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

Gwenda Latham, MBA

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**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.

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Signature of Candidate                          Date

ENDORSEMENT

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Signature of Supervisor/s                       Date

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# ACKNOWLEDGEMENTS

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