Theoretical Review and Empirical Analysis of the Impact of Leadership Behaviors on Employee Attitude in Chinese SMEs

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In the last few decades, the theory of leadership has become a hotspot in the field of management and organizational behavior. In particular, three types of leadership behavior have been suggested as mainstream. First, transformational leadership enhances the motivation, morale, and performance of followers through the charisma, intellectual stimulation, individualized consideration, and inspirational motivation of the leader. Second, transactional leadership promotes the compliance of followers through both rewards and punishments. Finally, paternalistic leadership combines strong discipline and authority with fatherly benevolence. Though scholars have based many great achievements on the three types of leadership behavior, we know little about what kind of leadership behavior is most effective in Chinese Small and Medium-sized Enterprises (SMEs).

Based on the theoretical limitations, two main questions are worthy of exploration: What type of leadership behavior is effective in Chinese SMEs? What kind of organizational culture can strengthen the positive impact of leadership behavior on employee attitude?

To answer these questions, two methods are applied: theoretical review and empirical analysis.

In the theoretical review, this research conceptualizes three types of leadership behaviors and categorizes four styles of organizational culture (group, developmental, hierarchical, and rational) on the basis of Competing Values Framework. Employees' job satisfaction, turnover intention, organizational commitment, and work effort are introduced to define the term employee attitude. Based on these conceptualizations, this dissertation develops hypotheses about the influence of three types of leadership behavior on employee attitude. In addition, hypotheses regarding the moderating effect of organizational culture on the effectiveness of leadership have also been proposed. Major hypotheses include the following:

(1) In Chinese SMEs, transformational leadership increases employees' job satisfaction, organizational commitment, and work effort, but decreases their turnover intention.

(2) In Chinese SMEs, transactional leadership decreases employees' job satisfaction, organizational commitment, and work effort, but increases their turnover intention.
(3) In Chinese SMEs, paternalistic leadership increases employees' job satisfaction, organizational commitment, and work effort, but decreases their turnover intention.

(4) In Chinese SMEs, the effect of paternalistic leadership on employees' job satisfaction is reinforced when the firm is under the group, hierarchical and rational culture background.

In empirical analysis, a survey was conducted to collect data from 23 SMEs in the Wuhou high-tech industrial development zone in Chengdu, Sichuan Province, from May 16 to June 16, 2012. The researcher initially distributed questionnaires to 700 participants in 23 SMEs. Then I collected questionnaires directly from these participants. After eliminating unfinished and scratch questionnaires, 515 questionnaires were completed and usable. Data analysis followed three steps. First, the statistical methods of reliability and factor analysis were used to test the reliability and validity of the questionnaire. Second, correlation analysis was applied to check for multicollinearity problems between variables used in the regression. Based on these analyses, regression analyses were conducted to test the causal relationships in the hypotheses.

Analysis results support most of the hypotheses, and two major findings have been achieved. The first finding reveals that paternalistic leadership is more effective than transformational and transactional leadership in SMEs of inland China. The second indicates that the group, developmental, and hierarchical culture can strengthen the positive impact of leadership behavior on employee attitude in SMEs of inland China.

These findings provide important implications. First, this dissertation increases our understanding of the effectiveness of different leadership styles in Chinese SMEs.

Second, this dissertation takes organizational culture as a moderator to detect its influence on the impact of leadership behavior on employee attitude.

All in all, I believe that these implications stimulate future research on effective leadership behavior and help leaders of Chinese SMEs establish a proper organizational culture and manage employees effectively.