ORGANIZATIONAL EFFECTIVENESS THROUGH VERTICAL EXCHANGE

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Abstract : This paper discusses the importance of human resource practices to be initiated for fostering dyadic relationship to sustain organizational effectiveness. Through the egs of various companies applying the theory of Leader-Member Exchange (LMX), the paper tries to highlight the importance of dyadic relationship between the superiors and subordinates in the organization. LMX emphasizes on providing adequate resources, required support and information to subordinates that would help them to better understand the organizational values and goals. The job and life satisfaction of subordinates is mediated through a quality exchange of implicit knowledge by the leaders. The paper deals with the stages of vertical exchange, its importance and several HR strategies that can be adopted to ensure organizational effectiveness. Various egs. helps to understand the importance of the LMX theory.

Keywords: Human Resource, Dyadic Relationship, Leader-member Exchange, Organizational Effectiveness.

1 INTRODUCTION

The changing trends in human resource practices aim to ensure organizational success. One such current trend is improvement in the quality of vertical exchanges among those dyads (pairs) that are more important in sustaining organizational growth and development. Most of the paired relationship in organisations between the leader and their followers are strictly contractual. They stick to norms, rules and regulations of the organisation thereby limiting employee's involvement to the basic necessity. Leader-Member Exchange (LMX) theory and research suggests that the quality of exchange that develops between employees and their leaders are predictive of performance related and attitudinal job outcomes. (Gerstner & Day 1997)

CONCEPT OF VERTICAL EXCHANGE

Existing organizational design may not be adequate in prescribing formally, the expected behavior and performance of its members at all times. Subsequently, there is always a possibility of employee disengagement with the job and organization as well. This kind of problems can be effectively handled through the concept of vertical exchanges, where the leader goes for choosing the members, develop a close and supportive relationship beyond formally prescribed by virtue of their positions in the organisation. This kind of special social relationship will cultivate additional commitment and make the members go beyond the contractual obligations in achieving the organizational goals. The concept of vertical exchange deals with providing members with attention, support, information and other resources. In return, it is expected that the members will reciprocate with commitment and involvement beyond their contractual terms.

Stages of Leader Member Exchange

As stated by Northouse, PG (2007), leader-member exchange consists of three stages as:
Role taking – It is the process is where the leader assesses the abilities and knowledge of the members to evaluate who may be a candidate for higher ranking positions.
Role making – It is the process where the leader creates a position for the candidates that display leadership qualities.
Consistency – It is the phase that deals with establishing and fortifying the social relationship between the leaders and the followers.

IMPORTANCE OF PAIRED RELATIONSHIP

The formal relationship is not sufficient to enhance the member's job satisfaction, commitment and sense of ownership. The paired relationship and a quality exchange amongst the leader and the members create mutual trust, feeling of deep admiration and a debt of gratitude. This kind of relationship will inculcate the habit of learning from the knowledge and experience of leaders thereby segmenting the ability, skills and competencies of the members. A competitive advantage of any firms does not depend upon the formal or codified knowledge but depends upon the tacit knowledge which the individual possesses, and transfer of such knowledge can happen through the paired relationship.

Existence of quality paired relationship in the organisation ensures identification and nurturing of transfer of tacit knowledge through increased interaction among members of group and sharing their intuitive knowledge. The presence of quality paired relationship also allow the employees to frequently seek social exchanges with their leaders in order to discuss and learn how to better deal with emerging problems and opportunities when performing their jobs. These exchange interactions may help employees to succeed in their goal of improving ability and skill. Such exchanges also provide members with the intrinsic work motivation and willingness to work hard. Building a positive paired relationship enhances Organizational Citizenship Behavior (OCB).

Paired relationship is positively correlated with turnover, support for innovation, performance and productivity. Therefore, it is important to initiate a sound employee development program in the organisation to attain business success. In such organisations, the members will take initiative, control and carry out their tasks, without excessive supervision when supervisors provide them with support, decision latitude and freedom.

The quality of leader-members exchange is an interpersonal mechanism that mediates the relationships between goal orientation, and job performance as well as job satisfaction. Further, innovative workers depend on their supervisor for the information (data, expertise, political intelligence), resources (materials, space, time), and social-political support (endorsement, legitimacy, backing) necessary to develop, protect and apply their innovative ideas (Kanter 1988). The quality of exchange depends upon leader's willingness to delegate and personality traits of members and leaders.

BENEFITS OF HIGH QUALITY EXCHANGES

❖ Employees tend to be more effective on the job and perform complex and challenging tasks of innovation in the workplace.
❖ The job itself acts as a motivator and makes the employees to put more effort in order to establish a high paired relationship with their superiors.
❖ Leaders and members are successful in the comprehensive tasks of generating, promoting & implementing innovative ideas.

HR INITIATIVES FOR IMPROVING QUALITY EXCHANGE

Several HR strategies are initiated by the organisations in order to improve paired relationship amongst the members, and thereby sustain organizational effectiveness. Some HR initiatives suggested are:
1.Redesign recruitment and selection process: Recruitment and selection process adopted by the organization aims to identify the existing capabilities of perspective employees and it generally fails to identify the potential and ability to face challenges. It is suggested that organizations should redesign their recruitment and selection process by incorporating adequate mechanism to identify whether the prospective employees are willing to seek extra challenges. Such quality of members makes them accept additional responsibility and willingness to have quality paired relationship. For e.g. At Dell Computers,

every member of the company takes part and gets totally involved in recruiting the employee for the company. A lead team is created who read newspapers ads, job finder's site, and trade journals to identify prospective candidates and refer them to head office for decision. Even Cisco Company of Silicon Valley adapts an innovative way of identifying potential and prospective employees. It has 'penetration agents' who are enrolled in the computer courses at colleges simply to recruit students.

2.Conduct Orientation Programs: In general, every organisation is familiarizing their employees about the organization's norms, regulations, relations through induction programs. Such induction programs should have a component which ensures employee willingness for extra effort beyond contractual terms.

3.Avoid Premature Assessment: Newly inducted employees may not be ready to exhibit their abilities and potentials as they need to understand thoroughly about the work environment, nature of their work and so on. Premature assessment of their abilities and demanding too much beyond their capabilities leads to ineffectiveness. So it is suggested that leaders should allow the employees to build a constructive relationship amongst the members and share information, which would reveal their actual potentials. For e.g. Tesco, the biggest private sector employer in the UK, with more than 360000 employees worldwide and having stores range from small local Tesco Express sites to large Tesco Extras and superstores. Tesco has a seven-part framework that describes the key skills and behavior for each job at every level in the company. This helps employees understand whether they have the right knowledge, skills or resources to carry out their roles.

4.Train Leaders: The quality of exchange mainly depends upon the leader's ability to clarify their expectations to the members of the organisations. It is therefore important to provide adequate training for the leaders to improve coaching and counseling skills to ensure healthy relationship amongst the members and leaders. For e.g. Xerox Company shows that most skills learned by technical commissaries who take part in the training are not from formal training tutorial, but from some activities outside the relative domains, such as the participation to solve the actual problems and informal discussions with colleagues.

5. Enrich subordinates: Empowering subordinates by sharing leader's authority would improve the self-efficacy of individuals, focusing attention on the challenges of the situation and use greater effort in measuring them, thus increasing the successful performance.

6. Design Intervention Programme: Organizations need to design suitable intervention program directed at improving interpersonal, intragroup and intergroup relations. This could improve leaders understanding the importance of paired relationships.

7. Reward Competent Members: Employee behavior can be influenced through adequate reward that meets the outcomes desired by them. Providing rewards for learning and using new skills, techniques and attitudes will ensure reinforcement of members' desired behavior. When leaders offer recognition and support, members are highly motivated towards accomplishment of desired outcomes. It is also important that leaders are provided with adequate resources and authority to reward competent members.

8. Adopt survey feedback: Organisations can adopt survey feedback and mechanism in which members are engaged in identifying and solving problems, enabling them to continually experiment, improve and increase their capabilities. This would also ensure development of capacity to transfer knowledge across organizations by collaborating and sharing expertise and information, thereby establishing constructive relationship amongst members.

9. Provide opportunities: A member's inherent quality and potential may not be explored and remain as an iceberg until and unless a suitable opportunity is provided. The organisation has to ensure the presence of a quality exchange that identifies such aspects and provides an opportunity for the members to exhibit their competencies. For e.g. BPCL had undergone very interesting transformation process in the year 1998, orchestrated by Arun Maira and his team from the consulting firm, Arthur D Little. They have redesigned the organisation and created dedicated teams called 'Shared Services' to perform supporting task for enterprise or region-wide operations. These measures had greater impact on the operations and better customer services were provided. One of the managers of BPCL stated: "The old commandant rule is gone and it is now more a team-based organisation. There is lot more flexibility; it is like running your territory as your own business. It means I can do things differently, take risks, experiment and innovate. Now if my team performs well I can even think of giving them a tour abroad. It is the attitude shift that has

taken place and all in a span of three years."

10. Provide job autonomy: Members can freely plan and control their performance. This in turn will provide them with meaningful work experiences, learning, a sense of accomplishment, encourage innovation and creativity. Job autonomy will improve intrinsic motivation and make the members to be more committed towards organizational goals.

11. Encourage open channels of communication: Many of the paired relationship problems arise due to inadequate and distorted communication. Even the lack of open communication results in fear, misunderstanding and distrust. Hence, it is essential to encourage members to maintain an open channel of communication, particularly upward communication. This would help leaders to understand the feelings problems, fears and aspirations of members.

12. Ensure transfer of tacit knowledge: Organisations need to ensure transfer of tacit knowledge through creation of factors such as design and documents based on the existing implicit knowledge. This would ensure a greater interaction between the members of the group and improve their ability to face and react quickly to exceptional and changeable demands of dynamic environment. Create deeper and wider pool of expertise where tacit knowledge is being shared to ensure that the members develop their intuitive knowledge to understand tasks, reflect, ask questions to one another and listen to successful stories of members, emphasizing on the importance of mentoring, human relations skills, joint development of goals and effective interpersonal communication. For e.g. Regular exchange of information and dissemination of knowledge at Matsushita's overseas branches is done through 'zoning meeting' to compare their own performance, and highlight 'best business'. Also General Motors Corp launched a series of professional and demonstration activities to enable management staff to learn management policies, unique production practices and system for joint venture between GM and Toyota enterprises called as NUMMI. This ensured internal organizational learning and knowledge transfer.

13. Create congenial work environment: Create work environment wherein members can perform their duties with a sense of fellowship. Organisations should have norms and practices which treat members as responsible person with abilities. This can improve sense of competencies and job involvement of members encouraging them to take initiative and achieve individual as well as organizations effectiveness. IBM is a classical example which is committed to create a supportive, flexible work environment which provides an opportunity for employees for development and advancement.

CONCLUSION:

High quality of leader-member exchange develops and enhances job attitudes and effective job performances of employees by allowing the employees to evaluate their self-efficacy and attitude towards ability, effort and performance. It also has a definite influence on other effeteness variables such as organizational citizenship behavior and organizational commitment encouraging the members to perform exceedingly in their duties beyond contractual terms. HR practices can be the key driver in fostering paired relationships that can transform employees and organizations.

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