Research on the Impact of Leadership Behaviors on Employee Performance in Chinese SMEs: Organizational Culture as Antecedent

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1. Introduction

In the era of knowledge-based economy, facing severer competitions and uncertain market environment, entrepreneurs should adapt to and catch up with all the changes. They must lead the employees to meet the demand of reform, relying on their mutual efforts to push their organizations ahead. Leader effectiveness has become one of the most important issues in management practice, and leader-member relationship is especially significant.

First, China has experienced a prolonged economic transition since 1978. During this period, socialist market system, laws and institutions are not well developed. The development of Chinese SMEs relies much on a special national culture which is called as “Guanxi”¹). Entrepreneurs who have great “Guanxi” with other organizations and people will be easy to lead SMEs to be successful. Second, the developing history of Chinese SMEs is not long enough. Entrepreneur with the power of both ownership and governance has the absolute power to control the whole organization. From this point, leadership behavior is quite important for the success of Chinese SMEs. Third, most Chinese SMEs are of family business. All important departments of the organization are almost controlled by family members who are under control of the top leader. The top leader can control the whole organization through administrating managers of all the important departments. Hence, leader effectiveness is basically important for the flourish

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The author wishes to thank Prof. Endo for helpful comments. The views and any remaining errors in this paper are those of the author.
¹) Guanxi concerns an informal relationship between individuals in or out organizations like the connection among acquaintances, relatives, classmates, and people from the same hometown and so on, exists in almost all business activities of organizations, during the time when China has been experiencing economic transition (Liu, 2012).
of Chinese SMEs.

As to leadership behaviors, transactional leadership and transformational leadership are two dominant theories of leadership research since 1978 when they were firstly proposed by Burns (Burns, 1978). However, Transactional leadership and transformational leadership originated in western country and most research achievements about them were based on western culture background, less studies around the two types of leadership have been argued on the basis of non-western culture. Westwood (1997) put forward a new leadership theory with indigenous approach. That is paternalistic leadership featured with typical Chinese characteristics. But empirical study on this leadership theory is insufficient.

Though the research on leadership behavior is the hotspot in the field of human recourse management, two main domains are not well explored and need to be focused on. First, scholars paid more attention to the impact of individual factors on the choice of leadership behaviors. These factors which concern about individual value, psychological characteristics are at the level of individual. However, the factors at non-individual level which play a significant role in the effectiveness on leadership behaviors are rarely involved in relative researches. Especially, scholars have not placed strong emphasis on the relationship between cultural context and leadership behaviors. Second, many recent researches on leader-member relationship are under the background of western culture and a great many research achievements are also from western society. Researches on the relationship between leader and employee in Chinese SMEs are not enough, for Chinese SMEs have got their flourish since the economic transformation started from 1978.

The research is to derive a conceptual model which reflects the impact of leadership behaviors on employee performance so as to propose hypotheses based on the conceptual model and test them empirically in the future. There are three common types of leadership behaviors in Chinese SMEs: transactional, transformational and paternalistic leadership. Under different organizational culture, entrepreneurs of Chinese SMEs take distinct leadership behavior which has dissimilar effect on employee performance. This study will draw some valuable conclusions about the impact of leadership behaviors on employee performance and get regularity of it in order to help entrepreneurs to take feasible and effective leadership behaviors to regulate staff and stimulate employee performance.

2. Theoretical foundation

2.1 Organizational culture

Although organizational culture has been defined in a great number of ways, there is still no general consensus on its definition. Some people take formal or informal rules, procedures, and
norms of an organization as the manifestations of organizational culture. For instance, Trice and Beyer (1984) regard organizational culture as a variety of practices, ranging from notions of accepted behavioral rules, norms and rituals. Kilman et al. (1985) state organizational culture as “shared philosophy, ideology, value, assumption, beliefs, hope, behavior and norms that bound the organization together”, while George & Jones (2002) describe it as “informal design of values, norms that control the way people and groups within the organization interact through each others and with parties outside the organization”. One frequently cited definition is from Schein (1992) who defined organizational culture as “the pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration, and that have worked well enough to be considered valid, and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to other problems” (p.12). In this research, we prefer defining an organization’s culture as a common understanding and things including philosophies, ideologies, values, assumptions, expectations, perceptions, norms, sayings, behaviors, heroes, and traditions that are shared among organizational members (Lau and Ngo, 1996).

Organizational culture also has many ways to categorize. Tsui, Wang & Xin (2002) identified five organizational culture values or dimensions as harmony and employee orientation, customer orientation, systematic management control, innovativeness, and outcome orientation that commonly exist in a variety of firms in China. Based on these dimensions, Tsui et al. (2006) defined firms with strong and weak culture respectively. The firms that constantly focus on organizational values are “strong culture” firms, while “weak culture” firms are of the contrary. Another way to classify organizational culture is by using competing values framework (CVF) which is one of the most influential and widely used model in organizational culture research. CVF categorizes four types of organizational culture from two dimensions (see Figure 1). These organizational cultures, named as group, developmental, hierarchical, and rational, are the combination of flexibility vs. control orientation and within vs. outside the organization orientation (Denison & Spreitzer, 1991). Group culture emphasizes flexibility and maintains a primary focus on the internal organization. This kind of organizational culture is full of atmosphere of openness and emphasizes the morale of employees. As to developmental culture, innovation and adaptation are strongly emphasized to glue the organization together. Growth is the eternal goal for organizations with developmental culture. Hierarchical culture has clear structures, strict rules and well defined responsibilities which are regarded as the glues that hold the organization together. Rational culture stresses on goal achieving, so the accomplishment of tasks and goals is the prime criteria of success. Chasing profit and productivity are the significant orientation for the organization with rational culture.

In addition, Deshpandé et al. (1993) classify organizational culture into four styles — market
cultures, adhocracy cultures, bureaucratic cultures, and clan cultures. This kind of category is also oft-utilized in the area of organizational culture.

Figure 1. Competing values framework (Denison & Spreitzer, 1991)

2.2 Leadership behaviors

Transactional leadership and transformational leadership are the two dominant theories of leadership research. Burns (1978) first introduced the concepts of transformational leadership and transactional leadership in his descriptive research on political leaders, and this term is now used in organizational psychology as well. According to Burns (1978), transformational leadership is a process in which “leaders and followers help each other to advance to a higher level of morale and motivation”, While transactional style bases on a “give and take” relationship between leaders and employees.

Another scholar, Bass (1985) developed the transformational leadership and transactional leadership theories. According to Bass (1985), transformational leader transforms and motivates followers by charisma, intellectual arousal and individual consideration. In addition, this kind of leader seeks for new working ways, while he tries to identify new opportunities versus threats and tries to get out of the status quo and alter the environment. Transactional leadership is a term that inquires the interactions between leaders and employees. A transactional leader focuses more on a series of “transactions”. Leader of transactional type is interested in looking out for oneself, having exchange benefits with their subordinates and clarifying a sense of duty with rewards and punishments to reach goals.

Paternalistic leadership which combines strong discipline and authority with fatherly benevolence and moral integrity that couched in personalistic atmosphere is the prevalent leadership style in Chinese business organizations. Although paternalistic leadership is widespread in China, very few studies have focused on this leadership style and those were simply conceptual analyses and with less empirical studies.
2.3 Employee performance

The vast majority of research on leadership behaviors has focused on the outcomes of them. As to outcomes, job satisfaction, turnover intention and organizational commitment have so far been explored in recent studies.

Job satisfaction has attracted a lot of interest from most scholars, because it is an intuitive concept that can reflect employees’ reaction to the job situation. This kind of reaction to the job is from employees’ perception of the value or interest of work itself, rewards, relationship among peers, and appraisals from leaders and organization (Broome et al., 2009). So these components are often used to measure job satisfaction. At the level of organizations and managers, job satisfaction can directly reflect employees’ performance for it is usually linked with job-related behaviors.

Intention to leave appears to be the underlying inducement for actually quitting from an occupation (Schwepker, 2001). Employees with turnover intention will directly affect their performance, even that of organizations (Schwepker, 2001). Some scholars have achieved results on the factors of turnover and its affection on performance. According to Fishbein (1967), attitudes and intentions are connected with leaving behaviors. While Bluedorn (1982) reported that turnover intention has significant and positive impact on actual leaving behavior and performance.

Organizational commitment refers to the degree an individual is involved in, and identifies with, a particular organization (Steers, 1977). Three facets of organizational commitment have been identified by Porter et al. (1974). The three dimensions of organizational commitment are shown as employees’ strong belief, and acceptance of organizational goals and values, employees’ willing to exert considerable effort on behalf of the organization, and employees’ definite desire to be the member of organization (Muliawan et al., 2009). An individual who is committed to an organization will, therefore, be with great performance at the occupation (Muliawan et al., 2009).

3. Establishment of conceptual model

3.1 Impact of organizational culture on individual behaviors

The research around impact of organizational culture on individual behaviors of members within a firm is a prominent part in the area of organizational culture. The influence of organizational culture on individual behaviors in a company reflects that culture encompasses phenomena at the level of individual. In other words, cultural factors press members within a given organizational culture to decide how the organization operates. In detail, organizational culture impacts individuals’ experience at work, reflects their perception and interpretation of conditions in firm, and determines their identities and action choices in their occupations (Peter-
son & Smith, 2000; Weick, 1995; Weick et al., 2005).

The interplay between organizational culture and individual behaviors is almost tested in an empirical way. In these empirical studies, individual behaviors are often quantitatively described as dimensions of individual performance, individual productivity, employee morality, employee satisfaction, intention of leave, employee organizational commitment, and so on (Connell, 2001; Colin, 2004; Fraser et al, 2002; MacIntosh and Doherty, 2010). According to these researches, organizational culture is not only directly impact employees’ behaviors, but also serves as a control mechanism to guide employees toward desirable behaviors (Kwantes and Boglarsky, 2007).

As the member of an organization, leaders’ behaviors are also affected by cultural context. The impact of organizational culture is pervasive in that they influence the most basic ways in which leaders behave in their jobs. Organizational culture represents an active, living phenomenon which affects the manner of decision making, management style and behavior models of leaders in the organization. Leaders, as the key decision-makers, determine the resource distribution, development, and resource conversion in the organization. Hence, Leadership behaviors, under certain organizational culture, help organizations achieve their current objectives more efficiently and drive the firm to improve its performance. Some studies have reported the relationship between organizational culture and leadership behaviors. However, under oriental culture background, the relationship between organizational culture and individual behavior of both leaders and employees has not been well explored and needs to be emphasized on. Hence, the conceptual model will refer to the impact of organizational culture on leadership and employees’ performance.

3.2 Impact of leadership behaviors on employee performance

According to Bass (1985, 1990 in Epitropaki, Martin, 2005), transformational leaders motivate employees to do more than what is implied in the employment contract and focus on the employees’ higher-order needs. Leaders with the characteristics of transformational leadership act as mentors. In management work, employees’ individual development, learning, and achievement are paid attention to. Leaders provide meaning, challenge, a sense of mission and higher vision, gain respect and trust, and act as role models for their employees (Epitropaki, Martin, 2005). They foster a climate of trust and motivate employees to transcend self-interest for the sake of the organization (Epitropaki, Martin, 2005). Transformational leadership has been positively related to many employee outcomes such as job satisfaction, turnover intention and organizational commitment (Epitropaki, Martin, 2005).

Transactional leaders tend to make their followers clear about their responsibilities, the tasks that must be accomplished, the performance objectives, and the benefits to the self-interests of the
followers. The transactional leader specifies the standards for compliance, and may punish followers for being out of compliance with those standards (Bass & Avolio, 1997, in Epitropaki, Martin, 2005). Prior research has shown that transactional leadership is intensively related to organizational outcomes such as performance and organizational commitment (Epitropaki, Martin, 2005).

Much of the early empirical research on paternalistic leadership studied paternalism as a unidimensional construct, but these studies found paternalistic leadership to be positively related to numerous outcome variables, such as LMX, job satisfaction, obligation, and goal setting (Aycan et al., 1999; Uhl-Bien et al., 1990 in Pellegrini, Scandura, 2008). Recently, Pellegrini and Scandura (2006) and Pellegrini et al. (2007) studied paternalism in the Turkish, Indian, and North American business contexts and suggested that paternalistic practices may positively influence employees’ attitudes and their performance regardless of the cultural context.

As analyzed above, this research constructs the conceptual model which reflects the relationship between organizational culture, leadership behaviors and employee performance (see Figure 2). This conceptual model will make three contributions to the study on leadership literature. First, this study will reveal the effect of culture context, especially the impact of organizational culture on leadership behaviors. Second, findings of this paper can improve our understanding of how Chinese employees react differently to the three types of leadership behaviors. Third, achievements of this research will also discover the effect of organizational culture on employee performance in Chinese SMEs.

![Conceptual model](image-url)
4. Research design

4.1 Sampling

The study will combine the methods of probability sampling and non-probability sampling. Non-probability sampling here refers to the choice of sampling zones. The study will also seek input from enterprises of different type and from entrepreneurs and employees with different characteristics in the method of probability sampling.

The data will be collected from SMEs in China. Specifically, the sampling plan of the empirical study will be carried out in SMEs with less than 500 employees.

4.2 Measures

All measures used in this study will be drawn from prior studies in the related literatures. The questionnaire consisted of 16 items which measured the four components of culture at the values and assumptions level as suggested by the competing values framework. The items were in a five-point Likert scale format.

For leadership behaviors, transactional and transformational leadership behavior will be operationalized using Multifactor Leadership Questionnaire (MLQ) from Bass and Avolio (1996). The MLQ has undergone various revisions over the years and had achieved a set of items that are clear, behaviorally based, and so central to the concepts that there are only four items per concept (scale) and yet the MLQ consistently shows excellent validity and prediction of organizational performance. In this research, the rater forms are chosen as the measure instrument. The rater form is used to measure leadership as perceived by people working in the organization. Each form has 45 questions. The MLQ also includes 9 outcome items rating the leader’s effectiveness and the satisfaction the rater has for the leader. The rater form is at the heart of the MLQ and may be used without the leader form if desired. Paternalistic leadership behavior is going to be measured by using questionnaire developed by Cheng et al. (2000). Paternalistic leadership has three distinct elements: authoritarian leadership, benevolent leadership and moral leadership. Each type was measured with 11 items using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

As to variables about employee performance, job satisfaction was measured by using a global indicator developed by Cammann et al. (1979) (in MacIntosh, Doherty, 2010). This measure uses three items to assess job satisfaction. With actual turnover data unavailable, this paper will use Kelloway et al. (1999) 4-item measure to assess respondents’ turnover intentions. In addition, this research will measure organizational commitment using the four-item short version of the Organizational Commitment Questionnaire developed by Porter et al. (1974).
The questionnaires are originally prepared in English, and then they will be translated into Chinese and sent to different Chinese SMEs. The survey instrument will get adjustment based on research requirement.

The measures will be subjected to reliability analysis and confirmatory factor analysis using SPSS and AMOS to test the reliability and validity of questionnaires. The measures will also be subjected to correlation analysis, hierarchical regression analysis through SPSS to provide support for the hypotheses about the impact of organizational culture on leadership behaviors and employee performance. The hypothesized relationship between leadership behaviors and employee performance will be measured by using multilevel data analysis through HLM.

5. Conclusion

The purpose of this paper is to construct conceptual model on two types of impact relationship. One is the impact of organizational culture on the choice of leadership behaviors and employee performance. Another one concerns about the influence of leadership behaviors on employee performance. The theoretical contributions can be concluded as follows:

First, one of the most important impact relationship included in the conceptual model is the influence of organizational culture on leadership behaviors. Based on previous researches, organizational culture is barely selected as the antecedent in the field of leadership researches, though it has already been proved to be a significant factor for individual behaviors in many studies. Hence, the introduction of organizational culture as the antecedent of leadership can further enrich the exploration of upstream factors for the choice of leadership. This is also a kind of enrichment in the field of both organizational culture and leadership.

Second, transformational, transactional and paternalistic leadership are selected as the most representative leadership behaviors in Chinese SMEs. The paper constructed the impact model on the influence of three kinds of leadership on employee performance, so as to offer theoretical foundation for empirical studies in the future. Furthermore, the methods of sampling, measure instruments, and software that will be used in empirical study have been proposed in this paper as well. This has greatly supported the empirical study from methodology.

In addition, organizational culture which embedded in oriental culture background may be different from that conceived from other culture context. Then, its impact effectiveness on individual behavior might be different from that of other culture background. The paper chose Chinese SMEs as research objects to explore the impact of organizational culture on leadership behaviors and employee performance under oriental culture background. This is the innovative point of this research.
6. Agenda for future research

This paper has constructed conceptual model presenting the impact of organizational culture on leadership behaviors and employee performance and the influence of leadership behavior on employee performance, but there are still many limitations that need to be further investigated in the future.

First, this study has constructed a conceptual model that clearly reveals the relationship between organizational culture, leadership behaviors and employee performance. The conceptual model has provided us theoretical background and analysis framework for empirical research in the future. Hence, theoric hypotheses can be proposed on the basis of this conceptual model. Data can be introduced to testify the impact relationship among organizational culture, leadership behaviors and employee performance in the future.

Second, this study examined the impact of organizational culture on the choice of leadership behaviors and the influence of leadership behaviors on employee performance in Chinese SMEs. The questionnaires, of which the main part was developed from western culture, have been tested in Chinese cultural background. However, it is not sufficient to completely investigate the applicability and generalizability of organizational culture, leadership and employee performance theory in oriental society. Thus future research should enlarge the investigation area by taking countries and districts under oriental culture background like Japan, Korea, Taiwan, etc. into consideration so that the comparative analysis can be adopted to explore the distinction of impact relationship among all the variables in different countries and districts. Furthermore, the comparative research on the difference of impact relationship among all the variables between eastern and western culture context can also be undertaken in the future.

Third, job satisfaction, turnover intention and organizational commitment have been introduced as variables to measure employee performance. In future research, some other variables, like organizational citizenship behavior, work effort, job performance and so on, can also be taken as variables to testify the impact of leadership behaviors on them. In addition, the impact relationship about organizational culture, leadership behaviors and employee performance in state-owned enterprises and private companies in China also needs to be examined, since they are also important for economic growth in China.

References


