



Beyond leader–member exchange (LMX) differentiation: An indigenous approach to leader–member relationship differentiation ☆

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ARTICLE INFO

Article history:

Received 4 April 2013

Received in revised form 17 December 2013

Accepted 18 December 2013

Available online 10 January 2014

Handling editor: Kevin Lowe

Keywords:

LMX

LMX differentiation

Leader–member *guanxi*

Leader–member *guanxi* differentiation

ABSTRACT

The existing literature has established that leaders differentiate among their followers; however, the focus has long been on the Western leader–member exchange (LMX) theory. This paper examines leader–member relationship differentiation from an indigenous, leader–member *guanxi* (LMG) perspective. Using a sample of 60 groups and 228 employees, we examined the dual effects of LMG differentiation on employee job satisfaction, organizational commitment, turnover intention, and co-worker helping behavior after controlling for LMX, LMX median, and LMX differentiation. The results of this study supported the proposed dual effects of LMG differentiation, demonstrating that LMG differentiation, in general, is detrimental to employees' work attitudes and their intentions to stay in an organization. On the contrary, interestingly enough, LMG differentiation can accentuate the positive relationship between LMG and job satisfaction, organizational commitment, and co-worker helping behaviors.

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1. Introduction

The significance of leader–member relationships in the workplace has been well established in the literature (Dulebohn, Bommer, Liden, Brouer, & Ferris, 2012; Gerstner & Day, 1997; Graen & Uhl-Bien, 1995). The majority of this research has been conducted within the framework of the leader–member exchange (LMX) theory. Rather than assuming that leaders develop relationships of equal quality with individual members, the LMX theory suggests that leaders may form differentiated relationships with their followers. Meta-analyses (Dulebohn et al., 2012; Gerstner & Day, 1997; Ilies, Nahrgang, & Morgeson, 2007) of LMX have demonstrated that LMX quality is related to certain work attitudes and behaviors such as job satisfaction, organizational commitment, job performance, and organizational citizenship behaviors (OCBs).

House and Aditya (1997) noted that LMX theory reflects the U.S. cultural preference for a separation between business and personal relationships; therefore, it focuses implicitly on working relationships. Indeed, Liden, Sparrowe, and Wayne (1997, p. 48) defined LMX as “a working relationship that is characterized by the physical or mental effort, material resources, information, and/or emotional support exchanged between the leader and the member.” In a well-cited review article, Graen and Uhl-Bien (1995) stressed that leader–member exchange relationships are “based on the characteristics of a working relationship as opposed to a personal or friendship relationship” (p. 237); however, research has demonstrated that leaders can develop both working and personal relationships with their members (Berman, West, & Richter, 2002; Boyd & Taylor, 1998; Burris, Rodgers, Mannix, Hendron, & Oldroyd, 2009; Law, Wong, Wang, & Wang, 2000; Zorn, 1995).

☆ We are grateful to Editor Kevin Lowe and three anonymous reviewers for their insightful comments and suggestions throughout the review process. We thank Professor Aparna Joshi for her feedback on the earlier version of this work.

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The Western LMX approach focuses on working relationships, whereas the indigenous Chinese leader member *guanxi* (LMG) construct focuses on personal relationships between leaders and members. The LMG can be developed through after-hours leader–member socialization, the exchange of gifts, family visits during holidays and other social activities (Law et al., 2000). This study defines LMG as a personal relationship between the supervisor and the subordinate that is characterized by personal life inclusion, affective attachment, and deference to supervisor (Chen, Friedman, Yu, Fang, & Lu, 2009).

Although both LMX and LMG refer to supervisor–subordinate relationships and substantial findings with respect to LMX have been replicated in Chinese contexts (e.g., Hui, Law, & Chen, 1999; Wang, Law, Hackett, Wang, & Chen, 2005), recent studies have demonstrated that LMG and LMX are related but distinct constructs. LMG can explain additional variance in various organizational outcomes in Chinese contexts (Chen et al., 2009; Law et al., 2000). For example, studies among Chinese respondents have found that LMG, after consideration of LMX, is positively related to organizational commitment, procedural justice perceptions (Chen et al., 2009), constructive controversy with managers (Chen & Tjosvold, 2007), promotion, and bonuses (Law et al., 2000).

The research into both LMX and LMG has focused historically on a dyadic level of analysis. Such dyadic-level studies typically treat the dyadic LMX or LMG in isolation without considering the possibility that a high- or low-level quality of leader–member relationships with respect to either work or personal situations may coexist within the same work group. Recently, the LMX research has moved from the dyadic level toward consideration of the influence of a combination of different levels of LMX that employees may have with the leaders of a work group. The degree of the within-group variation of the different quality levels of LMX is termed as LMX differentiation. This line of research has found that LMX differentiation is related to a number of employee work attitudes and behaviors, such as job satisfaction and well-being (Hooper & Martin, 2008), organizational commitment, withdrawal, coworker helping behavior (Erdogan & Bauer, 2010), team conflict and team potency (Boies & Howell, 2006), and individual and team performance (Liden, Erdogan, Wayne, & Sparrowe, 2006).

Although more is being learned concerning the effects of LMX differentiation on work outcomes, it is unclear how the variability of different levels of LMG within a work group, or LMG differentiation, may affect the same work group with respect to individual employees' work attitudes and behaviors. Studies have found that Chinese supervisors categorize their subordinates based on LMG quality (Cheng, 1995) and award bonuses and promotion opportunities to those with whom they have significant LMG (Law et al., 2000). Few studies, however, have explored LMG differentiation and its influence on work group member work attitudes and behaviors.

The purpose of this paper is to examine the relationships between LMG differentiation with respect to individual employee work outcomes such as job satisfaction, organizational affective commitment, turnover intention and co-worker helping behavior. We selected the above four specified outcomes for two reasons. First, these four individual outcomes are important for both individual employees and organizations. Second, these four outcomes have been examined in the LMX differentiation literature (e.g., Erdogan & Bauer, 2010). By investigating the relationship between LMG differentiation and these four outcomes, we can compare and contrast the results between the effects of LMX differentiation and LMG differentiation. It is important to clarify that this research examines the variability of LMG at the group level, or LMG differentiation, with respect to individual-level outcomes; thus, this study will use a cross-level analysis.

Consistent with the established literature that argues LMX and LMG are distinct constructs, this study posits that LMG differentiation is distinct from LMX differentiation and that LMG differentiation has unique relationship patterns with respect to individual work outcomes. Following the justice and social comparison theory, we argue that LMG differentiation has dual effects on work outcomes. LMG differentiation has an overall negative impact on employee work experiences; however, for those employees who have an established high quality LMG with their manager, LMG differentiation improves their satisfaction with respect to their jobs and organizations, and these employees exhibit increased levels of helping behavior toward coworkers. We tested this study's hypotheses using data collected from 60 groups in China.

The current study expands research on LMX theory in two ways. First, we adopt an indigenous perspective on leader–member relationships by focusing on LMG, an indigenous Chinese construct that focuses on non-work relationships between leaders and followers. We extend LMX theory by exploring the phenomena that have not been fully captured by the current LMX theory.

Second, this paper provides insight into the ongoing debate concerning the effects of LMG in Chinese society. Proponents of the positive effects of LMG argue that both Chinese and Western managers based in China should strive to develop high-quality LMG with their subordinates because LMG is positively related to certain individual outcomes such as job satisfaction, organization commitment, job assignment, and career development (e.g., Law et al., 2000; Wong, Tinsley, Law, & Mobley, 2003). Other researchers stress the negative effects of LMG on the interests of the collective community and argue that LMG can be detrimental to the interests of groups, organizations, or society in general because it can bias a manager's decision making process, which can lead to favoritism and corruption (e.g., Dunfee & Warren, 2001; Fan, 2002).

This paper adopts a multi-level perspective that examines both dyadic LMG and the group level LMG variability (i.e., LMG differentiation), with respect to the study of the effects of LMG on individual work outcomes. The multi-level perspective enables the exploration of both positive and negative effects of LMG differentiation and thus broadens our understanding of the complexity of LMG phenomena, the reasons why LMG is important to Chinese employees and how it affects employee work outcomes in the Chinese context.

2. Theoretical background and hypotheses

2.1. LMX and LMG

This paper develops the premise that leader–member *guanxi* (LMG) is a distinct indigenous Chinese construct compared to leader–member exchange (LMX), and that LMG differentiation is distinct from LMX differentiation. The main distinction between

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