not only is less well known but also poses the threat of "stealing" the client.

A variation on this scenario would be to assume that Manager B is closely tied not to a competing associate but to an influential senior partner whose vote at the upcoming partnership meeting could be crucial for the associate. By assigning the client relationship to Manager B, the associate

can create a nonredundant contact that, in combination with other nonredundant contacts, forms a beneficial structural hole.

Exchange Processes and Social Network Structure

Although LMX researchers have emphasized the quality of relationships, whereas social network analysis has focused on the structure of relationships, we view these two perspectives as complementary. Exchange processes constitute the relationships whose structure is the focus of social network analysis precisely because the ties joining individuals in social networks are exchange relationships (Cook, 1982; Cook & Whitmeyer, 1992). Social network analysis provides the means for explicating the structural underpinnings that are implicit in LMX theory and research, whereas LMX research, through its emphasis on relationship quality, provides a means for explicating the nature of exchanges and reciprocity within social networks.

Integrating Sahlins' (1972) framework with the work of Krackhardt (1995) and Burt (1992), we expect strong (Simmelian) ties to be characterized by exchanges where the timing and equivalence of returns is indefinite and the interest of the exchange partners is cooperative. This expectation is based on the cohesive nature of such relationships in which competitive bargaining that pits one person against another in the network is likely to be frustrated by coalitions as well as group norms. Similarly, we expect exchanges in networks of structural holes (nonredundant contacts) to be characterized by immediacy and equivalence of returns and mutual self-interest. This expectation follows from the competitive assumptions of Burt's (1992) structural hole argument in which information and control benefits are obtained through relational structures in which contacts can be played off one another in bargaining processes and in which an individual can profit simply from linking two previously unrelated contacts. We also expect that negative reciprocity will be the rule in network structures characterized by coalitions that exclude and isolate an individual from important benefits.

> *Proposition 1: The dominant form of exchange within networks of strong ties is generalized reciprocity. The dominant form of exchange within networks "rich in structural holes" (Burt, 1992: 46) is balanced reciprocity. The dominant form of exchange in network structures that isolate and exclude individuals is negative reciprocity.*

Proposition 1 is the foundation for all of our subsequent propositions, because it unites exchange processes, as described by Sahlins' (1972) reciprocity continuum, with social structure, as described by the contrast between structural holes (Burt, 1992) and Simmelian ties (Krackhardt, 1995) in social network analysis. Because this relationship is at the center of our theory, we must add an important caveat. It is not our intention to

claim that, in any given network of relationships, structure and process necessarily must be perfectly related. An individual may have generalized reciprocity relationships with two contacts who do not know each other or engage in balanced reciprocity exchanges with two contacts who know each other. The relationship between exchange processes and social network structure is dynamic and reciprocal. Nevertheless, balance theory (Heider, 1958; Newcomb, 1961) predicts that, over time, two close friends of an individual will themselves become friends. Similarly, a preponderance of balanced reciprocity exchanges within a network of closely knit, strong tie relations is likely, over time, to result in a weakening of relationships. When two colleagues who once exchanged favors freely begin keeping close track of who owes whom, the level of trust between the two is likely to fall.

The Interplay of LMX and Social Networks: Sponsorship and Assimilation

A process similar to what LMX research describes as differentiation (Cashman et al., 1976; Graen & Cashman, 1975) has been observed in network analysis research. Burt (1992) found a significant association between social network structure and career progression for many of the upper-level managers in a high-technology firm. For these individuals, networks rich in structural holes were correlated with early promotions. For other individuals, however, there was a statistically significant opposite effect. Women and newcomers to the ranks of upper management did not benefit from structural holes—indeed, their careers suffered from them. What brought early promotions to women and newcomers was a strong tie to another individual, an individual whose own social network was rich in structural holes.

Burt's (1995) explanation for these results was that women and newcomers in the firm belonged to a minority "deemed suspect" by the majority, and, therefore, lacked legitimacy. Although they needed the information and control benefits of structural holes, without legitimacy they were unable to obtain these benefits on their own and, thus, had to derive them from relations with sponsors who had networks rich in structural holes and were well-connected members of the majority. Interestingly, Burt (1992) downplayed the importance of selecting one's immediate supervisor as a sponsor, in part because he held that supervisors are motivated to portray their subordinates positively to others within the organization regardless of their actual performance. Further, he viewed sponsorship relations as especially vulnerable to the problems that inevitably arise among individuals who work closely with one another. Burt thus enjoined managers to cultivate the sponsorship of others in the firm beyond one's boss (1992: 150). In contrast, LMX research suggests that the relationship with the immediate supervisor is pivotal to organizational newcomers in the development of their social networks.

The parallel between the differentiation process described in LMX research and the sponsorship-legitimacy link in social network analysis serves as the conceptual framework for organizing our propositions regarding the complementary relationship between LMX and social networks. Figure 3 portrays the differentiation process as occurring in a temporal sequence, beginning with initial relationship development, followed by sponsorship, and culminating in assimilation or termination. Relationships between LMX and social networks, and their respective effects on leader and member outcomes, are indicated by either solid or dashed arrows. Solid arrows represent new propositions relating LMX, social networks, and outcomes. Our discussion of these new propositions follows the temporal sequence from left to right on Figure 3, beginning with initial relationship development, through sponsorship, and ending in assimilation (or termination). Dashed arrows represent relationships established in previous research. In the interest of clarity, we did not attempt to include all of the factors that have been shown to affect the development of LMX or the assimilation of new members into an organization.

The Effects of Social Networks on Initial Relationship Development

The initial development of leader-member relations has been described as an attributional process whereby a variety of cues influence expectations of the quality of future exchanges. Cues that are especially salient in determining subsequent relationship quality include liking (Wayne & Ferris, 1990), perceived similarity between leaders and members (Phillips & Bedeian, 1994), and expectations held by leaders and members about the future of the relationship (Liden et al., 1993).

Where leaders and members do not know one another, but share a contact in their social networks, the presence of that shared contact may become salient in framing expectations about future exchanges. The quality of the relationship with the shared contact will function as a cue that anchors perceptions of similarity and frames expectations about future exchanges. The effects of a shared contact may occur through the actual exchange of information, such as when the member has been referred to the leader by the individual who knows both parties. However, the actual exchange of information is not necessary. If the leader or the member is aware of the shared relationship, that knowledge may itself be sufficient to affect initial perceptions of similarity and expectations about the quality of future exchanges. Social network analysis research has shown that similarity of attitudes and attributions occurs in the absence of face-to-face interactions among individuals who share structurally equivalent positions in social networks (Galaskiewicz & Burt, 1991) or hold equivalent roles in organizations (Mizruchi, 1993). These perceptions and expectations derived from the context of social network relations then affect the initial development of LMX (Liden et al., 1993).

FIGURE 3
LMX and Social Networks in the Differentiation Process[a]

[a] Solid lines indicate relationships proposed in the model; dashed lines represent findings established in previous empirical research. Circled numbers refer to propositions.

Proposition 2: During initial relationship development, if the leader and member of a new dyad share a common contact, the form of reciprocity each shares with the contact will shape expectations and perceptions of similarity held by the leader and member and, through them, will affect the early development of LMX.

Balance theory (Heider, 1958; Newcomb, 1961) suggests the predicted directions of these effects. If the leader-contact (LC) and member-contact (MC) relationships are in balance (e.g., both reflect either negative reciprocity or generalized reciprocity), then the LMX is likely to develop toward generalized reciprocity. That is, friends of friends are likely to become friends, just as shared enemies create friendly alliances. However, if the LC and MC relationships are not in balance (e.g., the leader has a positive relationship with the contact whereas the member's relationship is negative), then the development of generalized reciprocity between the leader and the member is not expected to occur. The leader-member exchange is likely to remain at the level of balanced reciprocity, unless the relationships with the shared contact come into balance. If the leader's or member's relationship with the contact is extremely positive (generalized reciprocity), but the other's is extremely negative (negative reciprocity), then the divergent relations with the contact may force the leader-member relationship into conflict and, eventually, into negative reciprocity. Figure 3 graphically represents the substantive relationships of Proposition 2 in the form of links leading from leader and member networks to perceived similarity and expectations, and from perceived similarity and expectations to early LMX quality.

LMX and Social Networks During Sponsorship

To obtain information about their specific roles, as well as about the organization's expectations and values, newcomers rely on a variety of sources, including their peers, their supervisors, and other individuals beyond their immediate work group (Graen, 1976; Miller & Jablin, 1991). The relationship with the immediate supervisor is particularly important in these processes (Dienesch & Liden, 1986; Major et al., 1995). Leaders play a pivotal role in the orientation and socialization of newcomers, not only through the immediate exchange processes, but also by introducing members into their networks of relationships beyond the immediate work group. Particularly important to the member's sponsorship process are those network contacts with whom the leader enjoys the high levels of mutual trust and respect characteristic of generalized reciprocity. When leaders assist members in establishing relationships with these individuals, they set the member on the path toward organizational assimilation.

The quality of the exchange relationship between the leader and the member affects the likelihood that the leader will incorporate the member, through introductions and referrals, in his or her network of trusted contacts. Members who develop generalized reciprocity relationships with

leaders are more likely to enjoy sponsorship in the leader's network of strong relationships than are members with balanced or negative reciprocity LMXs. Sponsorship among trusted contacts is largely a voluntary act characterized by indefinite timing and low equivalence of returns and is extended by the leader in the interest of the member's assimilation into the organization. It is, thus, an instance of generalized exchange, and so is most likely to occur among generalized reciprocity LMXs. Leaders are less likely to sponsor members with whom they have balanced reciprocity relationships among their trusted contacts because those members appear to respond primarily to exchanges where returns are immediate and readily computed on a tit-for-tat basis. Further, leaders are unlikely to sponsor members with whom their exchange is negative, precisely because those members may use the leader's trusted contacts to compromise, denigrate, or sabotage the leader.

> *Proposition 3a: During sponsorship, the quality of LMX relations affects the likelihood that leaders will sponsor (incorporate) members into their social networks of organizational contacts beyond the immediate work group. Leaders are most likely to sponsor those members with whom they have high LMX (generalized reciprocity) into their networks of organizational contacts beyond the immediate work group; they are less likely to sponsor members with whom they have moderate LMX (balanced reciprocity) into their networks; and they are least likely to sponsor those with whom they have very low LMX (negative reciprocity) into their networks.*

Proposition 3a could be investigated empirically if researchers examined LMX quality as a predictor of the extent to which a member's network of trusted contacts overlaps that of his or her leader. The proposed relationship would find support if LMX quality is related significantly to the extent to which leaders' and members' networks share trusted contacts.

Implicit in Proposition 3a is the expectation that a successful sponsorship process will result in a member having exchange relations that match those of their leaders. Balance theory (Heider, 1958; Newcomb, 1961) predicts that strong relations in a triad tend toward closure; that is, where the leader has a strong positive (generalized reciprocity) relationship with a member and a contact in his or her social network, the relationship between the member and the contact is likely also to become strong and positive (generalized reciprocity). Parallel predictions follow for balanced and negative reciprocity relationships:

> *Proposition 3b: During sponsorship, members who are incorporated into their leaders' organizational networks are likely to develop generalized reciprocity exchange relations with their leaders' generalized reciprocity con-*

tacts, balanced reciprocity relations with their leaders' balanced reciprocity contacts, and negative reciprocity relations with their leaders' negative reciprocity contacts.

According to Proposition 1, exchange processes (reciprocity) are evident in social structure. Given this relationship between reciprocity and social structure, an alternative way of stating Proposition 3b is: the structural holes and Simmelian ties in members' networks developed through sponsorship will match the structure of their respective leaders' networks. Proposition 3b would be supported empirically if, across contacts, the form of reciprocity characterizing each of the relationships a member shares with his or her leader is the same and if the structure of leaders' and members' networks match. Proposition 3b is reflected in Figure 3 by a solid line from leaders' networks to members' networks.

There is a limiting condition inherent in Proposition 3b. Leaders share their contacts with members, and members' networks thus come to share in the structural advantages and/or disadvantages of their leaders' networks. Thus, the structural advantages available to the member are determined by what the leader's network can offer. Leaders can sponsor members in socialization and assimilation processes only to the extent that their social networks offer strong (generalized reciprocity) ties with key contacts. Members whose leaders are not centrally located in trust networks are likely to be disadvantaged in their own networks. Similarly, leaders are able to sponsor members in the development of nonredundant contacts that offer information and control benefits only to the extent that their own social networks are characterized by structural holes. Members whose leaders have negative reciprocity relationships with key contacts in the organization are likely to suffer stigmatization as a result of sponsorship. An example of this phenomenon is *guilt by association*, which attaches to the subordinates of managers who have been disgraced among their peers in an organization. Although these subordinates may be competent, the failure of their boss makes them unlikely candidates for promotions, unless they can establish sponsorship relations with leaders who are held in high esteem.

Organizational newcomers are disadvantaged in exchanges that demand resources derived from social networks. They must become indebted to others precisely because they lack independent networks of instrumental and trusted contacts. Burt (1992) described the sponsorship process as a "borrowing" of the sponsor's social networks by the protégé. We have argued (Propositions 3a & 3b) that the relationships with leaders are pivotal in facilitating the development of members' networks. Because, under sponsorship, members "borrow" leaders' networks, it follows that members' outcomes dependent on relationships are derived primarily from leaders' networks rather than from members' own networks. That is to say, under sponsorship members benefit from strong, cohesive relationships as

well as from structural holes (Burt, 1992) in their leaders' networks. Leaders, in contrast, benefit little (if at all) from the structural advantages of strong and weak ties in their members' networks during the sponsorship process.

> *Proposition 3c: During sponsorship, members' outcomes derived from social structure will be predicted by their leaders' network positions and quality of relationships, rather than by the members' network positions and quality of relationships.*

Proposition 3c would find empirical support if outcomes derived from an individual's position in a social network, such as reputational effectiveness (Kilduff & Krackhardt, 1994) and influence (Brass, 1984), are better predicted by the structure of the leader's network than by the structure of his or her own network during sponsorship. Figure 3 graphically represents the substantive relationships that affect member outcomes under sponsorship by the presence of a link from the leader's network to the member's network and from the member's network to member outcomes. The member's reliance on the leader is indicated by the absence of a corresponding link from the member's network to leader's network, and from the leader's network to leader outcomes. The dashed link from leader's network to leader outcomes reflects direct relationships established in previous social network analysis research. The dashed links from early LMX quality to leader and member outcomes reflect direct relationships established in previous LMX research.

The Effects of Social Networks on Subsequent LMX Quality Under Sponsorship

Early statements of the LMX perspective on leadership proposed that leaders differentiate among members primarily on the basis of member ability and performance (Dansereau et al., 1975; Graen & Scandura, 1987). Subsequent research, however, has shown that other factors also play a role in the differentiation process. Liking (Dockery & Steiner, 1990; Wayne & Ferris, 1990), perceived similarity (Liden et al., 1993; Phillips & Bedeian, 1994), and leaders' expectations regarding members (Liden et al., 1993) have been shown to affect the subsequent development of exchange quality. Further, the role of member performance in the differentiation process may be more complex than originally thought. Duarte, Goodson, and Klich (1993, 1994) found that leaders evaluate the performance of high LMX members positively, regardless of their objective performance, thus suggesting that exchange quality biases leaders' judgments regarding member performance.

Proposition 2 states that contacts shared by leaders and members affect early LMX quality during the developmental stages of their relationships through expectations regarding the future of the relationship and perceptions of similarity. The social networks shared by leaders and members during the sponsorship process also can be expected to influence

expectations, perceived similarity, members' impression management, and leaders' performance judgments, and thus they will affect the subsequent quality of the LMX relationship. When members develop high-quality relationships with their leaders' trusted contacts, those relationships offer independent confirmation of the leaders' initial expectations about members. Expectations so fulfilled are likely to become stronger and will influence subsequent LMX quality.

Because close relationships are more likely to occur among similar individuals than dissimilar individuals (McPherson & Smith-Lovin, 1987), and, given the effects of cohesive groups on individual propensity to conform to group norms (Coleman, 1990; Simmel, 1950), members' inclusion in their leaders' inner circles is likely to increase both parties' perceptions of similarity. Increased levels of perceived similarity are likely, in turn, to affect subsequent LMX quality. The positive affect and friendship that often characterize cohesive relations also are likely to increase the extent to which the leader and member like one another. The effects on power and influence of upward appeal and coalition formation (Kipnis & Schmidt, 1988) have been shown to be mediated by formal and informal network structures (Brass & Burkhardt, 1993). To the extent that members, through sponsorship, obtain greater centrality in informal networks, they should be perceived as being more influential. In turn, their use of impression management strategies should have a greater impact on subsequent LMX quality. Conversely, because members report greater trust and respect for leaders whom they perceive to be influential (Jablin, 1979), the leader's own centrality can be expected to affect subsequent LMX quality. With respect to leader's performance judgments, the member who has been incorporated into the leader's network of trusted peers gains an advantage over those members who remain outside of the inner circle. Sponsorship may make it difficult for the leader subsequently to pass judgment on poor member performance, particularly if poor performance judgments place the leader's sponsorship of the member in doubt within his or her circle of trusted peers.

> *Proposition 3d: The sharing of social network contacts that occurs during sponsorship will affect subsequent LMX quality. The greater the number of strong ties the member comes to share in the leader's social network during sponsorship, the greater the likelihood that subsequent LMX quality will be characterized by generalized reciprocity.*

Proposition 3d parallels Proposition 2; the difference is that Proposition 2 pertains to the early development of LMX, whereas Proposition 3d describes LMX quality at the conclusion of the sponsorship process. The relationship between social networks and LMX quality thus is reciprocal: early LMX quality, based on perceptions of similarity and expectations of future exchanges, affects leaders' willingness to sponsor members. Over

time, sponsorship affects the subsequent development and maturation of the LMX relationship. Although empirical research has indicated that LMX quality is established rapidly (Dansereau et al., 1975), early reports of relationship quality given by leaders and members may reflect expectations rather than actual exchanges (Liden et al., in press). Generalized reciprocity relationships are unlikely among new dyads.

The effects on subsequent LMX quality of shared social networks developed during sponsorship are represented in Figure 3 by means of links from leaders' and members' networks to expectations, perceived similarity, liking, and impression management, and then to subsequent LMX quality.

LMX, Social Networks, and Assimilation/Withdrawal

Propositions 3a–3d describe a developmental process whereby LMX plays a pivotal role in the emergence of member networks within organizations through the enabling roles played by leaders who sponsor the development of their members' networks. The outcomes of this process for members who enjoy a generalized reciprocity relationship with their leaders are positive: through sponsorship, they are able to establish relationships similar to their leaders', resulting in the trust and respect of important contacts in the organization. Sponsorship also facilitates the development of balanced reciprocity relationships among nonredundant contacts, bringing the information, timing, and control advantages of structural holes (Burt, 1992). Members whose relationships with their leaders are characterized by balanced reciprocity are less likely to experience these positive outcomes. Deprived of participation in the inner circles of trusted colleagues, they remain dependent largely upon their leaders for beneficial outcomes. In Burt's (1992: 162) terminology, their "legitimacy . . . [is] . . . subject to question" and, therefore, they are "presumed not to be members of . . . top leadership." Members whose relationships with their leaders reflect negative reciprocity are least likely to be assimilated. Their negative relationship has "set them upon a path to termination" (Cashman et al., 1976: 286). If, by chance, they enjoy a positive relationship with a different leader in the organization, they may be successful in obtaining a transfer. Alternatively, they are likely to withdraw voluntarily or be terminated from the organization.

During sponsorship, members are dependent upon their leaders' networks for resources and benefits that flow from social relationships. Should newcomers attempt to forge independent relationships with individuals whose formal or informal positions hold sway over their leader, the outcomes can be severe (Michener & Schwertfeger, 1972). However, when members have been assimilated into the organization and are recognized as legitimate players (Burt, 1992), they are able to form independent relationships. They can then contribute these new relationships, and the resources they offer, to their leaders' networks. Members, in effect, recipro-

cate in kind for their leaders' earlier sponsorship. A member's contacts thereby can enhance his or her leader's network, just as the leader's contacts enhanced the member's network under sponsorship.

The fact that the member has developed independent social network contacts does not guarantee that she or he will share relational resources with his or her leader. What is feasible in terms of social structure may not be enacted in actual behavior (Molm, 1987). Members may, for example, utilize their social networks to gain access to alternative work opportunities or withhold from their leaders advantageous information derived from their contacts. Whether members will share their networks of independent contacts with their leaders will depend upon the reciprocity characteristic of their relations with leaders.

> *Proposition 4a: During assimilation, the quality of LMX relations will affect the extent to which members share relationships in their networks with their leaders; high (generalized reciprocity) LMXs will evidence greater incorporation of leaders in members' networks than medium (balanced reciprocity) LMXs. Low (negative reciprocity) LMXs will evidence very little—if any—incorporation of leaders in their members' networks.*

Proposition 4a is inversely related to Proposition 3a. During sponsorship, leaders incorporate members in their networks (Proposition 3a), whereas, when assimilated, members incorporate leaders in their networks. Proposition 4a would find empirical support if, in established LMX relationships, members share network contacts with leaders in relation to the reciprocity that characterizes their relationship. To determine the extent of mutual sharing, each contact would need to be identified as originating from either the leader's or the member's independent social network. The substantive relationships in Proposition 4a are represented in Figure 3 by means of a bidirectional link between leader's and member's networks, moderated by a link from subsequent LMX quality.

During sponsorship, members rely upon their leaders for outcomes derived from social network structure. When members are fully assimilated and have established generalized reciprocity relationships with their leaders, those leaders can be expected to benefit from the social resources and relationships derived from members' networks, just as members benefited from their leaders' networks under sponsorship. During assimilation, the flow of social resources and their effects on leader and member outcomes is expected to originate from the member's network as well as from the leader's.

> *Proposition 4b: During assimilation, the incorporation of independent member contacts into the leader's network affects leader outcomes, just as social relationships and resources derived from the leader's independent network affects member outcomes.*

Proposition 4b would find empirical support to the extent that changes in leader networks brought about by the inclusion of member contacts result in structural advantages that affect outcomes. Through members' contacts, leaders may develop relationships through which they obtain important resources or greater organizational support for a controversial project via the members' trusted contacts. For example, through a weak bridging tie that a member has cultivated with a key person on the legal staff, a marketing manager could obtain critical assistance in introducing a product in a foreign country. The structural advantages gained through access to members' networks would then be evident in leader outcomes, such as performance and influence. Similarly, the continuing inclusion of the leader's contacts should, by enhancing the structural advantages of the member's network, result in enhanced member outcomes. Figure 3 represents these relationships by means of solid links from leader's network to leader outcomes and from member's network to member outcomes.

A number of organizational factors may affect the differentiation process, such as span of control, organizational size, geographic dispersion, and task interdependence. Dealing with each of these factors would exceed our scope. However, one organizational factor is so closely related to the development of leaders' and members' networks that it must be acknowledged here. Fernandez (1991) examined whether emergent leadership relations follow formal reporting relationships in three organizations. He found that the extent to which respect relations develop was a function of the hierarchical versus participatory nature of the organization. In the hierarchical organization, informal relationships based on respect developed along the lines of the organizational chart, whereas in the participatory organization they emerged quite independently of formal reporting relationships. Our model of the differentiation process is based on *actual* relations experienced by leaders and members and so should apply regardless of whether those relationships are or are not also found on the organization chart.

However, the extent to which organizational structure causes leaders and members to rely on formal versus informal relationships during sponsorship and assimilation is a question deserving further research. It may be the case—and here we engage in speculation—that, in participatory and team-based organizations, the sponsorship process concludes more quickly than in hierarchical organizations because members are able to form relationships outside their formal work units more rapidly.

IMPLICATIONS FOR LEADERSHIP RESEARCH AND PRACTICE

The primary contributions of the leader-member exchange perspective to leadership research follow from its underlying premise that leaders differentiate in the quality of the exchange relationships they develop with members. We have developed and extended the implications of this premise, including those important for leader and member outcomes. Sah-

lins' (1972) reciprocity framework has enabled us to offer a model of leader-member relations that has greater explanatory potential than the simple dichotomy between social and economic exchange. It also provides a necessary link between the microlevel emphasis on relationship quality in LMX research and the macrolevel emphasis on social structure in network analysis. Integrating the psychologists' assessment of relationships and the sociologists' identification of structure within which people interact has resulted in our multidisciplinary framework for studying the formation and maintenance of interpersonal relationships in organizational contexts (cf. Mowday & Sutton, 1993). We have sought to extend the traditional domain of LMX research to examine the context of informal relationships in which leader-member exchanges are embedded. Our propositions, when taken together, describe the joint effects of exchange processes and social structure in the differentiation process.

We acknowledge that translating these propositions into hypotheses that can be tested in empirical research will be a complex undertaking. Because the differentiation process occurs over time, an empirical test of the relationships between social structure and exchange quality and their effects on outcomes will be best served by a longitudinal design. The rate at which individuals move through an organization would be an important factor in determining the overall length of a study and the interval between observations necessary to follow leader-member dyads through the differentiation process. Tracing the development of leader and member networks through sponsorship and assimilation also may require measurement at multiple points in time.

Measurement Issues

Researchers testing our model also face a measurement issue. Although several questionnaires have been developed to measure exchange processes (Hill & Stull, 1982; Ruehlman & Karoly, 1991; Van, Van, & Ormel, 1991), none has been based explicitly on Sahlins' (1972) conceptual framework. Given the importance of social exchange theory, not only to leadership research but also to research on psychological contracts (Robinson, Kraatz, & Rousseau, 1994; Rousseau, 1990), perceived organizational support (Eisenberger, Fasolo, & Davis-LaMastro, 1990; Settoon, Bennett, & Liden, 1996), and organizational citizenship behavior (Konovsky & Pugh, 1994; Organ & Konovsky, 1989), the development of an instrument to measure negative, balanced, and generalized reciprocity in exchange relations would further research in several related fields of inquiry.

Should Leaders Differentiate Among Members?

We believe the value to leadership practice that could emerge from empirical research on these propositions is sufficient to warrant dealing with the complexities in design and measurement. Leader-member exchange research has amassed an impressive empirical record over several decades in support of its premise that leaders form relationships of dif-

fering quality with each of their members. An unresolved issue in LMX research is whether leaders should or should not differentiate among their members (Graen & Uhl-Bien, 1995; Yukl & Van Fleet, 1992). Our understanding of the differentiation process indicates that this is not a simple question. If a leader differentiates severely, some members are likely to become disenfranchised (Yukl & Van Fleet, 1992). However, if a leader attempts to develop generalized reciprocity with each member, his or her own performance may suffer from an overinvestment in redundant contacts (Brass, 1995). Further, organizational effectiveness may be dependent upon internal selection processes and competition for promotions in which the differentiation process plays a crucial role. Research efforts that examine how the differentiation process affects leaders, members, work groups, and organizations are necessary before its value can be assessed.

Differentiation, Similarity, and Diversity

A second important implication for leadership research and practice concerns the basis by which differentiation occurs. Previous LMX research (Liden et al., 1993) has suggested that the initial perceptions and expectations leaders and members hold of one another function as self-fulfilling prophecies (Merton, 1948). Similarity between leaders and members appears to be crucial in the formation of these self-fulfilling initial perceptions and expectations. Personality similarity (Bauer & Green, in press), demographic similarity (Duchon, Green, & Taber, 1986; Green, Anderson, & Shivers, 1995), and overall perceptions of similarity (Liden et al., 1993; Turban & Jones, 1988) have been shown to be related to LMX. Further, similarity is closely related to interpersonal attraction (Tsui & O'Reilly, 1989; Wayne & Ferris, 1990; Wayne & Liden, 1995) which, in turn, shows positive correlations with LMX (Dockery & Steiner, 1990; Liden et al., 1993; Phillips & Bedeian, 1994).

Our propositions regarding sponsorship and social networks, if empirically supported, would indicate that these prophecies are fulfilled in part through the inclusion (or exclusion) of members in networks of trusted relationships. Because these networks are usually composed of similar individuals, and, given that perceived similarity is a demonstrated antecedent of LMX quality, the differentiation process may foster homogeneity within the organization (e.g., Jackson, Brett, Sessa, Cooper, Julin, & Peyronnin, 1991). If homogeneity develops on the basis of factors that have no relationship to organizational effectiveness or has the effect of systematically excluding individuals from advancement for reasons unrelated to performance, then the differentiation process warrants critical scrutiny.

Relational demography theory, which has been focused on the role of demographic similarity within dyadic relationships (Tsui & O'Reilly, 1989) as well as within entire work units (Tsui, Egan, & O'Reilly, 1992; Tsui, Xin, & Egan, 1995), raises parallel issues. These authors have suggested that a dyadic relationship, such as between leader and member, is influenced not only by each person's individual characteristics, but also by

the characteristics of the other members in the leader's work group. An important implication for the relational demography perspective can be derived from our discussion of the domain of LMX research. Relational demography research (e.g., Tsui et al., 1992) has assumed that the salient cluster of relationships in predicting organizational attachment is that of the formally constituted work unit or work group. Our view suggests that the logic of relational demography should be extended to the network of actual relationships that leaders and members form with others in the organization. That is, the member's demographic similarity with respect to the leader's network of trusted contacts may be as important as the member's demographic similarity to his or her peers within the formally constituted work unit.

Our perspective also suggests that differentiation among members strictly on the basis similarity may result in unintended negative consequences for the leader. Diversity in a work group could benefit the leader greatly as diverse members are more likely than similar members to interact with a nonredundant set of individuals within and, perhaps, outside the organization (Milliken & Martins, 1996). In this way, diverse members would be in a position to bring unique resources to the leader, especially when the individual characteristics of leader and member differ. This possibility suggests an important practical implication: diverse members may be more instrumental to the leader in developing nonredundant ties with key individuals in the organization than are similar members who tend to develop relationships with individuals already in the leader's network.

Leaders and Mentors During Socialization

A third implication of our propositions involves the respective roles of leaders and mentors during the socialization process. Mentoring research has distinguished two primary roles played by mentors: psychosocial support and career enhancement (Kram, 1985). Our discussion suggests that mentors who are in a Simmelian tie with leaders are beneficial to a newcomer's assimilation, whereas mentors who are located outside of the leader's network are beneficial to an individual's long-term career progression once assimilated into the organization. Different individuals may, therefore, be valuable as mentors as a newcomer progresses through sponsorship to assimilation.

Because mentoring research typically examines global perceptions of the mentoring received by protégés (Dreher & Ash, 1990; Koberg, Boss, Chappell, & Ringer, 1994; Scandura, 1992; Scandura & Schriesheim, 1994; Turban & Dougherty, 1994; Whitely & Coetsier, 1993; Whitely, Dougherty, & Dreher, 1992), rather than operationalizing mentoring in relation to actual relationships with specific individuals, it is difficult to discern to what extent its benefits derive from relationships with leaders or from relationships with others in the organization (Scandura & Schriesheim, 1994). Our model implies that the relationship between the leader and the mentor(s) is

of vital importance in the development of the newcomer's own relationship with the leader. Further, formally instituted programs that place newcomers with mentors at the point of organizational entry may have unintended consequences, particularly if the mentor and the leader are engaged in a negative reciprocity relationship.

Team Member Relationships

Our propositions regarding LMX development may also generalize to the development of team member relationships (Seers, 1989). In particular, the formation of exchange relationships between members of teams could be evaluated using Sahlins' (1972) reciprocity continuum. Network approaches, perhaps incorporating yet-to-be-developed measures based on the reciprocity continuum, might be used for assessing relationships within teams. Such approaches may offer a fresh method for operationalizing such team-level constructs as group cohesiveness, which continue to pose definitional and measurement problems (Goodman, Ravlin, & Schminke, 1987). Furthermore, analysis of informal networks of relationships would determine whether leader differentiation of subordinates results in the formation of subgroups. In addition to the role that a social network perspective may play in the advancement of theory and research, this approach also may prove valuable in practical applications as a diagnostic tool for uncovering actual interaction patterns within and outside work groups (Krackhardt & Hanson, 1993). Such information could then provide the basis for training efforts designed to enhance interpersonal interaction and related issues, such as group cohesiveness, group decision making, and intergroup cooperation.

The leader-member exchange (LMX) perspective on leadership began in an effort to explain *differentiation:* the processes by which "some newcomers . . . [are] . . . placed upon a path to termination whereas other newcomers . . . [are] . . . placed on a path to organizational assimilation" (Cashman et al., 1976: 286). By uniting exchange processes with social structure, we have sought to illuminate how these differential relationships, so critical to the fate of members, are formed. Further, we have attempted to point out how our model of the assimilation process has important implications for research in diversity, mentoring, and teams.

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