

A multilevel analysis of leader-member exchange (LMX) and leader-member guanxi (LMG) in the Chinese hospitality industry

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Abstract

This research adopts a quantitative method to investigate the supervisor-subordinate relationship and how it affects staff performance in Chinese hospitality industry from a multi-level perspective. An indigenous construct, leader-member guanxi (LMG) which identifies supervisor-subordinate personal relationship is applied and compared to leader-member work relationship (LMX) originated from social exchange theory. The differentiation of LMX and LMG is also analysed and its dual effect on subordinates' job satisfaction, service oriented organisational citizenship behaviour, and team cohesion is discussed with practical implications for the managers in the hospitality industry.

Keywords: Hospitality, Job satisfaction, Leader-member guanxi differentiation, Leader-member exchange differentiation, Service oriented OCB, Team cohesion.

Introduction

Being the second-largest economy in the world, China has created a substantial food and beverage market with 1.3 billion consumers (NZTE, 2014). According to the industry survey released by Ministry of Commerce of China (2014), investors are most optimistic about beverage brand franchise business. One of the most difficult challenges is the implementation of permeating franchised values and organisational cultures originated from Western countries to Chinese businesses and employees. Although leadership has been widely studied across disciplines including the hospitality industry, most of the samples from the empirical studies were from hotels rather than catering outlets. This research investigates the supervisor-subordinate relationship and how it affects staff performance in franchised food and beverage outlet stores in China from a multi-level perspective and enriches the current literature in leadership by adopting an indigenous approach.

Literature Review

Leader-member exchange (LMX) and leader-member guanxi (LMG)

With social exchange and reciprocity theories as foundations (Schriesheim, Castro, & Cogliser, 1999), Leader-member exchange (LMX) theory describes the one-on-one or dyadic relationship that a leader forms with each of his or her subordinates in an organisation (Graen & Cashman, 1975; Northouse, 2010). Scholars claim that LMX theory reflects the American cultural preference since the reciprocal influence between supervisors and subordinates is fostered by the egalitarian norms that autonomy and openness are most generally accepted and preferred by the American culture (Hofstede, 1984; House & Aditya, 1997).

With the increasing importance of China in the centre of world politics and economy, guanxi has been conceptualised and studied by a number of western researchers since 1980s (Hwang, 1987; Jacobs, 1982). There is no simple definition on guanxi due to the richness, flexibility, and the complexity of the Chinese language. In this research, the leader-member guanxi (LMG) refers to "a dyadic, particular and sentimental tie that has potential of facilitating favour exchanges between the parties connected by the tie" (Bian, 2006, p. 312). LMG has been studied by some scholars in Chinese context (Chen, Friedman, Yu, Fang, & Lu, 2009). Law, Wong, Wang, and Wang, (2000) advocate that supervisor-

subordinate guanxi is a theoretically distinct construct from LMX as it is a significant predictor on bonus allocation and promotion while LMX only associates with supervisory performance ratings in their empirical study.

Most of the empirical research undertaken to examine and develop LMX theory had a focus on individual-level perceptions and outcomes in relation to LMX (Henderson, Liden, Glibkowski, & Chaudhry, 2009). However, as discussed by Dansereau, Graen, and Haga, (1975), LMX model is originally advanced to further understanding of how leaders' differential treatment of subordinates in the same group affects their performances. Therefore it seems apparent that the multilevel nature of LMX theory should be applied in empirical study designs.

LMX differentiation and LMG differentiation

Since leaders may develop different types of exchange patterns and different quality of exchange relationships with their subordinates in the workgroup, LMX differentiation refers to the degree of in-group variation in LMX quality (Harris, Li, & Kirkman, 2014; Henderson et al., 2009). In the last decade, LMX differentiation has been used to moderate the impact of LMX on various performance factors such as team potency and conflict (Boies & Howell, 2006; Hooper & Martin, 2008), team differentiation and agreement (Ford & Seers, 2006), employees' psychological contract fulfilment (Henderson, Wayne, Shore, Bommer, & Tetrick, 2008), commitment and performance (Le Blanc & González-Romá, 2012), OCB and turnover intentions (Harris et al., 2014).

Since a number of studies on LMX differentiation have concluded its significant impact on employees' attitudes and behaviour in a group context supported by justice theory (Henderson et al., 2009), the variation in LMG quality may also play an important role from the perspective of personal closeness and connections to the supervisor in Chinese cultural context. Bozionelos and Wang (2007) claim that Chinese employees in modern organisations prefer performance based evaluations and reward systems. Therefore Guanxi-based favour exchange can be perceived by employees as an injustice causing a negative relation between LMG differentiation and work performance. To apply the concept of LMX differentiation to LMG, this study defines LMG differentiation as the degree to which supervisors have personal connections with their subordinates in the workgroup.

Methodology

This study adopts a quantitative method and a survey is used to collect data. Suggested by Brislin (1980), all the measures in the survey are translated and back-translated into Chinese except LMG since it was developed in Chinese by Chen et al. (2009). Two-level hierarchical linear modelling (HLM) is applied to analyse the data due to the multilevel nature of the research.

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