

THE IMPACT OF LEADER-MEMBER EXCHANGE (LMX) AND EXPECTANCY THEORIES ON SUBORDINATE LOYALTY AND TRUST

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ABSTRACT

The traditional workplace is no longer applicable in the 21st century. Employers are replacing the brick and mortar workplace with laptop and internet protocol (IP)-based phones with employees working from non-traditional work settings. Understanding how to relate to and build trust with virtual employees, as well as among virtual working teams, are of paramount importance to the modern leader. Numerous theoretical models have been offered up to address and explain strategies and approaches for leaders to gain loyalty and trust among subordinates. However, the leader-member exchange (LMX) and expectancy theories possess attributes that are most applicable to the modern, virtual workplace. With employees and work groups dispersed across regions, time zones and continents, understanding how to establish trust and loyalty are critical. The LMX theory seeks to improve the interaction and flow of communication, between the leader and subordinate, designed to establish and foster trust and loyalty that yield a sense of empowerment within and/or among subordinates. The trust and loyalty that are generated from the effective implementation of LMX influences the expectations of subordinates. Reinforcement of a two-way communication, between leader and subordinate, correlate with the subordinate's ability to manage expectations and confidence to perform job-related tasks. By properly establishing expectations, while providing subordinates access to information for informed decision-making, this approach generates a sense of empowerment that leads to more positive outcomes, which the subordinates grows to expect. As a result, the effective implementation of LMX, coupled with managing the expectations of subordinates, lead to greater productivity and more positive outcomes which are critically important in managing virtual employees and work groups.

KEYWORDS: *Leader-Member Exchange, Expectancy, Loyalty, Trust, Virtual*

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