

UNIVERSITY OF SOUTHERN QUEENSLAND

**AN EXPLORATORY STUDY OF LEADER-MEMBER
EXCHANGE IN CHINA, AND THE ROLE OF *GUANXI* IN THE
LMX PROCESS**

A Dissertation submitted by
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For the award of
Doctor of Philosophy

2012

KEY WORDS

Leader-member exchange (LMX)

Affect

Loyalty

Contribution

Professional respect

Guanxi

Lun

Perceived similarity

Perceived liking

Perceived subordinate performance

Subordinates' perspective

Supervisors' perspective

ABSTRACT

This thesis investigated how *guanxi* was related to exchange relationships between supervisors and subordinates in China. Since *guanxi* is a relationship-based phenomenon and extends into all levels and domains of Chinese society, it was argued that it would be associated with the relationships that were established between supervisors and subordinates.

This thesis used a model of both supervisors' and subordinates' perspectives of leader member exchange (LMX) and the impact of *guanxi* on those relationships. The thesis replicated some established relationships, and then added to the literature by providing an elaboration of how *guanxi* is related to LMX through its different dimensions. A multi-dimensional approach to LMX and a differential behaviours approach to *guanxi* were used to test hypotheses.

In order to establish *guanxi*'s influence on leadership relations in China, this thesis used LMX as the dependent variable, which was measured using the multi-dimensional LMX-MDM scale. The thesis first tested the variables of perceived similarity, perceived liking and perceived subordinate performance as antecedents of LMX, since previous research in western countries had found them to be predictors of LMX (Engle & Lord 1997; Kacmar et al. 2009; Liden et al. 1993). *Guanxi* was introduced as a moderating variable, since it was hypothesized that it would influence the relationships between the three predictor variables and LMX-MDM.

Data were collected from five manufacturing organizations in the Jiangmen region of southern China. Both supervisors and subordinates responded to the questionnaire. The sample comprised 284 supervisor-subordinate dyads.

Correlation and hierarchical regression analyses of the data were conducted in order to test hypotheses concerning the moderating role of *guanxi* in the relationships between supervisors and subordinates.

The results showed that all predictor variables had positive relationships with LMX-MDM, but that these results differed according to the different dimensions of LMX-MDM that were used as dependent variables. *Guanxi* as a moderator had the greatest impact on the loyalty and contribution dimensions of LMX-MDM.

The results differed between supervisors' and subordinates' perspectives. While *guanxi* had a direct positive effect on all dimensions of LMX-MDM from the supervisor's perspective, it had a direct effect on only two dimensions from the subordinates' perspective.

The implications are that the more social features of relationships are crucial aspects of overall relationships at work, and that theory development of LMX needs to distinguish between these and other aspects of exchange relationships by adopting a multi-dimensional approach. The study also indicates that *guanxi* between

supervisors and subordinates has an impact on exchange relationship, and that further work on which particular LMX dimensions are affected by *guanxi* needs to be undertaken.

The thesis was the first study that combined multi-dimensional LMX theory with the impact of *guanxi* on LMX in China. The thesis showed how LMX manifests itself in China and how the indigenous practice of *guanxi* influences the supervisor-subordinate exchange relationship. It showed that *guanxi* was a positive force in relationships between supervisors and subordinates, but that the positive impact was reflected through different dimensions of LMX, and to varying degrees between dimensions of LMX. It therefore revealed the importance of using a multi-dimensional, rather than uni-dimensional, measure of LMX. It demonstrated that supervisors and subordinates had different views of LMX, and different attitudes towards the impact of *guanxi* in their dyadic relationships. It therefore highlighted the importance of taking both supervisor and subordinate perspectives when leadership relations are the focus of research. This implies that theory development requires a dual perspective approach towards LMX and a multi-dimensional operationalization of LMX. It also implies that in practice, higher quality exchange relationships can be developed within organizations, and that this development can be directed through one or more dimensions of LMX, and can be directed at either or both supervisors and subordinates. It indicates that companies may take positive steps to enhance *guanxi*, and thus gain benefits through *guanxi*-augmented exchange relationships. Further implications are that the organizational benefits of *guanxi* are not only available to domestic Chinese companies, they can be developed by foreign companies wishing to set up operations in China.

CERTIFICATION OF DISSERTATION

I certify that the ideas, experimental work, results, analyses, software and conclusions reported in this dissertation are entirely my own effort, except where otherwise acknowledged. I also certify that the work is original and has not been previously submitted for any other award, except where otherwise acknowledged.

Signature of Candidate

Date

ENDORSEMENT

Signature of Supervisor/s

Date

ACKNOWLEDGEMENTS

Like all others who have gone down this path, I owe thanks to many people. Dr Raymond Gordon, my principal supervisor, provided a combination of professionalism and friendliness that was just right. He was responsive to my questions, and always took the approach of planting suggestions for me to mull over rather than insisting that I do this or do that. I appreciated his thorough approach and his manner of prodding at those times when my work was lacking depth. And to my associate supervisor, Dr Dennis Rose, I also owe thanks. His support, friendliness and incisive comments made for a productive and pleasant relationship.

To Dr Eva Khong, who helped me in immeasurable ways, I offer special thanks. She used her own *guanxi* in order to help me make contact with companies in China. She took a great deal of time in helping to set up my data collection, she introduced me to her mainland Chinese contacts who were essential to the success of the data collection, she assisted with translation, and generously offered help and support. To that I have to add warmth and friendliness from one to whom I will always be grateful. To Director Li, I also give my thanks for making arrangements with his business contacts for me to visit their organizations in China and to collect data. This help, the dinners that he hosted, the exchange of gifts and social interaction truly epitomized *guanxi* in action.

To my husband Denis, more thanks. He was always supportive, even when it meant lonely nights for him. Practical and helpful as always, he even double checked the thousands of entries of my data!

To my friends and colleagues, I offer my thanks. Being amongst those who took an interest in my work, and some who themselves were undertaking the same enterprise provided a supportive environment that helped me go on when the task seemed daunting. The help and support from so many people made this project more rewarding that it otherwise would have been.

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