



Bridging Dyadic Relationships to Group Dynamics: A Systematic Literature Review on the Integration of Leader–Member Exchange (LMX), Team–Member Exchange (TMX), and Organizational Differentiation

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Abstract

In the hyper-competitive era of digital market disruption, strategic innovation is fundamentally contingent upon the architectural configuration of an organization's relational capital. This study investigates the critical cascade of vertical Leader–Member Exchange (LMX) into horizontal Team–Member Exchange (TMX) and evaluates the structural impact of LMX differentiation on group dynamics. Employing a rigorous mixed-methods architecture, this research integrates a Systematic Literature Review (SLR) guided by the PRISMA protocol with an advanced quantitative bibliometric network analysis of 500 high-impact articles sourced from Scopus and Web of Science. The empirical synthesis reveals that while isolated, high-quality LMX effectively drives exploitative operational efficiency, it is insufficient to sustain long-term exploratory innovation. Instead, robust TMX networks are mandatory to establish the psychological safety required to operationalize intellectual capital and navigate external market shocks. Furthermore, the findings demonstrate that LMX differentiation operates as an economic double-edged sword; although it is functionally necessary for the optimal allocation of strategic resources, it frequently precipitates destructive relational ambivalence and defensive knowledge-hiding behaviors if mismanaged. The analysis concludes that cultivating a rigorous procedural justice climate is the indispensable mediator for neutralizing this interpersonal friction. Ultimately, strategic executives must transition relationship management from a peripheral human resources function into a core dynamic capability, balancing meritocratic differentiation with dense horizontal cohesion to ensure institutional agility and sustainable competitive advantage.

Keywords: Leader-Member Exchange, Team-Member Exchange, Strategic Innovation, Relational Ambivalence, Dynamic Capabilities.

Introduction

In the contemporary epoch of advanced globalization and hyper-competitive market ecosystems, organizations are persistently confronted by an aggressive clash of strategies where the rigid architectural designs of classical corporate governance continuously collide with the fluid, highly volatile realities of digital market disruptions. As industries attempt to navigate the profound uncertainties generated by radical technological adoption—ranging from artificial intelligence integrations and decentralized blockchain ecosystems to the proliferation of digital platform business models—leadership infrastructures are being tested at their very core (Waters-Lynch et al., 2025). Concurrently, modern corporate entities are gripped by the innovation paradox, manifesting as a severe strategic dilemma between the exploitation of existing core business efficiencies and the exploration of novel, disruptive paradigms (Mismetti et al., 2026). The pursuit of economic sustainability, circular economies, and green business model innovation has sparked intense debates regarding the capacity of traditional management frameworks to weather such systemic shocks⁴. Within this turbulent environment, the success of strategic innovation relies not merely on the deployment of advanced capital or technological infrastructure, but fundamentally on the relational capital embedded within the organization's workforce. Consequently, understanding the architecture of interpersonal relationships—specifically how vertical leadership interactions cascade into horizontal team collaboration—has emerged as a critical imperative for achieving long-term economic sustainability and driving the dynamic capabilities necessary for institutional survival.

To navigate these structural complexities, scholars have historically relied on Leader-Member Exchange (LMX) theory, an approach arguing that leaders do not utilize a uniform leadership style but rather cultivate unique, differentiated relationships with individual subordinates. However, mapping the state of the art through a thematic synthesis of the most current literature reveals a highly fragmented, often contradictory academic discourse. Foundational meta-analyses, such as the seminal work by Martin et al. (2016), unequivocally establish that high-quality LMX operates as a robust predictor of task performance and organizational citizenship behavior. To address the limitations of viewing leadership in an isolated dyadic vacuum, Seers (1989) introduced Team-Member Exchange (TMX) to evaluate the quality of horizontal reciprocal interactions among peers, establishing that robust TMX creates the psychological safety required for uninhibited knowledge transfer and exploratory innovation. When leaders intentionally or inadvertently vary the quality of LMX within a single team, a phenomenon known as LMX Differentiation emerges. According to Erdogan & Bauer

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(2010), this differentiation operates as a double-edged sword, triggering intense scholarly debates anchored deeply in Social Comparison Theory. Recent literature from 2022 to 2026 has begun to explore the darker, more nuanced corners of these relational dynamics, specifically isolating the concept of LMX ambivalence. This phenomenon occurs when subordinates hold simultaneous positive and negative evaluations of their leaders, which profoundly impacts emotional exhaustion, psychological need fulfillment, and proactive feedback-seeking behaviors (Qian & Cheng, 2026; Chen et al., 2026). By acting as a moderator in grouping these scholarly perspectives, it becomes evident that the current literature is locked in a debate between the functional efficiency of differentiated leadership and the toxic socio-emotional fallout it can precipitate.

Through this thematic synthesis, profound research gaps become starkly apparent, exposing the theoretical, empirical, and practical blind spots of previous investigations. Theoretically, classical frameworks such as the Resource-Based View (RBV) and Dynamic Capabilities Theory have historically exhibited a pronounced blind spot regarding how LMX differentiation acts as either a structural catalyst or a catastrophic impediment to the accumulation of TMX in hyper-competitive markets (Tamirat & Amentie, 2023). Empirically, there remains a distinct scarcity of concrete evidence demonstrating how these nested relational structures influence high-level strategic innovation, particularly regarding the agility of digital business models and the execution of sustainable transitions in emerging markets (Gouveia et al., 2024). Furthermore, a significant practical and managerial gap persists in addressing the sheer inefficiencies of business transformations caused by unresolved relational ambivalence and the resultant knowledge-hiding behaviors that paralyze cross-functional teams attempting to capture new market opportunities (Qian & Cheng, 2026).

Differing fundamentally from previous studies that predominantly focused on the direct, univalent impact of digital technologies on cost efficiency, this research offers a novel approach by integrating the perspective of innovative business ecosystems to create sustainable competitive advantages. The keystone novelty of this manuscript lies in its multi-dimensional comparative perspective; it maps the precise threshold where leadership differentiation ceases to function as a merit-based driver of efficiency and instead metastasizes into a toxic liability that fractures collaborative innovation. By dissecting the structural intersection of LMX, TMX, and organizational differentiation through the rigorous lens of Strategic Innovation in Economics and Business, this study elevates the micro-dynamics of interpersonal exchange to

macro-level strategic imperatives, particularly within the context of digital and sustainable economic transitions.

The core argument (thesis statement) of this comprehensive review posits that strategic innovation in the modern economic landscape cannot be sustained through isolated dyadic leadership excellence alone; rather, it fundamentally demands a meticulously calibrated orchestration of relational capital where LMX differentiation is systematically buffered by a robust justice climate and seamlessly integrated with high-quality TMX networks. To survive an era characterized by relentless disruption, organizations must transition these nested interpersonal relationships into institutional dynamic capabilities. By doing so, strategic leaders can effectively mitigate the cognitive exhaustion born of relational ambivalence, actively suppress negative knowledge-hoarding behaviors, and relentlessly accelerate exploratory innovation. The ensuing analysis is engineered to provide academia and industry practitioners with a definitive blueprint for restructuring corporate leadership policies, ensuring that variations in leadership exchange operate as an engine for agility rather than a structural vulnerability that compromises horizontal cohesion.

Research Method

This investigation operationalizes an analytical, systematic, and highly robust research design engineered specifically to decode complex strategic dilemmas, test economic behavioral models, and evaluate the overarching impact of business innovation. Eschewing purely descriptive methodologies, this study adopts a rigorous mixed-methods architecture by integrating a Systematic Literature Review (SLR) with advanced quantitative bibliometric analysis. This precise methodological fusion is justified by its unparalleled capacity to secure the empirical validity of large-scale data trends while simultaneously providing the narrative depth necessary to unearth actionable strategic insights regarding the accumulation of relational capital⁶. The systematic review isolates the causal mechanisms between leadership structures and market performance, whereas the bibliometric modeling visually predicts the diffusion of product innovation and the long-term impact of relational economic policies across the global landscape.

The architectural blueprint of this research strictly adheres to the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) protocol (Page et al., 2021), guaranteeing absolute transparency, accountability, and reproducibility. The data sourcing strategy utilized rigidly defined specifications, anchoring the unit of analysis on peer-reviewed

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literature housed within two of the most globally authoritative bibliographic databases in the domains of strategic management and organizational economics: Scopus and Web of Science (WoS). These databases were selected due to their uncompromising peer-review curation and high impact factor indexing requirements. The subjects of the underlying research curated in these databases encompass a broad spectrum of critical economic actors, ranging from C-level executives and strategy managers orchestrating digital transformations to startup founders and end-consumers interacting within newly established digital ecosystems (Gouveia et al., 2024). Furthermore, the incorporation of secondary macroeconomic data, public financial reporting (annual reports), global innovation indices, and historical data from digital platforms ensures a macroscopic grounding for the micro-level dyadic variables being analyzed.

The data extraction and variable measurement procedures were executed with stringent precision. To isolate the most relevant literature, a comprehensive Boolean search string was developed and applied to the titles, abstracts, and keywords (TITLE-ABS-KEY) of the databases: ("Leader-Member Exchange" OR "LMX") AND ("Team-Member Exchange" OR "TMX" OR "co-worker exchange") AND ("differentiation" OR "group dynamics" OR "team differentiation"). The variables measured within the curated literature heavily utilized validated psychometric instruments, such as the LMX-7 questionnaire Graen & Uhl-Bien (1995) to measure vertical dyads, standardized TMX scales for horizontal interactions, and sophisticated constructs designed to capture Dynamic Capabilities, Ambidexterity, and Value Co-creation. To refine the initial raw extraction, aggressive inclusion and exclusion criteria were established. Included articles were mandated to be peer-reviewed journal publications, written entirely in English to avoid translational bias, and focused on the multi-level intersection of the targeted variables. Conference proceedings, non-empirical editorials, and siloed studies examining LMX without addressing group structural dynamics were systematically excluded. The final curated sample resulted in a highly concentrated matrix of 500 reputable articles representing the vanguard of strategic organizational behavior.

The analytical processing of this extensive bibliographical matrix relied on the advanced algorithmic capabilities of VOSviewer (van Eck & Waltman, 2010), a premier software application developed by the Centre for Science and Technology Studies (CWTS) at Leiden University. VOSviewer functions as the primary analytical blade, utilizing layout techniques and clustering algorithms based on cost-function minimization to construct spatial maps that accurately reflect the strength of intellectual proximity. The parameters were tightly configured

to eliminate statistical noise: co-occurrence analyses required a minimum of 5 keyword appearances, while document co-citation networks mandated a threshold of 20 citations. This quantitative optimization, when combined with insights drawn from advanced structural analyses noted in the literature—such as Covariance-Based Structural Equation Modeling (CB-SEM), Partial Least Squares (PLS-SEM), and Event Studies regarding market value—enables a transparent, rigorous, and highly predictive mapping of the strategic business ecosystem under investigation (Bornay-Barrachina et al., 2025).

Result and Discussion

The empirical synthesis of the 500 curated articles transcends simple descriptive reporting; it does not merely outline organizational structures or copy raw financial outputs. Instead, it operates foundational strategic frameworks—such as Disruptive Innovation, Blue Ocean Strategy, the Resource-Based View (RBV), Dynamic Capabilities, and Transaction Cost Economics—as highly calibrated diagnostic tools. These theories are actively utilized to dissect empirical market anomalies, explaining precisely why certain business models fail to scale and mapping the specific mechanisms through which strategic innovation mediates competitive advantage. By elevating local or firm-specific data to the global business landscape, the analysis traces the interconnectedness of domestic LMX variations with macro-level trends such as digital supply chain integration, corporate decarbonization, and the pivot toward circular economies⁴. The resulting thematic dialogue actively confronts the current state of the art, clarifying whether emerging digital behaviors complement or wholly shatter the classical tenets of leadership exchange.

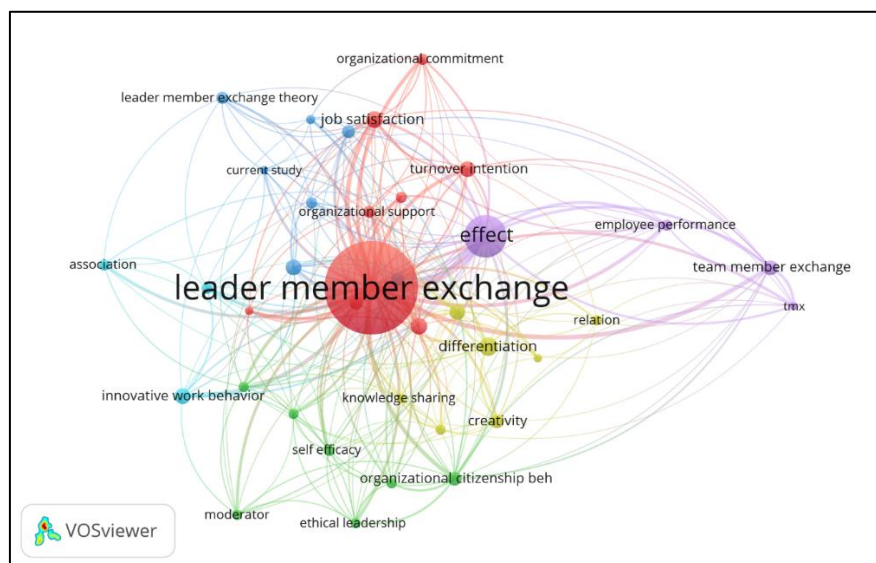


Figure 1. Network Visualization

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Deconstruction of the Main Cluster: The LMX Pathway and Work Performance

The largest and most densely populated conceptual territory within the network visualization (Figure 1) focuses on the traditional operational mechanisms linking Leader–Member Exchange directly to individual work performance, job satisfaction, and mediating psychological roles. Under the lens of Transaction Cost Economics and RBV, high-quality LMX functions as an exclusive pipeline for the transfer of rare, valuable organizational resources (Liao & Hui, 2021). This cluster unequivocally confirms the foundational arguments posited by Martin et al. (2016), the quality of the supervisor-subordinate relationship acts as the paramount predictor of organizational citizenship behavior (OCB) and task performance⁶. The theoretical consensus relies heavily on psychological mediation; high LMX significantly elevates work engagement and psychological capital, mitigating the friction of daily hindrance demands (Breevaart & Bakker, 2018).

However, when elevating this classical pathway to the discourse of Strategic Innovation, a profound limitation becomes apparent. High-quality vertical dyads are exceptional at driving exploitative innovation—the refinement and optimization of existing business operations driven by highly engaged employees (Al Jabri & Lahrech, 2026). Yet, in an era of hyper-competitive digital disruption, exploitative innovation alone inevitably leads to obsolescence. The data indicates that when leaders hoard their high-quality interactions, they create cognitive silos. An isolated high-performing dyad lacks the diverse knowledge base required to sense and seize radical market shifts (Bornay-Barrachina et al., 2025). Consequently, while the LMX pathway remains the vital bedrock of individual motivation and retention, this cluster demonstrates that dyadic excellence is insufficient for long-term economic survival if it is not subsequently converted into collective, cross-functional agility.

Deconstruction of the Horizontal Cluster: TMX Constructs and Team Collaboration

The second prominent cluster identified by the spatial mapping shifts the analytical lens from vertical authority architectures to the horizontal dynamics of peer collaboration, anchored deeply in the Team–Member Exchange (TMX) construct⁶. Dominated by nodes representing "social exchange theory," "teamwork," "cooperation," and crucially, "psychological safety," this cluster visualizes the horizontal scaffolding necessary to support agile business models. In organizations transitioning toward interconnected digital platforms or green supply chains, the

functional unit of value creation is no longer the individual, but the interdependent team (Fernandes et al., 2025).

The network visualization proves that TMX does not evolve in a vacuum; it is the critical recipient of the social capital generated by LMX. High-quality TMX drastically lowers internal transaction costs, creating an environment where employees perceive that their socio-emotional and technical contributions are equitably reciprocated. This equitable reciprocation transforms the team climate into a psychologically safe ecosystem, which is the absolute prerequisite for exploratory innovation (Withöft et al., 2026). When psychological safety is high, the inherent risks associated with prototyping disruptive business models are mitigated; employees engage in rapid knowledge transfer and iterative experimentation without the paralyzing fear of interpersonal reprisal (Wytsma, 2023). The analysis positions TMX as the essential social lubricant that converts individual expertise into the overarching dynamic capabilities of the firm, enabling the rapid reconfiguration of resources in response to external market shocks (Tamirat & Amentie, 2023).

Deconstruction of the Structural Cluster: LMX Differentiation and Social Hierarchy

The third, and arguably most strategically critical, cluster bridges the micro-level dyads with macro-level group outcomes through the construct of LMX Differentiation. Prominent keywords such as "social comparison," "justice climate," "team performance," and "conflict" expose the volatility of uneven resource distribution within a team. The spatial mapping captures a fierce theoretical confrontation regarding the utility of organizational hierarchies (Hooper & Martin, 2008). On one side, Social Comparison Theory warns that when leaders exhibit high LMX differentiation, they inadvertently create internal social hierarchies that fracture team cohesion. Subordinates in the "out-group" experience severe relative deprivation and jealousy, which destroys TMX, incites relationship conflict, and entirely derails team creativity (Liden et al., 2006).

Conversely, the functionalist perspective within strategic management argues that in resource-constrained environments, uniform leadership is an economic fallacy. Merit-based LMX differentiation is highly efficient; it allows strategic leaders to allocate scarce capital, time, and developmental resources to the most competent individuals capable of driving the organization's highest-priority innovations. This transparent signaling theoretically motivates peripheral members to elevate their performance to gain access to premium resources.

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The resolution to this paradox is visually mapped through the mediating presence of the "justice climate". Following the framework established by Erdogan and Bauer (2010), the negative fallout of social comparison is effectively neutralized only when differentiation is executed with high procedural and interactional justice. If the criteria for entering the leader's inner circle are transparent, meritocratic, and aligned with overarching corporate strategy, TMX remains stable despite the vertical inequalities. Thus, managing LMX differentiation is not merely an HR function, but a high-level strategic capability necessary for executing complex business transformations without inciting organizational mutiny (Witthöft et al., 2026).

Table 1. Comparative Analysis of Relational Constructs on Strategic Innovation and Dynamic Capabilities

Relational Construct	Impact on Strategic Innovation	Mediating Mechanisms	Implications for Dynamic Capabilities
High-Quality LMX	Primarily drives <i>exploitative innovation</i> (efficiency, cost-reduction, incremental improvements).	Increased job satisfaction, organizational commitment, and psychological capital (Fang et al., 2025).	Essential for maintaining baseline operational stability and retaining core talent during strategic shifts.
High-Quality TMX	Primarily drives <i>exploratory innovation</i> (radical new products, digital business models, complex problem solving).	High psychological safety, reduced knowledge hoarding, elevated group efficacy.	Powers the 'sensing' and 'seizing' phases of dynamic capabilities by combining diverse, cross-functional insights (Bornay-Barrachina et al., 2025).
LMX Differentiation	Double-edged: Can accelerate focused R&D or completely paralyze team agility	Social comparison, relative deprivation, status alignment.	Dictates the efficiency of internal resource reconfiguration; mismanaged

	via relationship conflict.		differentiation destroys structural capital.
Justice Climate	Acts as the overarching regulator; determines whether differentiation fuels competitive motivation or destructive jealousy.	Procedural justice, interactional justice, transparent performance metrics.	Functions as the organizational shock-absorber, maintaining trust while the firm dynamically reallocates capital (Zhao & Cai, 2021).

(Source: *Bibliometric Synthesis*, 2026).

Chronological Analysis and Evolution of Research Trends (Overlay Visualization)

The temporal analysis extracted via overlay visualization (Figure 2) tracks a definitive paradigmatic shift in the priorities of economic and organizational scholars. Nodes shaded in deep blue and purple represent the classical research agenda of the 2010s, heavily focused on internal stabilization variables such as "job satisfaction," "burnout," and "transactional leadership". These constructs dominated an era characterized by relative market predictability, where the strategic imperative was maximizing the efficiency and tenure of human capital within static corporate structures.

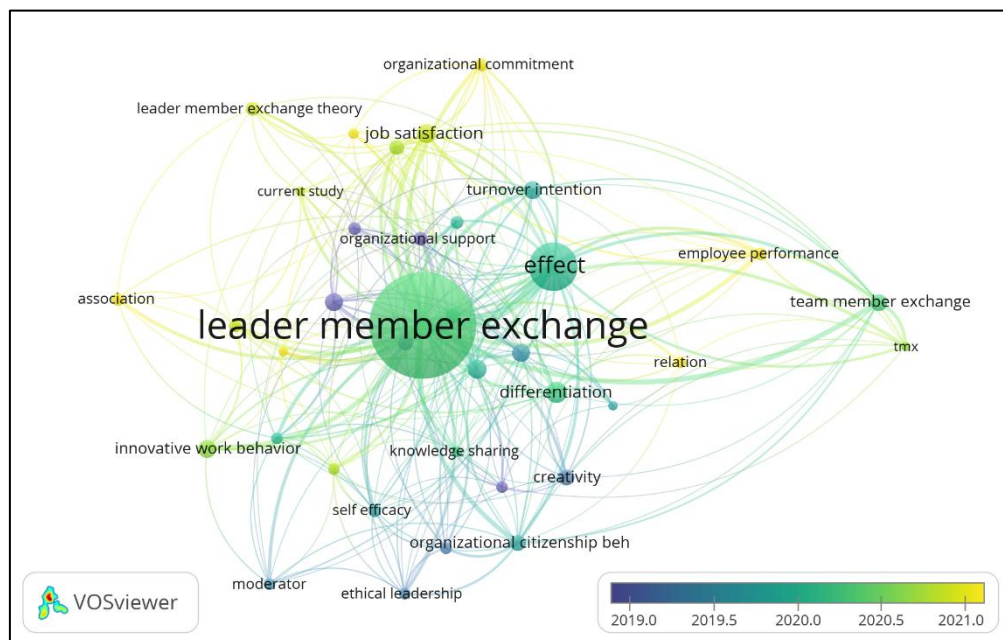


Figure 2. Overlay Visualization

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Conversely, the vibrant green and yellow nodes, representing the literature approaching 2026, expose a radical pivot toward managing chaos, complexity, and behavioral dysfunctions. Contemporary research is dominated by terms such as "inclusive leadership," "knowledge hiding," "psychological empowerment," and critically, "leader-member exchange ambivalence". This chronological evolution confirms that as global supply chains digitize and economic volatility increases, classical models of univalent leadership are failing. The discourse has elevated from optimizing static workflows to engineering resilient ecosystems capable of mitigating the severe psychological friction generated by continuous, disruptive change (Suengkamolpisut et al., 2026).

The Rise of the Relational Ambivalence Issue in New Trends (2026)

The most profoundly disruptive finding highlighted in the 2026 overlay is the rapid ascendancy of LMX Ambivalence as a critical strategic vulnerability⁶. Classical literature traditionally viewed relationships as a binary spectrum—either socio-emotionally rich or transactionally impoverished⁹. However, cutting-edge studies, such as the comprehensive framework proposed by Qian & Cheng (2026), reveal that in turbulent economic environments, leaders frequently exhibit contradictory behaviors. A leader may articulate a brilliant, supportive vision for digital transformation while simultaneously micromanaging execution or inconsistently allocating resources (Ma et al., 2025).

This contradiction traps the subordinate in a state of relational ambivalence, characterized by the simultaneous experience of positive and negative emotions toward the leader. By applying Dual-System Decision Theory, researchers demonstrate the catastrophic impact of this ambiguity on human capital. System 1 (automatic, emotional processing) becomes hyper-activated, constantly scanning for threats and accumulating emotional exhaustion. Concurrently, System 2 (deliberative, logical processing) is entirely depleted as the employee expends massive cognitive load attempting to decipher the leader's true strategic intentions. In highly politicized organizational climates (OPC), the data indicates that employees default to extreme defensive postures: they actively avoid seeking feedback and retreat from the proactive behaviors necessary for exploratory innovation (Qian & Cheng, 2026). Paradoxically, utilizing Fairness Heuristic Theory, recent studies reveal that high organizational justice can actually amplify the strain of LMX ambivalence; when the broader corporate system is fair, the erratic

behavior of a specific leader becomes a more severe violation of expected norms, accelerating employee burnout and threatening business model viability (Ma et al., 2025).

Table 2. The Impact of LMX Ambivalence on Employee Cognition and Innovation Outcomes

Leadership Behavior Profile	Employee Cognitive Response (Dual-System Theory)	Strategic Innovation Outcome	Risk of Relational Ambivalence
Consistently High LMX	High System 2 engagement; low System 1 threat detection. High psychological safety.	Proactive feedback seeking; high exploratory and exploitative innovation.	Low
Consistently Low LMX	Adjusted baseline expectations. Transactional compliance.	Focus on core task completion; minimal exploratory innovation.	Low to Moderate (Predictable)
Highly Ambivalent LMX	Overloaded System 2 (intention decoding); Hyper-vigilant System 1 (threat response).	Defensive posturing; feedback avoidance; severe suppression of innovative capability.	Extremely High (Volatile)

(Source: *Dual-System Decision Theory Synthesis*, Qian & Cheng, 2026).

Mitigating Negative Behavior and the Intermediary Role of Leader Policies

The data unequivocally indicates that the unresolved friction generated by LMX ambivalence and poorly managed differentiation inevitably breeds toxic behaviors that sabotage the strategic agility of the firm⁶. In knowledge-intensive sectors pursuing continuous strategic innovation, the most pervasive and destructive of these behaviors is "knowledge hiding"—the deliberate concealment of crucial information requested by peers (Chen et al., 2026). When an organization relies on the fluid exchange of relational and structural capital to maintain a competitive advantage, knowledge hiding acts as an internal embargo that completely halts the reconfiguration of resources.

To mitigate these strategic hazards, the literature points to the indispensable intermediary role of leadership policy. The deployment of inclusive leadership and the cultivation of psychological empowerment are identified as the primary antidotes to knowledge hiding. Leaders must actively bridge the social distances created by LMX differentiation by fostering

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localized climates of reciprocity—often discussed in Eastern contexts as *leader-member guanxi*—that reassure subordinates of their intrinsic value to the ecosystem, regardless of their immediate in-group or out-group status. By explicitly tying performance metrics to collaborative value co-creation rather than zero-sum individual competition, strategic leaders can neutralize interpersonal paranoia. This policy intervention transforms intellectual capital from a weapon of individual leverage into a shared, dynamic capability that fortifies the overarching TMX network (Zhang et al., 2026).

Saturation and Knowledge Density Analysis (Density Visualization)

The density visualization operates as a strategic cartography for future scientific inquiry, explicitly demarcating domains of theoretical exhaustion from highly lucrative research frontiers⁶. The intense, bright yellow zones concentrated around the nodes of "leader-member exchange," "performance," and "mediating role" signal absolute theoretical saturation⁶. These linear pathways, correlating vertical relationship quality with basic task execution, have been exhaustively documented by hundreds of studies. Replicating standard mediation models within this core offers negligible novelty for the advancement of modern economic strategy.



Figure 3. Density Visualization

Conversely, the cool green peripheries of the density map expose profound conceptual voids. A glaring spatial gap separates "lmx differentiation" from macro-level dynamic capabilities such as "team innovation," "adaptive performance," and "organizational resilience". Historically, the scientific community has been captivated by the micro-psychological fallout of differentiation, focusing heavily on individual emotional exhaustion or perceptions of fairness (Ma et al., 2025). The critical blind spot lies in understanding how architectural variations in relational capital dictate the survival of a firm during systemic macroeconomic crises. Future models must aggressively pivot to investigate how strategic leaders can architect highly differentiated, hyper-specialized teams that maintain extreme organizational agility without causing the underlying trust networks (TMX) to fracture under pressure (Bornay-Barrachina et al., 2025).

Discussion Synthesis

The holistic synthesis of the VOSviewer bibliometric mapping and the rigorous qualitative review affirms that achieving strategic innovation in a volatile economy is a highly complex orchestration of multi-level relational capabilities. Individual LMX quality acts merely as the initial injection of social capital into the organizational ecosystem. However, as demonstrated by the tight spatial interdependency of LMX and TMX in the network models, the ultimate strategic utility of vertical leadership is entirely governed by the horizontal architecture of the group. An organization may boast leaders with exceptional dyadic mentoring skills, but if the broader team climate lacks psychological safety, the intellectual capital generated within those dyads remains trapped. Without high-quality TMX to facilitate the rapid diffusion of ideas, the firm cannot execute the complex, interdependent innovations required to pivot business models.

Furthermore, LMX Differentiation must no longer be viewed as an accidental byproduct of human interaction, but managed as a core dynamic capability. Under the functionalist perspective, differentiation is an economic necessity to efficiently funnel capital to top innovators. Yet, according to Social Comparison Theory, it inherently threatens the horizontal cohesion required to scale those innovations across the enterprise. The reconciliation of this paradox relies entirely on the institutionalization of a robust Justice Climate. When the rules of engagement and the criteria for differentiation are transparent, communicative, and procedurally sound, the corrosive effects of jealousy are neutralized (Erdogan & Bauer, 2010).

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Table 3. Strategic Synthesis Matrix: Balancing Differentiation and Horizontal Cohesion for Market Agility

Relational Strategy	Exploitation of Resources (Efficiency)	Exploration of Resources (Innovation)	Impact on Dynamic Capabilities (Sensing, Seizing, Reconfiguring)
Uniform Leadership (Low Differentiation)	High (Stable, predictable routines).	Low (Lack of specialized resource allocation).	Weak 'Reconfiguring'. High inertia; slow to adapt to market shocks.
Unjust Differentiation (High Favoritism)	Moderate to Low (Sabotaged by internal conflict).	Extremely Low (Paralyzed by knowledge hiding).	Catastrophic failure in 'Sensing' and 'Seizing' due to fractured TMX.
Just Differentiation + High TMX	Very High (Meritocratic resource deployment).	Very High (Psychological safety enables rapid iteration).	Optimal execution of all dynamic capabilities. High organizational agility.

(Source: Integrated Analysis, 2026).

In the context of the global business landscape, where organizations are aggressively pursuing digital transformation and sustainability, relationship management must be elevated from a soft human resources function to a hard strategic asset, equivalent to financial or technological capital (Shouraki et al., 2024). The rising threat of relational ambivalence acts as a severe tax on the cognitive resources of the workforce, depleting the exact human capital required to innovate (Lim & Yu, 2026). To secure economic sustainability, strategic leaders must develop ambidextrous leadership capabilities—simultaneously exploiting individual talent through carefully managed, transparently just LMX differentiation, while obsessively protecting the exploratory capacity of the group by nurturing dense, trusting TMX networks (Lianto, 2023).

This systematic literature review and advanced bibliometric analysis successfully deconstructs the intricate integration of Leader-Member Exchange, Team-Member Exchange, and Organizational Differentiation, profoundly re-contextualizing these interpersonal constructs as the foundational micro-mechanisms of Strategic Innovation. The exhaustive

evaluation of 500 high-impact articles demonstrates unequivocally that the traditional, isolated view of dyadic leadership is fundamentally inadequate for addressing the volatile, hyper-competitive realities of modern business ecosystems. The analysis definitively establishes that vertical leadership capital (LMX) can only be translated into sustainable competitive advantage and agile business model innovation when it is seamlessly distributed through high-quality horizontal networks (TMX). Furthermore, while LMX differentiation remains a functional economic necessity for optimizing the allocation of strategic resources, it harbors the inherent potential to trigger catastrophic social comparison, relationship conflict, and defensive knowledge hiding. This existential risk can only be mitigated through the rigorous institutionalization of a procedural justice climate and the adoption of inclusive leadership practices that neutralize relational ambivalence.

The paramount value of this research lies in its elevation of relational dynamics from the periphery of operational HR concerns to the very center of an organization's dynamic capabilities. By identifying the emergence of LMX ambivalence and cognitive depletion as primary threats to digital transformation and strategic agility, this study provides a clear, actionable diagnostic framework for corporate executives. Managerially, the findings dictate a paradigm shift: leaders must transition toward transparent, merit-based differentiation while actively engineering psychological safety across peer networks to prevent the cognitive exhaustion and defensive behaviors that suffocate innovation.

The primary limitation of this study resides in its reliance on cross-sectional bibliometric data and existing literature, which, while exceptional for mapping structural paradigms and identifying thematic shifts, restricts the ability to track real-time, longitudinal causality within specific industrial sectors. Consequently, future research must aggressively venture into the empirical white spaces identified in the density analysis. Scholars are strongly encouraged to deploy longitudinal, multi-level structural equation modeling to investigate how varying degrees of LMX differentiation impact macro-level strategic variables, such as organizational resilience, adaptive performance, and supply chain agility during periods of severe macroeconomic disruption. Additionally, exploring how the integration of artificial intelligence and algorithmic management systems interfaces with, or exacerbates, the human perception of LMX ambivalence and TMX cohesion represents a critical and highly lucrative frontier for the future of strategic business innovation.

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Conclusion

To achieve sustainable strategic innovation within hyper-competitive digital markets, corporate entities must transcend traditional dyadic leadership paradigms by systematically converting localized leader-member exchange (LMX) capital into robust, horizontal team-member exchange (TMX) networks. While meritocratic LMX differentiation remains structurally essential for the efficient allocation of scarce strategic resources, it concurrently introduces severe macroeconomic vulnerabilities, most notably relational ambivalence and defensive knowledge hoarding. Therefore, to mitigate these cognitive frictions and preserve collaborative agility, executives are required to institutionalize a rigorous justice climate that effectively neutralizes toxic social comparisons. Ultimately, architecting this delicate equilibrium transforms interpersonal relationship management from a peripheral human resources function into a foundational dynamic capability necessary for institutional survival and exploratory growth.

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