

Dan Nie

Culture Matters

The Leader-Follower Relationship in the
Chinese Organizational Context



JYVÄSKYLÄ STUDIES IN BUSINESS AND ECONOMICS 167

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ABSTRACT

Dan Nie

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Finnish summary

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In this dissertation, the dynamics between leader and follower is the focus. This dissertation contributes to knowledge and understanding of the leader-member exchange (LMX) theory in Chinese organizational settings. The research has three aims. The first aim is to increase knowledge of the LMX theory by contextualizing the theory in the Chinese setting. Drawing upon discussion of the role of guanxi, Chinese social values is elaborated in LMX. The second aim is to analyze the connections between LMX, ethical culture of an organization and employee work engagement. Finally, the third aim is to examine the construct validity of the measurement of the ethical culture of an organization, namely Kaptein's (2008) Corporate Ethical Virtues (CEV) model. To reach the first aim, a literature analysis was conducted. To reach the second and third aims a quantitative survey approach was adopted. The empirical data came from three different organizations in Mainland China, with total 720 employees who returned the entire survey. The results showed that the personal and emotional side of leadership relationships need to be emphasized more strongly in Chinese organizational life than the LMX theory. It is suggested that it would be appropriate to make the emotional elements part of LMX theory when it is used in research in China. Further, the empirical results showed that the ethical organizational culture can have a socializing effect on leader-member relationship and employee work engagement. On one hand, the ethical culture of an organization is helpful to strengthen leader-follower relationships; alternatively, it showed that the leader-member relationship plays a positive role in nurturing employees' work engagement. It is suggested that LMX can be taken as a mediator in the relationship between ethical organizational culture and employee work engagement. Finally, the findings support a seven-dimension CEV scale for measuring the ethical culture of an organization, rather than the original eight-dimension scale. This means that the CEV scale can be partially used in the Chinese organizations to assess ethical culture in their organizations. In sum, this study provides a more comprehensive understanding of LMX from the socio-context point of view than previous studies, and a specific ethical and emotional viewpoint are suggested to be worth further consideration and discussion in LMX research and practice in the future.

Keywords: Leadership, Leader-member exchange theory (LMX), ethical organizational culture (CEV), virtue, work engagement, guanxi, China

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1 INTRODUCTION

1.1 The investigated topic

The importance of leadership has been increasingly recognized by business practitioners in the 21st century. Many organizations invest large sums every year in leadership development and other supporting relevant activities such as development of organizational culture and employee wellbeing. In China, which is the societal context of this research, leadership is considered one of the most critical factors leading to organizational success. For example, the number of students in the Executive MBA program, which is an intense and fast-paced program to advance leadership competencies of business leaders (Zhang, 2011; Chen & Doherty, 2013), has increased from 2,447 in 2002 to about 26,000 graduates in 2011 in China (China Economic Review, 2011).

Even though leadership as a concept carries many connotations that create ambiguity of meaning, according to Yukl (2010), in general, leadership can be understood as an influence process “in which the leader influences his/her followers so that they understand and agree on the goals and the means by which they can effectively be achieved” (Norvapalo, 2014, p. 16). In this dissertation leadership is of interest; specifically, the dynamics between leader and follower is examined. A number of studies have provided support for the critical role of leadership in organizations, including the critical roles of organizational change (Kotter, 1996; Bass & Avolio, 1994), organizational life cycle (Greiner, 1972), knowledge management (Bryant, 2003), and organizational learning (Mazutis & Slawinski, 2008). Leadership is important when it creates preferable conditions that are conducive to team and organizational effectiveness (Hackman, 2002). However, it is noteworthy that leaders do not achieve results themselves; rather, they influence outcomes through other people (Hogan & Kaiser, 2005), their subordinates in particular. Hierarchy and collaboration are the two main traditional ways of organizing work in many organizations. Despite their differences, both stress communication and interaction among organization members, especially

between supervisors and their immediate subordinates (Bryan & Joyce, 2007). Thus, a challenge of leadership is to find ways that can improve interactions between leader and employee, rather than focusing only on leaders' traits and behavior. Therefore, instead of the popular and traditional leader-centered approach in leadership literature (Alvesson, 2011; Yukl, 2010), which stresses the central role of a leader as an independent actor in the leader-employee relationship (Uhl-Bien & Maslyn, 2003), this study takes another perspective by investigating the leader-employee relationship from an employee's viewpoint. Among the more recent schools of thought, the relational leadership theory is increasingly drawing researchers' attention, as it starts with processes and views people, leadership, and other relational realities as made in interaction processes (Hosking, 2006; Uhl-Bien, 2006). In other words, in contrast to viewing individuals as independent actors, a relational orientation starts with processes and not people, and views leadership and other relational realities as made in interaction processes (Hosking, 2007).

An important factor in the relationship-based leadership process is a continuous and mutual relationship that a leader has with individual followers (Ferris et al., 2009). A number of studies have found that high-quality relationships between both parties can affect both the overall functioning of an organization and employee personal wellbeing, so crucial to individuals' and organizations' productivity and effectiveness in working life (Graen & Uhl-Bien, 1995). Among the relationship-based approach, an obviously prominent theory (Ladkin, 2010) is the leader-member exchange (LMX) theory, which constitutes the main perspective of this dissertation. As a Western leadership theory, LMX has been gaining momentum in recent years and evolved into a dyadic approach for studying leadership process and outcomes (Gerstner & Day, 1997) and understanding leader-follower relationships (Ladkin, 2010).

Another dimension that is central in all aspects of organizational life is organizational culture (Alvesson, 2011). Combining leadership and organizational culture and exploring their relationship can be seen as a challenge as both terms mask an enormous variety of different ideas and views (Alvesson, 2011). In many studies of the connection between leadership and culture, the former is seen as having an impact on the latter. In these studies, typically, the leader is identified as somebody who exerts a great and far-reaching impact on an organization's culture (Alvesson, 2011). On the other hand, however, in different cultural contexts, leadership has different meanings. In line with a suggestion of Alvesson (2011, p. 155) it is assumed here that "Leadership must be understood as taking place in a cultural context . . . through the interpretation of those involved in the social processes in which leaders, followers and leadership acts are expressed". In particular, the increasing role and importance of knowledge-based organizations both in China and elsewhere (Zack, 2003) suggests that particularly a leader's role in leadership processes may not be as significant as thought earlier, since many employees nowadays have more knowledge and expertise as compared to their leaders. Consequently, the role of culture can be more important in shaping leadership than the other way round. In this dissertation, it is argued that, given

that leadership is embedded in on-going systems of social processes (Granovetter, 1985) in which the meanings and interpretations of words and actions are important, leadership is contingent on organizational culture (House & Javidan, 2004).

Furthermore, since broader social cultures are related to and exert an impact on organizational ideals and standards of leadership (Pučėtaitė & Lāmsā, 2008; Alvesson, 2012), it is argued that leadership is closely connected with not only culture at the organizational level but also at the societal level. As argued by Pučėtaitė & Lāmsā (2008), culture on the societal level is a resource with which people in a particular societal context understand their own and others' behavior. The societal level culture can be seen to form an organization's external environment which, due to socialization processes, affects its people's behavior and shapes expectations and requirements for their behavior in organizational life (Pučėtaitė & Lāmsā, 2008). Consequently, directly transporting the ideas and theories of leadership as universal constructs as done in the majority of studies on leadership and also as practiced often by many Western managers and organizations internationally may not produce an appropriate cultural fit (Alvesson, 2011). Therefore, this study adopts an approach that leadership as well as organizational phenomena such as organizational culture should be understood and practiced by taking into consideration a social context in which they occur (Granovetter, 1985). In this study, Mainland China is the research focus, and it is expected that interesting and fruitful results can be found by investigating the topic in this specific context, as this context represents a different cultural background and social values compared with Western countries such as the U.S.A. and other Western European and Nordic countries (Hofstede, 1980) where many studies of leadership and organizational behavior have been conducted. Therefore, the basic rationale for this study is that a specific societal and organizational level viewpoint is of relevance to leadership.

Prior literature shows the role of social relationships is crucial in Chinese organizational life as well as Chinese society in general (Ip, 2009). Thus, when it comes, for example, to organizations, paying attention to an interpersonal relationship between manager and employee is of crucial importance. A substantial body of empirical research has confirmed that the higher the quality of the relationship, the more positive the work consequence (Gerstner & Day, 1997; Cogliser, 2009). Therefore, identifying elements that are connected to the leader-employee relationship in work settings is crucial for an organization's sustainable performance.

Along with the social and economic development in China, it is increasingly found that unethical acts and shady deals undertaken by organizations for big profit are threatening their own sustainable development (Whitcomb et al., 1998). In response to these ethical problems, increasing stress has been laid by scholars on ethical organizational culture – an element of the overall organizational culture (Kaptein, 1998). Within this study, ethics is discussed and related at the value level of organizational culture (Schein, 1990). From this point of view, the ethical element of culture includes ethical values

and related expectations. For example, organization members are expected to behave honestly, and integrity and honesty are regarded as crucial values of the organization. Ethical culture may conscientiously prevent organization members from causing harm to stakeholders and organizations as a whole (Ip, 2009), and play an important role in organizational effectiveness (Kotter & Heskett, 1992). Due to the importance of relationships and the increasing demand of exerting ethics in Chinese organizational life, in this study, a leader-member exchange and the ethical organizational culture are utilized as research topics, more specifically, to examine the latter's influence on the former.

In addition, since the beginning of this century, increased attention has been paid to positive organizational psychology such as work well-being (Seligman & Csikszentmihalyi, 2000; Luthans, 2002; Schaufeli et al., 2006). However, concurrent with the improvement in the economy in China, there has been a decline in employee well-being, and work engagement in particular, which does not augur well for the future (Gallup, 2013). China's low engagement level may increasingly pose a barrier to its continued economic growth. An emerging body of research indicates that engagement has potentially positive consequences for both employees and their employing organization (Schaufeli et al., 2006; Macey & Schneider, 2008; Bakker et al., 2008). Engaged employees, who are enthusiastic about their work and strongly identify with it (Leiter & Bakker, 2010), will invest more in their work and use more of their talents, which in turn leads to improved organizational performance (Adekola, 2011). It is therefore important to identify the factors that are related to employees' work engagement in Chinese organizational life.

Previous studies show that both LMX and the ethical organizational culture have been found to exert an effect on work well-being (Huhtala et al., 2011) and employees' commitment to the organization (Treviño et al., 1998). Employees in high-quality LMX relationships usually feel that they benefit from their leader and thus will try to reciprocate by performing at their best in return (Xu et al., 2011). Employees who feel under pressure to violate an organization's ethical standards or observe conduct that violated the standards are less likely to be highly engaged (Ethics Resources Center, 2009).

Therefore, we combine the phenomena of LMX, ethical organizational culture and employee work engagement in the present study to investigate study their relationships in the organizational context of Mainland China. Additionally, an interest in this dissertation is in specific features of LMX which need to be taken into consideration by Western managers working in China with Chinese employees to develop a high quality relationship with the employees. An ethical viewpoint is emphasized while discussing the development of such relationships.

1.2 The aim of the study and its focus

In the present study, the main focus is in relational leadership dynamics between managers and employees that is examined specifically through the leader-member exchange theory (LMX). This theory conceptualizes leadership as a reciprocal process that focuses on the interaction between leaders and followers (Graen & Uhl-Bien, 1995). Much of the research on LMX has been done focusing on a dyad between leader and follower (Graen & Uhl-Bien, 1995). However, more recently, an interest to study a link between LMX with individual (Norvapalo, 2014), organizational (Gerstner & Day, 1997) and societal (Hui & Graen, 1997; Hsu et al., 2010) level phenomena has started to grow. A favorable organizational setting such as an ethical organizational culture can nourish a high quality leadership relationship between manager and employee (Cogliser, 2009). Consequently, it can be argued that an organizational level viewpoint is of relevance to LMX between leader and follower. Furthermore, organizational culture as well as leadership are closely associated with and influenced by the social culture as a whole (see Pučetaité & Lämsä, 2008; Alvesson, 2011). Additionally, the cultural context can have an impact on individuals' work engagement in organizations as the results of a Gallup poll (2013) in China suggest. Thus, when discussing the dyadic level leader-member relationship as well as its connection to ethical organizational culture and work engagement in this study, the societal setting, i.e. the Chinese context, is worth taking into consideration.

Due to the significant economic changes in China in recent years, a surge of interest in cooperation with this country has been developing in the Western business world (Chen & Tjosvold, 2007; Law et al., 2010). In order to achieve business success in the Chinese context, one of the key elements is how expatriate managers from Western countries succeed in developing leadership relationships with their Chinese staff. Even though LMX, which emphasizes the importance of relationships, can be useful in the Chinese context in response to this demand, the theory does not recognize the role of a broader socio-cultural context which, in fact, can have a significant effect on leadership relationships in Chinese organizations (Nie & Lämsä, 2015). Therefore, *the first aim of this dissertation is to increase our knowledge and understanding of the LMX theory by contextualizing the theory in the Chinese setting. To reach this aim a literature analysis has been conducted.* Drawing upon discussion of Confucianism and its moral rules for social conduct, the role of guanxi, Chinese social values which underline the importance of interpersonal relationships (Tsui & Farh, 1997; Chen & Chen, 2004), is elaborated in LMX. In particular, similarities and differences between the LMX theory and guanxi are analyzed to show how an effective leader-member relationship between an expatriate Western manager and a Chinese employee can be developed. Additionally, ethical challenges that practicing guanxi can cause to Western managers will be discussed and presented (Nie & Lämsä, 2015). The dissertation tries to illuminate the ethical aspects of guanxi in leadership relationships, since the ethical status of Chinese

interpersonal relationships has caused much controversy among Westerners. Westerners need specifically to be aware of the allegations of corruption (Tsang, 1998) and social harm, particularly nepotism (Verhezen, 2008), which may pose ethical challenges in the relationships between expatriate managers and Chinese employees.

Prior research indicates that both the LMX relationship and organizational setting can affect employee wellbeing, crucial to people's productivity and effectiveness in current working life (Treviño et al., 1998; Ip, 2009; Xu et al., 2011). Therefore, this dissertation increases knowledge about links between LMX, ethical organizational culture, and employee work engagement. *The second aim of this dissertation is to analyze the connections between LMX, ethical culture of an organization, and employee work engagement. To reach this aim an empirical quantitative study was conducted in Chinese organizational environments.* Based on a developed theoretical framework and previous empirical studies, the hypotheses were set and tested with data from three Chinese organizations. The leader-member relationship is understood as a dyadic relationship between manager and employee; ethical culture is understood as an organization level phenomenon, and work engagement is viewed from an individual perspective. Such a combination is rare in LMX research as well as leadership studies in general; however, the combination is necessary to get a broader and better understanding of factors which affect leadership relationships and are an outcome of them. Such knowledge is also important from a practical viewpoint since it helps to detect factors that can be important in the development of leadership in Chinese organizational life. This empirical study is conducted from employees' viewpoint. Collinson (2006) argues that the majority of studies on leadership have been leader-focused with less attention paid to followers. Even though, more recently, an interest in the follower viewpoint has increased, more research is necessary (Howell & Shamir, 2005; Norvapalo, 2014).

The third aim is to examine the construct validity of the measurement of the ethical culture of an organization, namely Kaptein's (2008) Corporate Ethical Virtues (CEV) model, which has recently become the object of increasing research interest (e.g. Kaptein, 2008; Huhtala et al., 2011; Novelskaitė & Pučėtaitė, 2014; Riivari & Lämsä, 2014). Even though the measurement has been validated in a Western context using data from the Netherlands (Kaptein, 2008), Finland (Huhtala et al., 2011), and Lithuania (Novelskaitė & Pučėtaitė, 2014), no studies have investigated the construct validity of the measurement in an Eastern context. Therefore the construct validity of the CEV model in Mainland China is being examined for the first time here. Measurement validity is "concerned with whether a variable measures what it is supposed to measure" (Bollen, 1989, p.184). Validating the CEV scale in a Chinese context can provide a more comprehensive understanding of the corporate ethical virtues proposed by Kaptein (2008). The validated scale can then be taken as a measurement for managers to evaluate if the ethical policies, norms, and standards of organizations are sufficiently clear to employees to follow; if they are, this benefit the organization's development in the long run. In this study three Chinese organizations are examined for validation.

1.3 Contributions of the study

Leadership and organizational culture are the major themes in academic research and education in organizational behavior theory and practice (Alvesson, 2011). According to Alvesson (2011), a large body of research that has studied leadership and organizational culture exists separately, but the link between these phenomena often remains more as an implicit theory than an empirical finding. Therefore, combining these phenomena and studying their relationship empirically is an attractive and meaningful topic that deserves our special attention. Furthermore, even though authors argue that the leader can be identified as somebody who exerts an impact on an organization's culture (Alvesson, 2011) that occurs through social learning processes (Bandura, 1971), it has been also found that in different cultural contexts leadership can have different meanings (Pučėtaitė & Lämsä, 2008; Alvesson, 2011). From this point of view it is culture that shapes leadership. Following this latter argument we may say that understanding leadership calls for careful and close consideration of the specific organizational context in which the processes of leadership are taking place. In general, it can be said that it is surprising that a very large body of the leadership literature is highly leader-centric, with very little attention being given to the cultural context. In terms of this issue, Alvesson (2011) highlighted the importance of the cultural context and social processes in which leadership can be fully expressed. In particular, in Chinese organizations where social relationships, collectivism, and belonging to a group are of importance (Nie & Lämsä, 2015), the role of culture in shaping leadership may be significant.

Drawing upon the theory of legitimacy (Suchman, 1995), which argues that the actions of an entity are appropriate and desirable within some socially constructed system of values, norms, and beliefs (Biggart & Hamilton, 1987), the starting point of this dissertation is the argument that the leadership exerted by managers is seen as legitimate by employees when it is congruent with the cultural context in which leadership occurs. A prior study conducted by Huhtala and her colleagues (2013) lends empirical support to this argument by showing that ethical organizational culture affects managers' personal work goals' setting.

One contribution of this dissertation is that it extends and deepens our knowledge and understanding of the role of the socio-cultural context, that is, the Chinese socio-cultural context in leadership, specifically LMX in this dissertation. A specific focus is on LMX theory that is a globally promoted construct and has its origins in Western corporate experience (Graen & Uhl-Bien, 1995; Gerstner & Day, 1997; Dulebohn et al., 2011). In addition to research in the West that has documented the value of the LMX, in some studies this theory has been found to be useful in the Chinese context (Hui et al., 1999). LMX relationships have been seen as a foundation for effective leadership, promoting successful interactions between Western managers and local Chinese employees (Chen & Tjosvold, 2005). However, in spite of the usefulness of this theory, previous studies also confirm

the difficulties of working across cultures (Hui & Grean, 1997; Chen & Tjosvold, 2005) due to different social values and norms. Prior research has suggested that leaders and followers in different social contexts can have different expectations of each other (Xu et al., 2011). For example, employees from Western Europe, Scandinavian countries, and North America, characterized by high levels of individualism, tend to support participative leadership processes (Hofstede, 1980; Smith & Peterson, 1988; Dorfman et al., 1997), whereas employees from China usually expect a leadership style where the leader maintains a harmonious relationship with followers while being directive (Hsu, 1982). In line with Ciulla (2008), it is argued here that leadership as a human phenomenon is connected to a specific social culture and that more knowledge about this connection is necessary. *Additionally, this study adds to the topic by highlighting and making visible main ethical challenges of leadership relationships in the Chinese socio-cultural environment that may cause problems and risks to Western expatriate managers acting in a leadership capacity to Chinese employees.*

Furthermore, *the dissertation makes a contribution by increasing knowledge about the connections between organizations' ethical culture, LMX, and employee work engagement.* From the beginning of this century increased attention has been paid to positive organizational psychology: the scientific study of human strength and optimal functioning in the workplace (Seligman & Csikszentmihalyi, 2000; Luthans, 2002; Schaufeli et al., 2006). Work engagement is considered to be a positive state and the opposite of workplace burnout (Schaufeli et al., 2006), in line with occupational well-being studies (Demerouti et al., 2002; Demerouti & Bakker, 2008). Even though past research has indicated the importance of the organization's ethical culture to managers' occupational well-being (Huhtala et al., 2011), few studies have taken into account its role in employee work engagement. To our knowledge Huhtala et al. (2011) is the only study which has investigated this link, but their sample consisted only of Finnish managers, not employees. According to Huhtala et al. (2011), ethical organizational culture can give managers a sense of security and encourage them to identify with their organization and commit themselves fully to it. The results of Huhtala et al. (2011) suggest that it is worthwhile to extend knowledge about the connection between ethical organizational culture and work engagement among employees. This could be considered a relevant and indeed critical issue in current organizational life in China. The past several decades has witnessed social and economic development in China; however, concurrent with the improvement in the economy, business values and ethical practices have been changing since the economic reform of 1978. Moral suasion has been replaced by material rewards to improve organizational performance (Whitcomb et al., 1998). The "get rich quick at any cost" philosophy introduced a new market ethic that has become increasingly prevalent in China, where profit is viewed as the primary, overriding goal (Wright et al., 2003). Although it has been argued that moral degradation is the inevitable price to be paid for social transformation, more studies of ethical culture are still needed in the hope of finding ways of reducing the negative impact of this on organizations

(Luo, 1991). In addition, as brought forth previously, there has been a decline in employee work engagement in China which does not augur well for the future: it now stands at less than half of the global mean of 13% that Gallup measured in 2012 (Gallup, 2013). China's low engagement level may increasingly pose a barrier to its continued economic growth. Since organizations' successes are crucial to the overall societal success, it is important to enrich knowledge about the role of ethical organizational culture in employee work engagement, especially how different ethical virtues can promote employee work engagement.

Although a considerable body of research indicates that LMX has a significant impact on employees' job satisfaction and performance (Bauer & Green, 1996; Wang et al., 2005), only few researchers (e.g. Li et al., 2012) have investigated the link between LMX and employee work engagement specifically in the Chinese context. Chinese employees are sensitive to the quality of LMX (Nie & Lämsä, 2015); a high-quality LMX allows them to devote their full attention to their work rather than waste time on matters of minor importance in the workplace. In sum, the connections between ethical organizational culture, LMX, and work engagement are investigated to provide a wide and multiple view on these topics in the Chinese organizational environment.

By focusing on the LMX relationship, ethical organizational culture, and employee work engagement, which are of increasing interest in the field of leadership and organization studies, the present study makes also the following contribution to research in its field. *The study contributes to prior literature on ethical organizational culture by examining the construct validity of the measurement of the ethical culture of organizations, namely Kaptein's (2008) Corporate Ethical Virtues (CEV) model, which has recently become the object of increasing research interest (Kaptein, 2008; Huhtala et al., 2011; Novelskaitė & Pučėtaitė, 2014; Riivari & Lämsä, 2014). As discussed above, even though the measurement has been validated in a Western context using data from the Netherlands (Kaptein, 2008), Lithuania (Novelskaitė & Pučėtaitė, 2014), and Finland (Huhtala et al., 2011), no studies have investigated the construct validity of the measurement in an Eastern context. Therefore, the construct validity of the CEV model in Mainland China is being examined for the first time in this dissertation. This kind of knowledge contributes to evaluation of how the CEV scale can be applied in studies concerning the ethical culture of organizations in China.*

1.4 Key concepts of the study

Leadership

Yukl (2006) defines leadership as "the process of influencing others to understand and agree about what needs to be done and how to do it, and the process of facilitating individual and collective efforts to accomplish shared objectives" (p. 8). As suggested by Yukl (2012), the definition suggests several

components critical to leadership study: (a) leadership is a process, (b) leadership is about influence, (c) leadership happens in a specific context, (d) leadership involves goal achievement, and (e) these goals are shared by both leaders and their followers. Instead of a linear, one-way event in which the leader affects the followers but not vice versa, the definition stresses that leadership is a two-way and interactive influence process that happens between the dyads toward shared goals. In addition, Yukl (2012) pointed out that within this process, both leaders and followers are expected to conduct ethicality and concerning each other when fulfilling their responsibilities. This dissertation takes the “two-way” approach to study leadership, that is leader affects followers, and vice versa, more specifically, by taking a relational approach to study the leader-follower relationship, both its antecedents, that is the ethical culture of an organization, and consequences, that is employee work engagement, in organizational settings.

Leader-member exchange (LMX)

Until 1970s most of the early theories and studies on leadership behavior did not consider how a leaders’ behavior varies across individual followers, but since then researchers have started to investigate a new approach to the study of leadership within organizations (Yukl, 2010). In contrast to traditional theories of leadership, this new approach assumes that the study of leaders and followers should be on a dyadic basis (Dansereau et al., 1975; Graen & Cashman, 1975; Graen & Uhl-Bien, 1995). This approach has an implicit assumption that “leadership effectiveness cannot be understood without examining how leader and follower influence each other over time” (Yukl, 2010, p.15). A widely used example of this approach is the LMX theory, which was initially dubbed the vertical dyad linkage model. It is based in the principle that each leader-follower relationship within a work group is unique and varies in quality (Anand et al., 2011).

The LMX theory, which is adopted in this dissertation, is rooted in two main theories: role theory (Graen, 1976; Dienesch & Liden, 1986; Graen & Scandura, 1987; Sparrowe & Liden, 1997) and social exchange theory (Wayne & Green, 1993; Erdogan & Liden, 2002). In the LMX theory, there are three elements: the leader, the follower, and the exchange relationship (Graen & Uhl-Bien, 1991). Although leaders are dominant in determining the quality of LMX relationships, followers also exert a remarkable influence on the relationship. An offer will not be made and accepted without respect on both sides for the abilities of the other, the anticipation of deepening reciprocal trust with the other, and the expectation that an interacting obligation will grow over time as career-oriented social exchange blossom into a partnership (Graen & Uhl-Bien, 1995). Through various and effective activities during working time, participants are supposed to meet certain objectives, fulfilling expectations and creating different types of relationships: low-quality and high-quality relationships (Bauer & Green, 1996). Low LMX relationships are characterized by economic exchange based mainly on formal and tangible assets, such as employment contracts and payment (Blau, 1964; Dulebohn et al., 2011), whereas

people in high-quality relationships will get far more than those in low relationships, not only in terms of economic exchange, but also in social exchange; more specifically, such values as mutual trust, obligation, respect, loyalty, and reciprocity will become the dominant features in the relationship (Liden & Maslyn, 1998; Uhl-Bien & Maslyn, 2003). Finally, in line with Norvapalo (2014) the term “leader” is used interchangeably with “supervisor”, “superior” or “manager” and “member” is used interchangeably with “follower”, “employee” or “subordinate”.

The ethical culture of an organization

In general, organizational culture encompasses the values, norms, beliefs, conventions, traditions, and practices shared by the members of a social unit such as an organization (Schein, 1985). An ethical approach to organizational culture means taking into account the notions of right and wrong (Sinclair, 1993). Thus, it is a normative concept. Ethical organizational culture includes the question of standards of behavior; the concept has been created to respond to ethical dilemmas that arise in working life (Adelman, 1991). As an element of its organizational culture, the ethical culture of an organization refers to a construct that defines those aspects and conventions of organizational behavior that either encourage the organization to operate in an ethical way or hinder it from doing so (Kaptein, 2008; Treviño & Weaver, 2003).

Based on a previous study (Treviño, 1990), Treviño et al. (1998) developed a broader measurement of ethical organizational culture. This scale included the dimensions of peer behavior, norms supporting ethical conduct, rewards and punishments for ethical/unethical behaviors, leaders acting as ethical role models, and followers reporting unethical conduct when it occurs. In their study, however, it should be noted that the culture scale was designed with a code-organization bias, and as they point out, the ethical culture measure should be refined so it could be applied in both code and non-code ways (Treviño et al., 1998).

This study draws specifically on Kaptein’s (1998) definition of the ethical culture of an organization. Kaptein (1998) was the first to define the construct of the ethical culture of an organization, drawing upon the ethical virtues of corporations. The Corporate Ethical Virtues model (CEV model; Kaptein, 1998) is grounded on a virtue-based theory of business ethics (Solomon, 2004). An important argument in business ethics put forward by Solomon (2004) is that “a virtue has a place in a social context. Integrity has to be understood in the context of a community, and in business life of the corporation. It consists not just of individual autonomy and ‘togetherness’ but of such company virtues as loyalty and congeniality, cooperation and trustworthiness” (p. 1025).

Work engagement

As part of the currency of social exchange, work engagement can be seen as a means of fulfilling obligations for reciprocity (Cheng et al., 2013). Kahn (1990) indicated that work engagement represents a state in which employees “bring in” their personal selves during work performance and experience an

emotional connection with their daily work. Thus, work engagement is fundamentally a positive, motivational, and persistent concept that represents the personal investment of multiple dimensions – physical, emotional, and cognitive (Rich et al., 2010).

Taking a multiple-theory perspective, this study adopts the idea of Schaufeli and Salanova (2002), who carried out an analysis and defined the three dimensions of work engagement (Schaufeli et al., 2006): (1) *Vigor*, meaning high activation, characterized by high levels of energy and willingness to invest effort in one's work even in the face of difficulties; (2) *Dedication*, referring to high identification and a sense of significance, enthusiasm, inspiration, and pride; and (3) *Absorption*, which refers to a state of optimal experience that is characterized by focused attention, and full and effortless concentration on one's work. As such, work engagement is defined here as "a relatively enduring state of mind referring to the simultaneous investment of personal energies in the experience or performance of work" (Christian et al., 2011, p. 95). Engaged employees are thought to experience a high level of connectivity with their tasks and use more of their talents in the workplace, committing themselves to even more challenging in-role and extra-role tasks (Adekola, 2011), which in turn leads to improved personal and organizational performance (Wang et al., 2005; Atwater & Carmeli, 2009).

1.5 Structure of the study

The dissertation has five main parts. A summary of the contents and structure are presented in Figure 1. The introduction chapter presents the importance of the dissertation study, research aim, and contributions as well as the key concepts of the dissertation. After the first chapter, an overview of LMX theory, ethical organizational culture (CEV), and employee work engagement as well as their expected connections from a theoretical viewpoint are presented, all of which provide the theoretical basis for the empirical study (Chapter 2). In this part the literature analysis of LMX and the Chinese socio-cultural context, specifically Confucian values and *guanxi* and their ethical challenges, is made and introduced. Next, the research method used for empirical research is introduced and justified (Chapter 3). Thereafter, in Chapter 4 the results of the empirical study are presented. Finally, in the concluding chapter (Chapter 5) the thesis is summarized and general conclusions based on the major findings are discussed. Theoretical and practical implications are introduced. Lastly, the limitations and suggestions for future research related to this study are addressed and overall conclusion are given.

<p>CHAPTER 1: INTRODUCTION</p> <ul style="list-style-type: none">• The investigated topic• The aim of the study and its focus• Contributions of the study• Key concepts of the study• Structure of the study
<p>CHAPTER 2: THEORETICAL FRAMEWORK AND LITERATURE ANALYSIS</p> <ul style="list-style-type: none">• Leadership research• Relational leadership theory• Leader-member exchange theory and its application in the Chinese context• The ethical culture of an organization• Employee work engagement• Hypothesis and theoretical framework
<p>CHAPTER 3: METHOD</p> <ul style="list-style-type: none">• Survey approach• Participants and procedure• Measurements• Analytic procedure in testing the hypothesis• Reliability and validity of the study
<p>CHAPTER 4: RESULTS</p> <ul style="list-style-type: none">• The reliability and validity of the CEV scale• Descriptive statistics and correlation coefficients• The mediating role of LMX testing
<p>CHAPTER 5: DISCUSSION AND CONCLUSION</p> <ul style="list-style-type: none">• Findings and implications• Strengths, limitations, and future research• Conclusions

FIGURE 1 Structure of the study

2 THEORETICAL FRAMEWORK AND LITERATURE ANALYSIS

2.1 Leadership research

In the history of leadership research, leadership has been defined and conceptualized in many different ways. Researchers usually define leadership according to their own perspectives and purposes, such as how to identify leaders, how they are selected, or how to discover what they do (Campbell, 1977). After a comprehensive review of the leadership literature, Stogdill (1974) pointed out that there are almost as many definitions of leadership as there are researchers who have shown their interest and tried to define it. However, among those various definitions, most popular ones share the assumption that it involves an influence process whereby action by a leader is exerted over followers to facilitate the performance of a collective goal (Yukl, 2010).

Like the conceptions of leadership, however, how to define and evaluate leadership effectiveness differ from one to another. The most commonly used way to measure the effectiveness is in terms of the consequences of the leader's actions, successful or not. Another way of evaluating leadership effectiveness is the followers' attitudes toward the leader (Yukl, 2010). Multiple factors should be considered when evaluating leadership effectiveness to avoid unnecessary subjective biases. In this study leadership effectiveness is seen from the viewpoint of the work engagement of an employee. This is seen important since an emerging body of research indicates that employee engagement has potentially positive and significant consequences for both employees and their employing organizations (Schaufeli, 2006; Schaufeli & Salanova, 2007; Adekola, 2011). However, currently, low engagement levels in Chinese organizations may pose a barrier to their sustainable development; it is therefore important to identify the factors that are related to employees' work engagement in Chinese organizations. Among those factors, prior studies suggest that leadership plays a critical role in increasing the engagement level (Blickle et al., 2011; Xu et al., 2011; Cheng et al., 2013).

Although leadership effectiveness is a central question, as a subject of research, leadership has been studied at different levels - individual, dyadic, group, and organizational (Yukl, 2010). Each level provides unique perspectives, and what level is applied will determine what types of variables are to be used in one's study. Furthermore, distinguishing the types of variables that are emphasized most is a useful way to classify leadership research. Traditionally three types of variables are: "characteristics of the leader, characteristics of the followers, and characteristics of the situation" (Yukl, 2010, p. 12, see Table 1).

TABLE 1 Key variables in leadership research. Source: Yukl (2010, p. 12), adapted with modifications

Key variables in leadership research	Core features
Characteristic of leader	Traits - personality, values, etc. Ability - skills, expertise, intelligence, etc. Behavior Integrity - honesty
Characteristic of the followers	Traits - needs, values, self-concepts Ability - skills, expertise Confidence and optimism Trust in the leader Task commitment and effort
Characteristic of situation	Type and size of organizational unit Organizational culture Task structure and complexity National culture values

Most studies over the past half century have put emphasis on characteristics of the leader, and it has been taken as a common practice to put focus only on the leader's traits, behavior, or power (Yukl, 2010). In recent years, there has been an increased effort to integrate the contingency approach with these various lines of research. The main proposition in the contingency approach is that the "effectiveness of a given leadership style is contingent on the situation, implying that certain leader behaviors will be effective in some situations but not in others" (Den Hartog & Koopman, 2002, p.169). Additionally, more recently, a major change has been an emphasis on the relationship of leader and employee (Graen, 1975; Graen & Uhl-Bien, 1995; Scandura & Pellegrini, 2008) as highlighted in Figure 2.

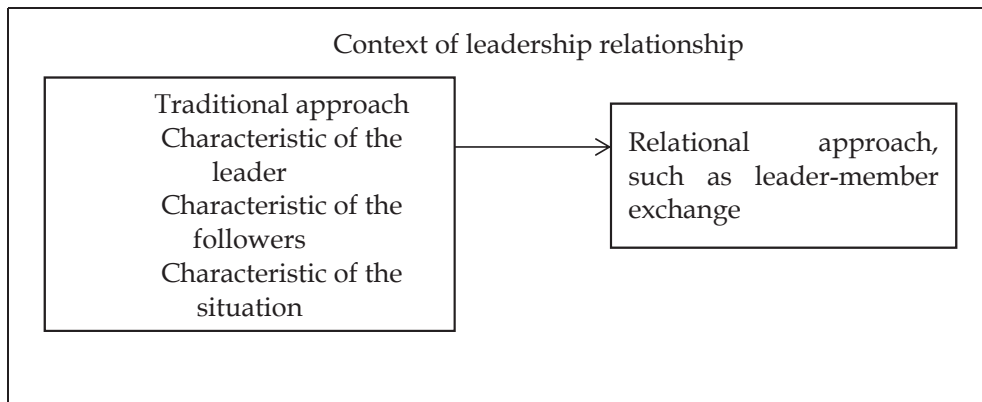


FIGURE 2 A major change in leadership research approaches

Thus, leadership is not seen as often now as a person's characteristics or behavior of a leader but is viewed as a relationship between parties, such as a leader and an employee in this study. In particular, relational approaches stress processes rather than individuals, and view organizational members and leadership as *made* in processes (Hosking, 2007). In such a social influence process, values, attitudes, and behaviors are constructed (Uhl-Bien, 2006). Additionally, the contextual nature of leadership relationships, such as, for example, a societal context (Osborn, et al., 2002), is acknowledged in relational approaches. In general, it can be said that a change from the traditional approaches to relational ones is a substantial change since a leader-centered focus moves to a leadership focus. This has also practical implications since in a leadership relationship both parties are viewed as contributors to the relationship.

2.1.1 Development of leadership studies

An overview of the development of modern leadership studies (see Figure 3) is presented, in which the processes can be classified into seven phases in terms of their emerging time and focuses. The following discussion is mainly based on a review in a SAGE Handbook of Leadership by Grint (2011, p.10).

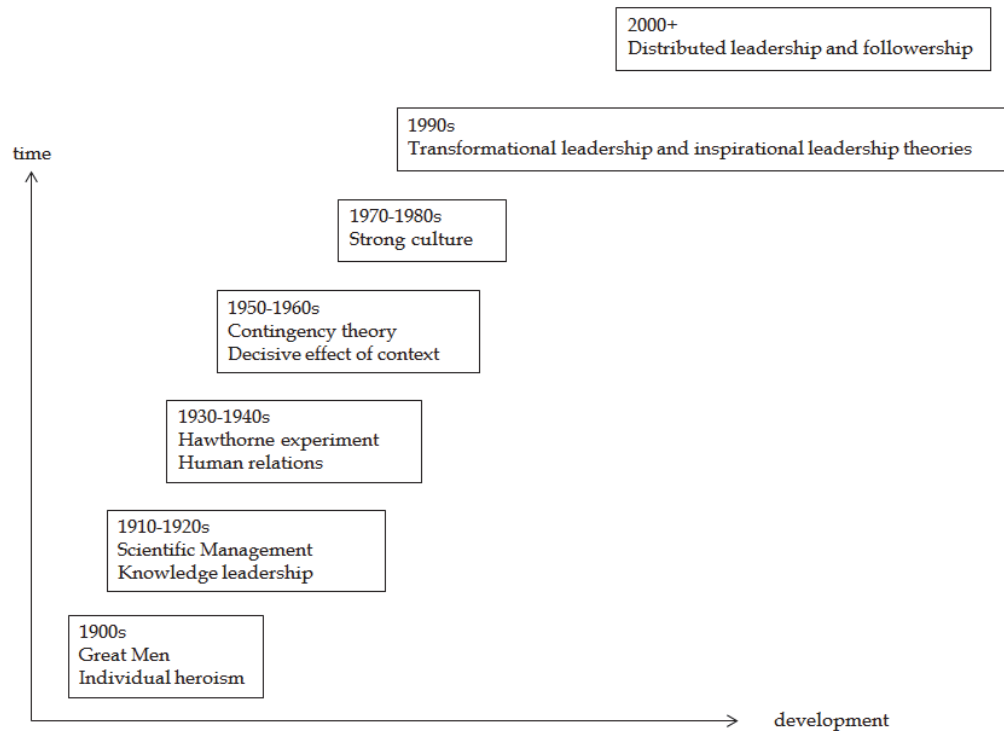


FIGURE 3 Development of modern leadership studies. Source: Grint (2011, p. 10), with modifications

The rise of the leadership studies in the modern era can be traced to the beginning of the 1900s, when the “Great Men” concept was a popular assumption about leadership. Then the focus of leadership studies shifted from heroic individuals to rational processes and leaders were viewed as administrative people within formal hierarchies. Up until the 1920s, leadership was configured according to Taylor’s scientific experiments which aimed to develop optimum working conditions and supervision. Taylor’s empirical studies examined various kinds of manual labor and their supervision. This is one of the earliest attempts to apply science to engineering of organizational processes and to management to pursue economic efficiency within an existing technological context (Peaucelle, 2000).

Later, during the 1930s and 1940s, the focus changed to the ‘normative’ model of the Hawthorne experiments that solidified in to the Human Relations approach. According to this approach, it is not the changes in physical conditions that affect workers' productivity. Rather, it was the fact that someone is actually concerned about their workplace and the opportunities this gives employees to discuss changes before they take place (Merrett, 2006). Social and

psychological aspects in organizing and leading workers started to be a focus after the experiments which the Human Relations school of thought conducted. During the 1950s and 1960s, leadership studies often followed the work of the University of Michigan and the Ohio State studies. These studies proposed that what really matters in leadership is not a most charismatic leader, but having a rational understanding of the situation appropriately (Grint, 2011). These ideas provided a basis to the well-known contingency theory, assuming that the context or situation should determine how leaders respond; that is, the correct response is determined by the correct analysis of the situation. One of the most well-known leadership models in the contingency theories was proposed by Reddin (1970). According to this model, leadership behavior is dependent on different situational demands. Based on three dimensions of leadership, namely task-orientation, relationship-orientation, and effectiveness, Reddin (1970) aimed to explain how a manager must operate in different situations to be most effective. The theoretical implication of the Reddin's model, called the 3-D model, was the idea that effective leaders should assess a situation and identify what behavior is most appropriate to this situation. The model relates the level of managerial effectiveness to the most appropriate use of different leadership styles.

In the following two decades, the importance of leaders working with the 'strong cultures' was taken seriously. The term—strong culture—was proposed by Peters and Waterman (1982). It was conceptualized as a coherent set of beliefs and values shared by most members of the organization, and it highlights the degree of consistency and the pervasiveness of those beliefs and values. Then in the 1990s, due to the rise of terrorism and political fundamentalism, development of transformational and inspirational leadership theories started to occupy a dominant position. At this stage, "leaders and followers make each other advance to a higher level of moral and motivation" (Burns, 1978). Through the strength of their vision and personality, transformational and inspirational leaders are able to inspire followers to change expectations, perceptions, and motivations to work towards common goals.

The current leadership fashion manifests itself in some form of distributed leadership, in addition the emphasis of the leaders, the followership also invoke scholars' interest and attention. In particular, shared leadership can be seen as one idea which has contributed to discussion of relational approaches in leadership. The relational leadership approach takes leadership as the process by which social systems change via the structuring of organization members' roles and relationships (Uhl-Bien, 2006). As suggested by Murrell (1997, p. 40), shared leadership means that "people work together to define and develop their relationships not just as questions of influence and leadership, but also as questions of how to keep all of this moving and working together". As such, in contrast to more traditional vertical or hierarchical leadership which resides predominantly with an individual instead of a group, shared leadership stresses that people within a group and organizations lead each other.

Also in China, leadership research as well as leadership practices have undergone a series of changes in terms of their approaches. As pointed out by King and Zhang (2010), by means of Chinese leaders' education abroad and being exposed to the effect of Western organizations in China, Chinese workplaces have applied many Western leadership research results and integrated them to their practices. Chinese leaders are adopting more "scientific" approaches to how they manage daily work, such as efficiency, standardization, and automation of processes. In addition, Zhang and Liu (2014), in the conference of the Chinese Leadership Forum, presented about how, currently, the trait theory of leadership has been replaced by the "contingency theory" in China. Not only leaders themselves, but also followers and situations, are paid more attention nowadays, which also widens research areas and approaches of leadership in China.

In sum, leadership research can be classified into five major approaches due to different theories. For the purpose of this dissertation, the major leadership approaches are presented in Table 2 below (Yukl, 2010, p. 13-15). The derivation and the research theory of the approaches are mainly based on a review by Yukl (2010), and this section draws heavily on this article.

The trait approach is one of the earliest approaches for studying leadership; it emphasizes the attributes of leaders such as personality, values, and skills. Studies using this approach were conducted during the 1930s and 1940s. One of the deficiencies of this approach is a lack of attention to intervening variables in the causal chain to help explain how these traits could affect an outcome.

The behavior approach began in the early 1950s. The main focus of this research is to examine how managers spend their time and the typical pattern of activities and how to identify effective leadership behavior.

The situational approach emphasizes the importance of contextual factors that influence leadership processes, such as characteristics of followers, the nature of the work performed by the leader, the type of organization, and the external environment. This approach aims to discover the extent to which leadership processes are the same or unique across different contexts and attempts to identify if different attributes are effective in different situations.

The power-influence approach aims to examine influence processes between leaders and other people. More specifically, it aims to (1) explain leadership effectiveness in terms of the amount and type of power possessed by a leader and how power is exercised, and (2) determine how leaders influence the attitudes and behavior of followers.

The integrative approach refers to studies where the researcher "includes more than one type of leadership variable" to examine (p.11-13).

TABLE 2 Major Leadership approaches. Source: Yukl (2010, p. 13-15), adapted with modifications

Approach	Theory	Focus	Research method
Trait	Trait theory	Attributes of leaders such as personality, motives, values, and skills	Looking for a significant correlation between individual leader attributes and a criterion of leader success, without explaining any processes
Behavior	Ohio and Michigan studies Managerial grid	How managers spend their time and the typical pattern of activities, responsibilities, and functions of managerial jobs How to identify effective leadership behavior	Descriptive methods of data collection such direct observation, diaries, job description, etc. A survey field study with a behavior description questionnaire
Situational	Situational theory	The importance of contextual factors that influence leadership processes Attempting to discover the extent to which leadership processes are the same or unique across different types of organizations, levels of management, and cultures Attempting to identify aspects of the situation that moderate the relationship of leader attributes to leadership effectiveness.	Comparative study of two or more situations
Power-influence	Social exchange theory	Seeking to explain leadership effectiveness in terms of the amount and type of power possessed by a leader and how power is exercised Seeking to determine how leaders influence the attitudes and behavior of followers Participative leadership is firmly rooted in the tradition of behavior research	The use of survey questionnaire to relate leader power to various measures of leadership effectiveness Questionnaires and descriptive incidents Questionnaires and case studies
Intergrative		Including more than one type of leadership variable	

2.1.2 Levels of analysis in leadership research

According to Yukl (2000), the level of conceptualization for leadership can be classified into the following four categories: an intra-individual process, a dyadic process, a group process, and an organizational process (see Table 3). The analysis level will determine what type of variables are used to evaluate leadership. The following analysis is mainly based on Yukl's (2010) discussion.

TABLE 3 Leadership perspectives. Source: Yukl (2010, p. 15), adapted with modifications

Perspective	Focus	Research area
Intra-individual Processes	Processes within a single individual	Cognitive decisions; Self-management theory
Dyadic process	Reciprocal influence process between the leader and the follower	LMX
Group processes	The nature of leadership in a task group. How a leader contributes to group effectiveness.	Leadership in executive teams
Organizational processes	Leadership as a process occurs in a larger open system in which groups are subsystems (Fleishman et al., 1991)	Strategic leadership

According to Yukl (2010), researchers use personality traits, values, skills, and cognition to explain the effectiveness of an individual leader. This perspective often uses self-management theory, which “involves identifying personal objectives and priorities, managing one’s time efficiently, monitoring one’s own behavior and its consequences, and trying to learn to be more effective in accomplishing personal objectives” (p. 17), to describe how a person can become a more effective leader. However, although the intra-individual processes are helpful for developing better theories of effective leadership, they do not explicitly include the essential processes of leadership, such as influencing subordinates.

The dyadic approach puts emphasis on the relationship between a leader and another person, such as his/her subordinate or another type of follower (Yukl, 2010). Reciprocal influence between the leader and follower may be included in these processes. The need to influence occurs at all levels of

authority: chief executives, department managers, and work crew supervisors. A well-known theory utilizing this dyadic leadership approach is the leader-member exchange theory, the main focus in the present study. However, as suggested by Yukl (2010), the dyadic approach lacks adequate attention to the context in which leadership behavior happens. In this study, aspects of the context, more specifically, the Chinese socio-cultural and organizational context, are considered and discussed to provide a more comprehensive perspective in terms of dyadic relationships between leader and followers.

When leadership is viewed from a group-level perspective, the focus is on “the influence of leaders on collective processes that determine team performance” (Yukl, 2010, p. 19). The processes of influence deal with an overall group effectiveness, and they usually involve all members of a group or team instead of a single member. As such, compared to the dyadic theories, most group-level theories provide a much better explanation of effective leadership in “teams” with interactive members. However, it is noticeable that excluding psychological processes that are useful for explaining this influence might be taken as one of the group-level perspective’s obvious limitations (Yukl, 2010).

The organizational level perspective takes leadership as a process that occurs in a larger “open system” in which groups are subsystems (Fleishman et al., 1991). The organizational leadership perspective needs to integrate leadership and management (Yukl & Lepsinger, 2004); thus, more attention is likely to be given to “subjects such as organizational structure and culture, organization change, executive succession, and influence processes between the CEO and the top management team or board of directors” (Yukl, 2010, p. 20). Despite the difficulties, interest to develop multi-level approaches and theories has been growing recently (Yukl, 2010), which might widen leadership research area and provide more fruitful results.

2.2 Relational leadership theory

A review of the leadership literature reveals an evolving series of 'schools of thought' from “trait” and “behavior” theories to “contingency” and “relational” perspectives on leadership. Among the more recent schools of thought, the relational leadership theory is increasingly drawing researchers’ attention, as it starts with processes and views persons, leadership, and other relational realities as made in process (Hosking, 2006; Uhl-Bien, 2006).

Although the definition of relationship-oriented behavior has been around since the earliest formal studies of organizational leadership (Stogdill & Coons, 1957), “relational leadership” is a relatively new term in the leadership literature (Brower et al., 2000; Uhl-Bien, 2005). In recent works (Drath, 2001; Murrell, 1997), the term relational is being used to describe something quite different for leadership – a view of leadership and organization as human social

constructions that emanate from the interdependencies of organizations and members (Bradbury & Lichtenstein, 2000). In contrast to a more traditional orientation, which considers relationships from the standpoint of individuals as independent, a “relational” orientation starts with processes and not persons, and views persons, leadership, and other relational realities as *made* in processes (Hosking, 2007). The relational leadership can be seen as a social influence process through which coordination, new values, attitudes, and behaviors are constructed and produced (Uhl-Bien, 2006). It not only views leadership as occurring in relational dynamics in organizations, but also it acknowledges the importance of the contexts in which relational dynamics exist (Osborn, et al., 2002).

Research in this area can be conducted from two perspectives - the relational perspective and the entity perspective (Uhl-Bien, 2006, p. 654-656; see Figure 4).

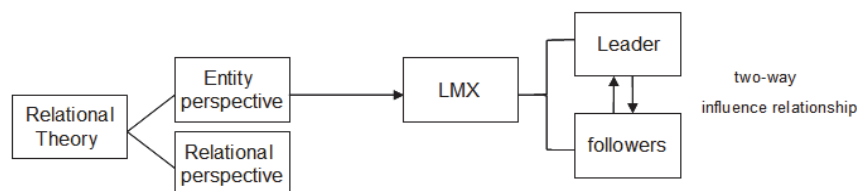


FIGURE 4 Perspectives of Relational Leadership theory. Source: Uhl-Bien (2006, p. 654-656), adapted with modifications

The relational perspective argues that “a relational orientation means recognizing that organizational phenomena exist in interdependent relationships and intersubjective meaning” (Uhl-Bien, 2006, p. 655). From this perspective, the focus is not individuals’ behaviors or changes, but rather the social construction processes by which understanding of leadership come about (Meindl, 1995). Such a perspective assumes that any formulations of thoughts and assumptions should be understood in the context of ongoing conversations and relations (Holmberg, 2000, p. 181):

Whereas more traditional approaches...emphasize the interplay between the outer world and how this is represented in the minds of actors in ways that lead to more or less effective behavior, a relational understanding is an opportunity to focus on processes in which both the actor and the world around him or her are created in ways that either expand or contract the space of possible action.

Relational perspectives view organizations as elaborate relational networks of changing persons, moving forward together in a complex interplay of effects between individuals. Applied to leadership, a relational perspective changes the emphasis from the individual to combinations of interacting relations and contexts. “Within a relational perspective, appointed leaders share

responsibility with others for the construction of a particular understanding of relationships and their enactment...leaders and those with whom they interact are responsible for the kinds of relationships they construct together" (Dachler & Hosking, 1995, p. 15).

The entity perspective, which is adopted in this research, occupies a more predominant position by focusing on individual entities and examining behavioral styles that are relationship-oriented (Likert, 1961) or leadership behaviors emphasizing high quality working relationships (Brower et al., 2000; Graen & Scandura, 1987). Individuals are thought of as entities and possessing the ability to reason and to learn, which serves as the basis for understanding that "management" is understood as individual creation (Hosking et al., 1995). Studies in this way explain relationships on the basis of behaviors of interacting individuals (Dachler & Hosking, 1995). This predominant perspective examining relational leadership issues are the "relationship-based" ways of leadership studies (Graen & Uhl-Bien, 1995). In terms of this point of view, leadership can be taken as a two-way influence relationship between a leader and a follower (Brower et al., 2000; Graen & Scandura, 1987), and interpersonal relationships and leader-follower dyadic relationships in particular have been the focus in this way.

2.3 Leader-member exchange theory (LMX)

Among the relationship-based approach, the prominent theory is the LMX theory, which constitutes the main topic of this dissertation. As a relationship-based approach to leadership, LMX can also be taken as an entity perspective (Uhl-Bien, 2006). It takes individuals as entities and puts focus on the characteristics and behaviors of individuals as they engage in interactions with one another (Uhl-Bien, 2006). The nature of these interactions depends on several things:

First, it depends on the characteristics each individual brings to the relationship, including their personal, physical, and psychological makeup that remains relatively stable and disposes them to approach interpersonal situations in a certain way (Phillips & Bedeian, 1994). Second, it depends on the individuals' expectations of the exchange, which are developed based on past experience, outside information about the other, and implicit leadership theories or 'schemas' (Lord & Maher, 1991). Third, it depends on their assessment of and reaction to the exchange both while it is occurring and in retrospect (Blau, 1964; Homans, 1961; Jacobs, 1971). (Uhl-Bien et al., 2000, p. 146-147).

As a Western leadership theory, LMX has been gaining momentum in recent years and evolved into a dyadic approach for studying leadership process and outcomes (Gerstner & Day, 1997) and understanding leader-follower relationships. Research conducted following the construct of LMX was first investigated in the 1970s. There was a new idea attracting scholars' attention that a single leader can form different relationships with different followers.

This argument was in sharp contrast with the dominating and traditional approach referred to as the average leadership style (ALS), claiming that leaders form the same relationships with everyone in the same work group. This new approach was initially termed as the “Vertical Dyad Linkage” (VDL) model concerning the one-on-one notion of leadership (Graen & Cashman, 1975; Dansereau et al., 1975). This approach was the forerunner of Graen’s (1976) subsequent leader-member exchange approach.

The theory puts emphasis on how to develop an effective leadership relationship (Liden et al., 1997; Uhl-Bien et al., 2000) at a dyadic level. According to Graen & Uhl-Bien (1995), the basic idea of LMX theory is that leadership occurs when leaders and followers are able to develop effective relationships involving influence and gain access to the many benefits due to these relationships (Gerstner & Day, 1997). Each leader-follower relationship within a work group is unique and varying in quality (Anand et al., 2011). According to the theory, relationships and work roles are developed or negotiated over time through a series of various interactions between the leader and the follower that define the different types of relationships: low quality and high-quality relationships (Bauer & Green, 1996). Low LMX relationships are characterized by economic exchange based mainly on formal and tangible assets, such as employment contracts and payment (Blau, 1964; Dulebohn et al., 2011), whereas people in high-quality relationships will get far more than those in low relationships, not only in terms of economic exchange, but also in social exchange; more specifically, such values as mutual trust, obligation, respect, loyalty and reciprocity will become the dominant features in the relationship (Liden & Maslyn, 1998; Uhl-Bien & Maslyn, 2003).

2.3.1 Theoretical foundation of LMX

The LMX theory is rooted in two main theories: role theory (Graen, 1976; Dienesch & Liden, 1986; Graen & Scandura, 1987; Sparrowe & Liden, 1997) and social exchange theory (Wayne & Green, 1993; Erdogan & Liden, 2002). In LMX theory, there are three elements: the leader, the follower, and the exchange relationship (Graen & Uhl-Bien, 1991). Although leaders are dominant in determining the quality of LMX relationships, followers also exert a remarkable influence on the relationship. Through various and effective activities during working time, participants are supposed to meet certain objectives, fulfilling expectations and creating reciprocal relationships.

Role theory argues that in an organizational setting, each participant has a role to play, and each accomplishes his or her work through these roles (Graen, 1976). This emphasises the nature of people as social actors who learn behaviors appropriate to the roles they occupy in their social environment (Solomon et al., 1985). That is the foundation of LMX. The degree to which employees comply with task demands and demonstrate their trustworthiness dictates the type of LMX relationship that forms (Liden & Maslyn, 1998). Graen and Scandura (1987) theorize that the quality of the leader-member relationship develops over a series of steps in which individuals “test” one another. To conceptualize how a

high-quality work relationship can be developed, Graen and his colleagues suggested a role-taking, role-making, and role-routinisation process (Graen, 1976; Graen & Scandura, 1987).

Prior research has suggested that leaders and followers have different expectations of each other (Xu et al., 2011). For example, Chinese employees usually expect a leadership style where the leader maintains a harmonious relationship with followers while being directive (Hsu, 1982), whereas employees from Western Europe, Scandinavian countries, and North America, characterised by high individualism, tend to support participative management processes (Hofstede, 1980; Smith & Peterson, 1988; Dorfman et al., 1997).

In order to set up an outstanding image and meet employees' expectations, the first step for a leader is to get to know and understand employees' expectations towards him or her. After the role-taking phase, relationship development enters the role-making phase. It is a process of clarifying each other's expectations. At this stage leaders listen and seek clarification, they do not argue or get defensive, and it is helpful for them to spend necessary time to talk with subordinates. This process occurs over time, and defines the quality and maturity of a leader-member exchange (Graen, 1976; Graen & Uhl-Bien, 1995). After the development phase, the behaviors of a leader and followers are more predictable than before. Regardless of whether the relationship develops into high-quality exchanges, a set pattern of normative behaviors or role-routinisation occurs (Graen & Scandura, 1987; Sin et al., 2009). Leaders in this stage have constructed good interaction with in-group members characterized by mutual trust and obligation through the allocation of resources and the distribution of important tasks.

Social exchange processes fostering relationships between leaders and followers are characterized by generalized reciprocity (Liden et al., 1997) or mutual-interest reciprocity (Uhl-Bien & Maslyn, 2003) as argued in social exchange theory on LMX (Graen & Uhl-Bien, 1991; Wayne & Green, 1993; Erdogan & Liden, 2002). In contrast with economic exchange, Blau (1964, p. 99) argued that "only social exchange tends to engender feelings of personal obligation, gratitude, and trust; purely economic exchange as such does not." This distinction between social and economic exchange is fundamental to the way in which low and high exchanges have been distinguished in LMX research (Sparrowe & Liden, 1997). The social exchange creates a felt obligation on the part of organizational members to reciprocate their leaders' trust and liking through "citizenship behaviors" and good performance (Gerstner & Day, 1997).

According to social exchange theory, LMX is by nature an exchange theory of leadership (Brower, 2000), thus the norm of reciprocity (Gouldner, 1960) between the leader and the follower is its central feature (Cropanzano & Mitchell, 2005). In order to create a reciprocal relationship during working time leaders and followers can perform activities like making offers, inducements, and provisions on the exchange process to achieve their objectives and become interrelated. If one person accepts an offer from another and reciprocates a satisfactory response, the process continues in this way, resulting in high-

quality relations over time (Cogliser et al., 2009). Employees who feel that they benefit from their leader will try to reciprocate by offering a favor in return (Xu et al., 2011). Therefore, a leader can take advantage of this phenomenon by doing a favor ahead of the employees, such as volunteering to give more resources or offering professional support and rewards, to encourage employee work performance. Employees who receive more resources from their leader will become more committed and will be more inclined to reciprocate naturally, and this will further promote the development of high-quality leader-member relationships (Cogliser et al., 2009). After receiving employees' favors, what is important for leaders is to prepare to extend a new favor next time, for example, using their power to collect as many new resources and as much useful information as possible. Moreover, providing timely development in professional areas related to daily work are sensible and practicable activities for leaders to engage in.

2.3.2 Stages in development of LMX

According to Graen and Uhl-Bien (1995), development of LMX theory can be thought of in terms of the following four stages: Vertical Dyad Linkage (VDL), LMX, leadership making, and team making competence network (see Figure 5).

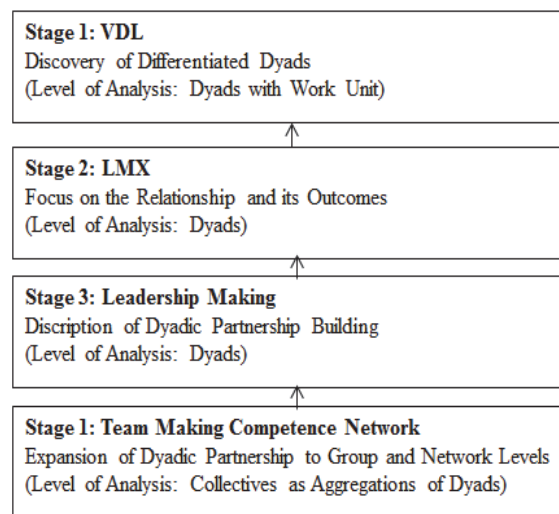


FIGURE 5 Stages in development of LMX theory. Source: Graen and Uhl-Bien (1995, p. 226), adapted with modifications

The first stage is the discovery of differentiated dyads, namely, the Vertical Dyad Linkage, in which studies found that leaders developed different relationships with different followers, contrary to the predominant leadership approach, which claimed that leaders shown consistent behavior towards all followers in their work groups (Graen & Uhl-Bien, 1995; Schriesheim et al.,

1999). The second stage is the examination of LMX relationships and its outcomes for their organization by putting emphasis on different relationships a leader has with followers within the work group. The third stage is the description of dyadic partnership building by moving the focus from leaders' differentiation of subordinates to "how they may work with each person on a one-on-one basis to develop a partnership with each of them" (Graen & Uhl-Bien, 1995; Schriesheim et al., 1999). The final stage is the aggregation of differentiated dyadic relationships to network levels, which explores how dyadic relationships are organized within and beyond the organizational system (Graen & Uhl-Bien, 1995; Schriesheim et al., 1999) and broadens the scope from the dyad to larger collectives.

In the first VDL stage, findings indicated that different individuals generated very different descriptions of the same person. Followers in high-quality relationships acted as "trusted assistants" to the leader and did tasks beyond their job descriptions. Whereas followers in low-quality relationships usually acted as "hired hands" who did only what was required and written on the formal contract (Zalesny & Graen, 1987). Therefore, expectations were that the managerial units would contain only a few higher-quality exchange relationships, and the remainder of the relationships would be low-quality. The focus, at the first stage, initially was on leader behavior as described by the leader and the follower. With the discovery of significant variation in follower responses to questions about their leaders, however, leader-member dyads became the unit for analysis, and the theory began to develop within the relationship domain (Graen & Uhl-Bien, 1995).

At the second stage, the focus was on relationships and outcomes at the dyadic level which is adopted in the present study. The primary goal was further investigation and examining of the dyadic relationships found in the first stage. To help make sense of this large body of research, Graen and Uhl-Bien (1995) categorize the work conducted in this stage in terms of two tracts of investigation: (1) studies evaluating characteristics of the LMX relationship (Deluga & Perry, 1991), and (2) studies analyzing the relationship between LMX and organizational variables (Graen & Uhl-Bien, 1995). The first category includes various work such as dyadic role-making processes (Graen et al., 1973; Graen, 1976), antecedents to LMX (Graen, 1976), subordinate loyalty (Scandura & Graen, 1984), and characteristics of the differentiated relationship between leaders and followers (Liden & Graen, 1980; Dienesch & Liden, 1986; Graen, 1989).

The second category of investigations at this stage focuses on the key concepts of LMX: (1) The development of LMX relationships is influenced by characteristics and behaviors of leaders and followers and occurs through a role-making process, and (2) high-quality LMX relationships have very positive results for leaders, followers, work groups, and the overall organization. Furthermore, beyond a description of the differentiated relationships in a work group, stage 2 moves emphasis to explaining how these relationships develop and what the consequences of the relationships are for organizations (Graen & Uhl-Bien, 1995).

Based on the implications of the second stage of research (LMX), the third stage shifts in focus beyond traditional thinking about leaders and followers to an investigation of leadership as a partnership between dyadic members. The main aim involves moving beyond “in-groups” and “out-groups” to a focus on more effective leadership processes through effective leadership relationships (Leadership Making; Graen & Uhl-Bien, 1995, p.231; see Table 4).

TABLE 4 Life span of Leadership Making. Source: Graen and Uhl-Bien (1995, p.231), adapted with modifications

Characteristic	Stranger	Acquaintance	Maturity
A. Relationship building phase	Role-finding	Role-making	Role-implementation
A. Type of reciprocity	Cash & Carry	Mixed	In-kind
B. Time span of reciprocity	Immediate	Some delay	Indefinite
C. LMX	Low	Mediate	High
D. Incremental influence	None	Limited	Almost unlimited
E. Transactional leadership	Behavioral management		Reciprocal favors
F. Transformational leadership	Self-interest		Team interest

At this stage, focus is put not on how leaders discriminate among their followers but rather on how they may work and interact with each person on a one-to-one basis to develop an effective relationship with each of them. Making the partnership offer to every follower has a twofold effect: (1) The LMX process may be perceived as more equitable (Scandura, 1995), and (2) the potential for higher-quality relationship development would increase the possibility for more effective leadership and expanded organizational capability. Therefore, rather than the descriptive approach that comprised the second stage of development, this third stage provides a prescriptive, and more practically useful, model of leadership development.

The Leadership Making Model is proposed and described by Graen and Uhl-Bien (1995) in terms of a life cycle of a leadership relationship. The process begins with a stranger phase, in which the leaders provide followers only with what they need to perform, and followers behave only as required and do only their prescribed job. From this phase the dyads can move to the second stage of relationship development: the acquaintance stage. In this stage, increased social exchanges occur between the members, and not all exchanges are contractual (Graen & Uhl-Bien, 1995). When these relationships grow to the next level, they become classified as mature partnership exchanges, and at this point, exchanges between the members are highly developed: They are exchanges in kind and may have a long time span of reciprocation (Graen & Uhl-Bien, 1995). Thus, stage 3 moves us out of the "in-group/out-group" thinking of Stage 1 to a more practical and equitable model for building leadership in organizations, and the aim of this stage is that leaders should be encouraged to make the offer of high-quality relationship building to all of their followers (Graen & Uhl-Bien, 1995).

Within a real organization, however, the nature of leadership situations is more complex and is characterized most often by a leader and multiple followers working in some type of collectivity together, rather than dyads with work groups and independent dyads. In response to this situation, Graen and Scandura (1987) suggested that LMX should be viewed as systems of interdependent dyadic relationships or network assemblies (Scandura, 1995). In recognition of this, stage 4 pursues the questions of how differentiated dyadic relationships combine together to form a larger network assemblies from a systems-level perspective (Uhl-Bien & Graen, 1992). These network assemblies constitute the leadership structure within the organization, and relationships are not limited to formal leader-follower relationships. Rather, they may also include leadership relationships among peers, team-mates, and across organizations (Graen & Uhl-Bien, 1995). Stage 4 attempts to map the leadership structure onto the task structure of the organization, and examination at this level looks at task interdependencies and the quality of the relationships that develop among organizational members as a result of these interdependencies (Graen & Uhl-Bien, 1995).

In addition, research at this stage would address issues at several levels. At the workgroup level, the main issues would involve the question of how higher-quality and lower-quality exchanges are aggregated within a single work group and what their combined effect is on group-level work processes

and outcomes. Expanding beyond the work group, similar questions may also emerge about relationship development across work groups, the organization, or even cross-organizational boundaries. These discussions “begin to reveal the vast potential and rich opportunities for generating valuable insight into organizational functioning by rethinking traditional conceptualizations of leadership and expanding LMX out of its narrow focus to a broader, multi-level, multi-domain framework” (Graen & Uhl-Bien, 1995, p.235). In contrast to the earlier stages, stage 4 is in its infancy. Very few empirical examinations have been conducted at this level; however, given the importance of understanding the processes identified at this stage, further examination at this stage should be more vigorously pursued (Graen & Uhl-Bien, 1995).

Given the above discussion on the stages of LMX development, we can see that LMX theorizing and research has undergone an evolution, and each stage represents a shift in focus about the LMX process within organizations (Graen & Uhl-Bien, 1995). Thus in addition to the dyadic approach to LMX, a network approach and how it influences the development of various dyadic exchanges is also truly deserving scholars’ attention (Schyns & Day, 2010).

2.3.3 Measurement and dimensions of LMX

Healthy controversy surrounds the issue of the measurement and the dimensionality of the LMX scale, which can be divided into two opinions (Graen & Uhl-Bien, 1995; Liden & Maslyn, 1998): (1) redefining of the LMX scale (Kim & Organ, 1982), and (2) whether LMX is unidimensional or multidimensional and its dimensions (summarized in Table 5).

TABLE 5 Measurements and dimensions of LMX

Measurement	Supporter	Dimension	Advantage	Under question
LMX-7	Graen&Uhl-Bien (1995) Gerstner & Day (1997)	Respect Trust Obligation	Concise	If it is capable of capturing multiple dimensions of LMX
LMX-MDM	Dienesch & Liden (1986) Liden& Maslyn (1998)	Contribution Loyalty Affect	Capturing the multiple dimensions of LMX	Homogeneity and mixed findings

In terms of the first issue, Graen and Uhl-Bien (1995, p. 236) noted that “investigations have used the 2-item (Dansereau, et al., 1975), 4-item (Graen & Schiemann, 1978; Liden & Graen, 1980), 5-item (Graen et al., 1982a), 7-item (Graen et al., 1982b; Seers & Graen, 1984), 10-item (Ridolphi & Seers, 1984), 12-item (Wakabayashi & Graen, 1984), and 16-item (Wakabayashi et al., 1990; Uhl-Bien et al., 1990) LMX scale”. Schriesheim et al. (1999) in their review pointed out that the use of different measures of LMX in different studies makes it hard

to determine whether conflicting results among studies are as results of the deficiencies in the theory or the operationalization of the core construct (Gerstner & Day, 1997). Despite that, the 7-item LMX has been recognized and become the most appropriate and recommended measure of LMX during 1980s and 1990s (Graen & Uhl-Bien, 1995). Gerstner and Day (1997) in their meta-analysis review argued that the unidimensional 7-item scale of LMX, which is applied in this dissertation, has the soundest psychometric properties of all instruments, and thus recommended its use when assessing one-dimensional exchange quality.

Furthermore, Graen and Uhl-Bien (1995) theorized that LMX contains three dimensions – namely respect, trust, and obligation, and suggested that the offer to build a LMX relationship is based upon these three factors. An offer will likely not be made and accepted without (Graen & Uhl-Bien, 1995): “(1) mutual respect for the capabilities of the other, (2) the anticipation of deepening reciprocal trust with the other, and (3) the expectation that interacting obligation will grow over time as career-oriented social exchanges blossom into a partnership” (p. 237). In response to the second issue - unidimensional or multidimensional, Dienesch and Liden (1986) took the position that LMX is multidimensional and identified the dimensions as perceived contribution, loyalty, and affection. The authors (Dienesch & Liden, 1986) suggested that the quality of leader-member exchange could be based on three different types of behaviors: (1) task related behavior, defined as the “perception of the amount, direction, and quality of work-oriented activity each follower puts forth toward the mutual goals” (p. 624); (2) loyalty to each other, which means the “extent to which the leader and follower publicly support each other’s action and character” (p. 625); and (3) liking each other, which refers to “the mutual affection members of the dyad have for each other based rather on interpersonal attraction rather than work or professional values” (p. 625).

In 1998, Liden and Maslyn (1998) criticized the 7 LMX scale, assuming that the unidimensional model is not capable of capturing multiple dimensions, and a multidimensional perspective on leader-member exchange increases our understanding of both the construct itself and its relationship with organizational outcomes. They also pointed out that there can be different types of high- and low-quality of LMX relationships from the multidimensional perspective. A high-quality LMX relationship is based on contribution, loyalty, and affect for instance. According to them, role theory, one of the theoretical bases for LMX theory, stresses the multidimensional character of roles. Leaders’ roles, for example, comprise different factors such as allocating resources, supervising, and supporting. Followers’ roles also consist of various aspects such as task-related activities, skills, and social interaction. With regard to the social exchange theory, the other theoretical root of LMX research, Liden and Maslyn also provide us support for the multidimensional perspective, claiming that LMX relationships may develop and endure in a number of ways, both in material and non-material ways.

In addition, Liden and Maslyn (1998) proposed one additional dimension of LMX: professional respect, which means the “the perception of the degree to

which each member of the dyad had built a reputation, within and/or outside the organization, of excelling at his or her line of work" (p. 49). This perception may be based on personal experience with the concerning individual, the individual's resume, and awards or other professional recognition achieved by the person. In this way, leaders and followers may develop perceptions of professional respect before interacting and working with their counterpart in the dyad (Liden & Maslyn, 1998).

Other scholars have also begun to conduct their own testing on the dimensionality of LMX and to develop other LMX measures (Dienesch, 1985; Schriesheim et al., 1992). However, after reviewing the findings of the testing across these studies, Graen and Uhl-Bien (1995) found that the most consistent finding is "homogeneity on the single dimension (Cronbach alphas for single measure in the 80% - 90% range) and mixed findings for multidimensionality" (p. 236), and concluded that although the LMX scale has multiple dimensions, these dimensions are so highly correlated so that they can be tapped into with the single measure of LMX. Thus, in this dissertation, the unidimensional 7-item LMX scale recommended by Graen and Uhl-Bien (1995) was chosen and applied.

2.3.4 Antecedents and outcomes of LMX

Since its inception in the 1970s, the LMX theory of leadership has developed into a significant area of scientific inquiry and has received considerable empirical research attention in the organizational sciences, as clearly demonstrated by a large body of review studies (e.g. Gerstner & Day, 1997; Graen & Uhl-Bien, 1995; Liden et al., 1997; Schriesheim et al., 1999). Initial research on LMX primarily was directed at the outcomes of the relationship, such as Gerstner and Day's (1997) and Ilies et al.'s (2007) studies, which provide support for various relationships between LMX and a host of work-related behavioral outcomes. In addition, numerous empirical researches have been conducted on a wide range of antecedents in determining the nature of LMX relationship.

Antecedents of LMX

Although leaders are dominant in determining the quality of LMX relationships, the influence of followers also occupies an important position (Dienesch & Liden, 1986; Lapierre et al., 2006). In fact, work relationships are characterized by continuous interplay between dyadic partners (Ferris et al., 2009), which has been referred to as "reciprocal interdependence" (Cropanzano & Mitchell, 2005). Both members of the dyad form perceptions of their dyadic partner, which in turn influences leader and follower evaluation in the relationship (Lord & Maher, 1991). In a meta-analysis review published in the *Journal of Management*, Dulebohn and his colleagues (2011) concluded that a thread running through the quality of LMX relationships is the dual process of leaders assessing followers and followers evaluating leaders (Dienesch & Liden, 1986;

Graen & Scandura, 1987; Lord & Maher, 1991; Maslyn & Uhl-Bien, 2001). Next the main antecedents of LMX found in research are discussed.

a) Leader behaviors and characteristics

Each leader and follower brings unique characteristics, attitudes, personalities, and behaviors to the LMX relationship (Dienesch & Liden, 1986). These characteristics and behaviors influence the dyadic partners' evaluation of each other, which in turn determine the quality of the relationships between both parties (Liden et al., 1997). However, due to the power differential related to most LMX relationship, it can be argued that leaders are the ones who are expected to make the initial offer to develop a high-quality LMX relationship. In addition, leaders have more control over the quality of the relationship through their behaviors (Dienesch & Liden, 1986; Liden et al., 1997), which affects followers' evaluations and responses to the leader (Lord & Maher, 1991).

Among leaders' behaviors related to work, transformational leadership has received the most attention in the literature (Dulebohn et al., 2011). Such behavior, including articulating a compelling vision of the future of an organization; "offering a model consistent with that vision; fostering the acceptance of group goals; and providing individualized support, intellectual stimulation, and high performance expectations" (Wang et al., 2005, p. 421), may create an environment that is conducive for the development of high-quality LMX relationships (Anand et al., 2011). Followers tend to respond positively to such leaders who inspire and motivate them (Judge & Piccolo, 2004), and this favorable reaction may encourage followers to exert more effort in forming high-quality relationships with their leaders (Maslyn & Uhl-Bien, 2001).

In addition, fair treatment provided by the leader can also be taken as another example (Scandura, 1999; Bauer & Green, 1996; Schriesheim et al., 1998). One of the requirements for the development of high-quality relationships is that each party must take the exchange as reasonably fair (Graen & Scandura, 1987). As stated by Scandura (1999), interactional justice represents a critical aspect of the LMX relationship, and thus, such justice could associate closely and positively with LMX. Several years later, this argument was empirically proved in Murphy and his colleagues' study (Murphy et al., 2003).

Finally, in Dulebohn and his colleagues' (2011) review, they also discussed the effect of some personality facets of leaders on determining LMX quality, such as extraversion and agreeableness. Extraversion was found to be the best personality predictor of transformational leadership, associating positively and significantly to leader's sociability and followers' perceptions of leader effectiveness (Judge et al., 2002; Bono & Judge, 2004). Agreeableness is characterized by friendliness, sociability, and warmth. Leaders who get higher scores in the dimension of agreeableness are more likely to be viewed as approachable by followers (Dulebohn et al., 2011). Empirical findings show that followers of leaders who displayed warmth reported these leaders to be helpful (Tjosvold, 1984).

b) Follower characteristics

A large body of research examining the influence of personal characteristics on LMX has focused on follower physical characteristics (Byrne, 1971) and behaviors (Fiske, 1993; Graen & Uhl-Bien, 1995; Liden et al., 1997; Gerstner & Day, 1997). Based on their review, Dulebohn and his colleagues (2011) summarized the following characteristics of followers that have been examined in previous LMX research and shown positive links to the quality of LMX: ability, the Big Five personality factors, locus of control, positive affectivity, and negative affectivity.

Liden and Graen (1980) in their early study argued that followers are chosen by leaders based on their competence, motivation, and work-related skill to assume greater responsibility. Followers' personal ability or experience has been taken as one of the assessment criteria by leaders to determine the tasks to be assigned to each of them (Graen & Scandura, 1987). Followers who are viewed as capable of performing the assigned tasks tend to build high-quality LMX relationships. In contrast, followers who are evaluated as incapable of role accomplishment are more likely to form low-quality relationships with leaders (Graen & Scandura, 1987).

As noted by Dulebohn and his colleagues (2011), a number of personality variables have been discussed in the extant LMX literature; however, there has been surprisingly limited empirical studies conducted to investigate the Big Five dimensions (i.e., conscientiousness, extraversion, agreeableness, openness to experience, and neuroticism) and their relationship with LMX. Among the dimensions, conscientiousness consistently has been shown as the most reliable factor of job performance (Barrick & Mount, 1991). Regarding the following four factors, extraverted followers, in contrast to introverts, are more likely to seek interactions and interpersonal relations with others (Phillips & Bedeian, 1994), and pursue high levels of interaction with leaders, which could contribute to higher quality LMX (Hogan, 1986); agreeableness, as discussed earlier in the above section, has been found to be positively associated with reciprocity behavior (Perugini et al., 2003), which is important for forming high-quality LMX (Erdogan & Liden, 2002). In contrast to close-minded persons, followers who possess the characteristic of openness to experience such as creativity, intelligence, and broad-mindedness (Barrick & Mount, 1991) tend to pursue and accept extra roles based on social exchange, which transcend a relationship that is only limited to economic exchange and formal employment contracts (Bernerth et al., 2007). Meanwhile, Bernerth and his colleagues (2007) pointed out that neurotic individuals, characterized by traits such as being angry, anxious, worried, and insecure (Barrick & Mount, 1991) have been found empirically to be limited with respect to social competence and less likely to establish long-term and high-quality relationships with their leaders.

c) Contextual variables

As noted by Uhl-Bien et al. (2000), contextual influences, such as physical setting, the communication occurring throughout the process, and the overall organizational culture, affect how individuals interact and form relationships with their leaders. Dienesch and Liden (1986) emphasized the effect of organizational politics, culture, and composition on developing LMX

relationships, claiming that if a leader supervises a large number of followers, he/she may not have enough time and resources to develop high-quality LMX with all of them. Similarly, Green and his colleagues (1996) found larger group size negatively related to LMX.

Sparrowe and Liden (1997) discussed how social structure facilitates the exchange process through which leaders assist in incorporating some followers into the inner life of an organization but exclude others. Empirical findings of Erdogan and his colleagues' (2006) research showed that there is a positive association between some dimensions of organizational culture and LMX; more specifically, in cultures with high respect for people, intangible aspects of communication such as the level of kindness and sensitivity became salient for LMX. The results highlight how interpersonal relationships are shaped by contextual factors in a work environment and by factors deemed salient by the context.

The culture engenders beliefs about what is effective and ineffective leadership, and these beliefs almost certainly constrain and define the range of variation for leadership practices (Bryman, et al., 1996). From the contextual antecedent's perspective, the present dissertation proposes an ethical approach to studying how LMX can be influenced by the organizational culture.

Consequences of LMX

A significant part of LMX research has addressed the question of how LMX is associated with organizational behaviors and outcomes (Graen & Uhl-Bien, 1995; Liden et al., 1997). The relational leadership theory contends that the exchange relationships between leaders and followers are critical in determining the work experiences of followers (Brower et al., 2000). Further, Uhl-Bien (2006) emphasized the interaction between leaders and followers, claiming that the followers and leaders' perceptions of each other play an important role in work consequences. When both parties put effort into forming a high-quality relationship (Maslyn & Uhl-Bien, 2001), they tend to give higher and more positive evaluations of their partners, which, in turn, benefits and contributes to the overall work consequences (Cogliser et al., 2009). Thus, it is the way in which leader and follower's characteristics and perceptions combine that determines work consequences.

A large body of research has found and provided support for the positive relationship between LMX and individual behavioral outcomes of job performance, turnover, and satisfaction (Graen & Uhl-Bien, 1995; Gerstner & Day, 1997), as well as organizational commitment (Settoon et al., 1996) and organizational citizenship behavior (Ilies et al., 2007). Dulebohn and his colleagues (2011) in their research identified justice as a perceptual consequence resulting from LMX. In sum, the consequences of LMX are summarized in this study as below:

Job performance. Job performance is "a central construct in work psychology". (Viswesvaran, 2011, p.110). Campbell (1990) describes job performance as an individual-level variable, or something an individual does. It is the way employees perform their work, and it can be taken as a tool for

assessing whether a person performs a job well (Campbell, 1990; Campbell et al., 1993). Previous studies found significant and positive effects of LMX on employee job performance (Graen et al., 1982b; Scandura & Graen, 1984; Janssen & Van Yperen, 2004; Wang et al., 2005). Based on social exchange theory, a theory that fosters a leader-follower relationship and engenders feelings of personal obligation, gratitude, and trust (Blau, 1964; Liden et al., 1997; Uhl-Bien & Maslyn, 2003), a high-quality LMX relationship is therefore moved to a higher level, characterized by mutual reciprocity between the dyads (Graen & Uhl-Bien, 1995). Followers who receive special support and opportunities from their supervisors are expected to reciprocate more in these exchange processes. As a form of currency in this type of leader-follower relationship, job performance can be taken as a means of fulfilling obligations (Wang et al., 2005). Thus, employees in high-quality LMX relationships usually demonstrate higher levels of job performance (Liden & Maslyn, 1998).

Turnover intention. Aon Hewitt recently released its annual 2012 China Human Capital Intelligence Report, and the survey showed that along with the increase of the national average salary, it is noticeable that the turnover rate was increasing to 19%, posing a huge barrier for organizations development (Zhang, 2013). Employee turnover has been regarded as an important factor to an organization's overall plan (Palich, Hom, & Griffeth, 1995). Turnover matters, because organizations usually invest a lot in new employee recruitment, selection, and training. Employee turnover, in this sense, will increase the investment to human capital, lower its returns, and negatively affect the organizational knowledge learning and transferring (Cho & Lewis, 2012).

Previous studies found that LMX has a significant effect on employee turnover (Gerstner & Day, 1997; Harris et al., 2009; Nishii & Mayer, 2009). Gerstner and Day (1997) examined the relationship between LMX and turnover in their meta-analytic review and found significant and negative associations between LMX and employee turnover. Similarly, Tierney et al. (1999) and Cropanzano and Mitchell (2005) found that LMX relationship quality acted as a motivating factor for employees in the job context. Findings suggest that "having a high-quality relationship with one's supervisor can affect the entire work experience in a positive manner" (Gerstner & Day, 1997, p. 835).

Satisfaction. Satisfaction concerns how content an individual is with his or her job overall (Spector, 1997). The term—job satisfaction—has been developed in many different ways, among which, the most well-known definition is that of Locke (1976, p. 1304), who defines job satisfaction as "a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences". Around a decade ago, Hulin and Judge (2003) added psychological elements to job satisfaction by proposing that job satisfaction is a multi-dimensional psychological response to one's job including cognitive processes.

Gerstner and Day (1997) examined the effect of LMX on job satisfaction in terms of two constructs in the meta-analysis: overall satisfaction and satisfaction with the supervisor. Findings indicate that employees in high-quality LMX relationships tend to evaluate the work and their supervisors more positively than those in lower-quality relationships. In addition, Dulebohn

(2011) proposed a new type of satisfaction – satisfaction with pay. It is defined as the “amount of overall positive or negative affect (or feelings) that individuals have toward their pay” (Miceli & Lane, 1991, p. 246). Followers in high-quality relationships tend to receive more benefits and privileges (Roch & Shanock, 2006), such as more resources, professional support, and even tangible and intangible rewards (Cogliser & Schriesheim, 2000). This tends to result in these followers having more positive attitudes (Cropanzano & Mitchell, 2005) and experiencing less perceived discrepancy regarding their pay, which, in turn, generates more satisfaction with pay.

Organizational commitment. In the area of organizational behavior and psychology, organizational commitment is regarded as one’s psychological attachment to the organization (Kacmar et al., 1999). Several studies have examined the impact that the quality of LMX has on organizational commitment (Grean et al., 1982; Liden & Maslyn, 1993; Kinicki & Vecchio, 1994; Settoon et al., 1996; Wayne et al., 2009). All of these studies reported a statistically significant and positive relationship between LMX and commitment.

According to Wayne et al (2009), LMX is positively related to commitment, both affective and normative. The former refers to an emotional attachment to the organization, characterized by personal involvement and identification with the organization (Mowday et al., 1982). Regarding the latter, normative commitment is characterized by a feeling of obligation to do the “right thing” to the organization, that you should behave in ways that meet the organization’s overall goals (Wiener, 1982). Followers in high-quality relationships can expect to be committed to the organization because they are attached to their leaders, and they have a sense of loyalty to their leader. This attachment and loyalty play a critical role in increasing feelings of attachment and responsibility to the organization (Kinicki & Vecchio, 1994). In addition, these followers generally receive tasks that go beyond their employment contracts, leading to exercising increased effort (Brouer & Harris, 2007; Liden et al., 1997).

Citizenship behavior. Employees’ citizenship behaviors at work can be classified into two types according to the target of the behavior - organizational-targeted behavior and individual-targeted behavior (Organ & Konovsky, 1989). The former, organizational citizenship behavior, was proposed by Bateman and Organ (1983) and refers to “those organizationally beneficial behaviors and gestures that can neither be enforced on the basis of formal role obligations nor elicited by contractual guarantee of recompense” (Organ, 1990, p.46). The latter, on the other hand, puts emphasis on the benefit to specific individuals (Podsakoff et al., 2000).

Prior studies provided support for the positive effect of LMX on the citizenship behavior (Gerstner & Day, 1997; Fisk & Friessen, 2012). In a meta-analysis review, Ilies et al. (2007) found that LMX predicts citizenship behaviors as strongly as it predicts task performance, which suggests that “the benefits related to high-quality LMX exceed what has been suggested by the validity of LMX in predicting task performance alone” (p. 273).

Justice. Based on equity theory (Adams, 1963), Dulebohn and his colleagues (2011) provided the following idea: Individuals tend to evaluate the

fairness of outcomes using an equity rule whereby they compare their own input-outcome ratios to a comparable other. Fairness will be perceived when the ratio is equal to that of the comparable other. As for LMX, it is expected that followers in high-quality relationships give higher scores on justice perceptions (Erdogan & Bauer, 2010) than those in low-quality LMX. This may occur due to the fact that when assessing process and outcome fairness, the former ones are more likely to view the leader as consistent in both processes and outcome.

Summary of the antecedents and outcomes of LMX

An overview of these antecedents and outcomes discussed above is presented below (see Figure 6).

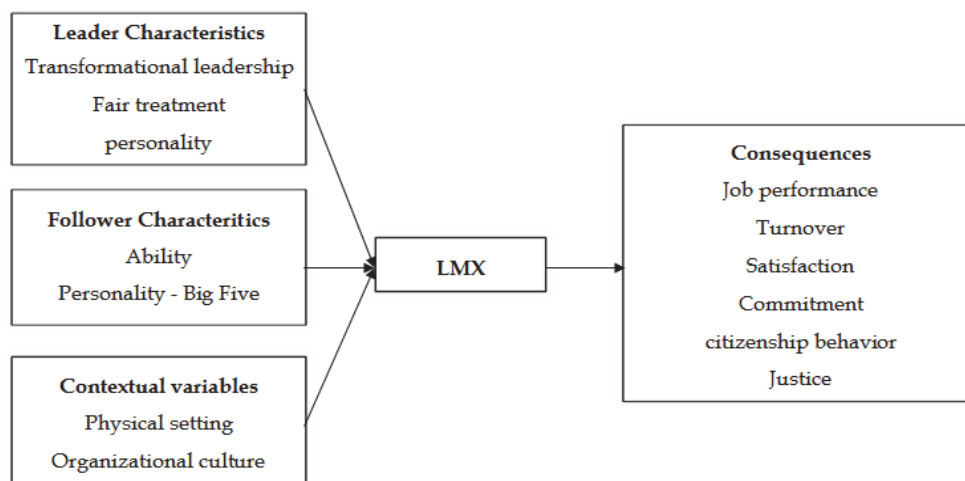


FIGURE 6 LMX Antecedents and Consequences framework. Source: Dulebohn et al. (2011, p. 3), adapted with modifications

Leader and follower characteristics (i.e., behaviors, perceptions, and personality) and contextual variables (i.e., physical setting and organizational culture) are shown to influence LMX relationship quality. Completing the process, LMX results in various consequences, namely behavioral consequences (i.e., job performance, turnover, commitment, citizenship behavior) and attitude consequences (i.e., satisfaction and justice perceptions). In addition, the picture presented here highlights a key purpose of the present study, which is to examine the antecedent and consequence of LMX and test the mediating role of LMX between both. Specifically, the ethical organizational culture is taken as a contextual variable to influence LMX quality, via the mechanism of LMX, which then affects employee work engagement as a consequence.

2.4 LMX theory in the Chinese context

Even though the role of context in LMX has been recognized in previous studies (e.g., Dienesch & Liden, 1986; Sparrowe & Liden, 1997), the majority of these studies have focused on contextual factors in an organization. Only a few studies (e.g., Nie & Lämsä, 2015; Redding & Wong, 1986; Yang, 1993; Hui & Graen, 1997) have expanded their analysis to broader contextual factors such as socio-cultural values and norms. In this chapter an attempt is made to extend and deepen knowledge and understanding of the role of the Chinese socio-cultural context in LMX based on the literature analysis, specifically to reach the first aim of this dissertation. First, the analysis of LMX research in China is made. Then, based on Confucianism and its moral rules for social conduct, a comparison between guanxi and LMX was conducted. In this part similarities and differences between the LMX theory and guanxi as well as the ethical challenges of guanxi to a Western manager working in China are discussed and analyzed (Nie & Lämsä, 2015.)

2.4.1 Overview of LMX research in China

Empirical studies that have investigated the leader-followers relationship in China by using the LMX framework are reviewed in Table 6 below. To provide a thorough overview of the research, several factors of the researches are presented. First, author(s), affiliation of the author(s), and publication year are presented. Second, a publication in which the study was published is shown. Third, the participants of each study are described followed by explaining measurement methods used in the studies. Then, the focus and variables of each study are introduced, and finally, key findings are described.

TABLE 6 Research findings related to LMX in Chinese context, listed by year

Author(s) Year Affiliation	Publication	Participants	Measurement	Focuses and variables	Findings
Hui et al. (1999); Hong Kong University of Science and Technology	Organizational Behavior and Human Decision Processes	386 supervisor-subordinate dyads in a Sino-Hong Kong joint venture	7-item LMX scale Scandura & Graen (1984)	LMX; Negative affectivity; Job mobility; In-role performance; Organizational citizenship behavior	Instead of being a direct antecedent of OCB, the relationship between negative affectivity and OCB is found to be mediated by LMX and perceived job mobility.
Hui et al. (2004); Hong Kong University of Science and Technology	Organization Science	605 matched cases of employees and their immediate supervisors from a large, reformed Chinese state-owned firm	7-item LMX scale Scandura & Graen (1984)	Perceived organizational support; LMX; Traditionality; Affective commitment; Organizational citizenship behavior	Traditionality moderates the relationship between LMX and affective commitment and organizational citizenship behavior.
Chen & Tjosvold (2005); Lingnan University, Hong Kong	Journal of International Management	230 Chinese employees from various industries in Chinese Mainland	5-item LMX scale (Fairhurst et al., 1987)	Goal interdependence; LMX; Leader effectiveness; Commitment; Future collaboration	Cooperative goals help local employees and their foreign managers develop a quality LMX relationship, which in turn improve leader effectiveness, employee commitment, and future collaboration.
Wang et al. (2005); Peking University, China	Academy of Management	62 leader-follower dyads within organizations situated throughout the Mainland China	LMX-MDM (Liden & Maslyn, 1998)	LMX; Transformational leadership; Organizational citizenship behavior; Task performance	Leader-member exchange fully mediated between transformational leadership and task performance as well as organizational citizenship behaviors.

(continues)

TABLE 6 (cont.)

Author(s) Year	Publication	Participants	Measurement	Focuses and variables	Findings
Aryee & Chen (2006); Hong Kong Baptist University	Journal of Business Research	300 employees and their immediate supervisors drawn from a Chinese household appliance manufacturer located in Guangdong Province, China	7-item LMX scale Scandura & Graen (1984)	Supervisor control of rewards; Work unit climate; LMX; Empowerment; Task performance; Job satisfaction; Psychological withdrawal behavior	(a) Supervisor control of rewards and work unit climate were related to LMX; (b) Empowerment fully mediated the relationship between LMX and the work outcomes.
Chen & Tjosvold (2006); Lingnan University, Hong Kong	Journal of Management Studies	163 Chinese employees from various industries in mainland China	5-item LMX (Fairhurst et al., 1987)	Goal interdependence; Supervisor - subordinate guanxi; LMX; Joint decision-making; constructive controversy	Cooperative goals helped Chinese employees and their foreign and Chinese managers strengthen their quality relationships as measured by supervisor-subordinate guanxi and LMX.
Chen & Tjosvold (2007); Lingnan University, Hong Kong	Asia Pacific Journal of Management	163 Chinese employees from various industries in China	5-item LMX (Fairhurst et al., 1987)	Personal guanxi; LMX; Constructive controversy; Job assignment; Promotion	LMX quality and personal guanxi promoted their constructive controversy, which in turn facilitated employees receiving challenging jobs and promotions.
Wang et al. (2008); Peking University, China	The International Journal of Human Resource Management	168 supervisor-subordinate dyads in a bank located in a city in the northeast of Mainland China	LMX-MDM (Liden & Maslyn, 1998)	LMX; Task performance; Contextual performance; Promotability; Intention to quit	LMX was positively related to the job dedication dimension of contextual performance. Supervisory ratings of the task performance predicted the promotability of subordinates.

(continues)

TABLE 6 (cont.)

Author(s) Year Affiliation	Publication	Participants	Measurement	Focuses and variables	Findings
Law et al. (2010); University of Hong Kong	Asia Pacific Journal of Management	168 supervisor-subordinate dyads in a bank located in a city in the northeast of Mainland China; 203 leader-follower dyads from MBA classes in a city located in northeastern China	LMX-MDM (Liden & Maslyn, 1998)	LMX; Task performance; Organizational citizenship behavior	Affect, loyalty, contribution, and professional respect dimension of LMX-MDM influence the overall level of LMX quality, and global LMX is positively related to task performance and organizational citizenship behaviors.
Ma & Qu (2010); Peking University, China	The Leadership Quarterly	451 employees from six companies in China	7-item LMX scale Scandura & Graen (1984)	Objective performance; LMX; Interactional justice	Leaders' personal universalistic values are negatively correlated with LMX differentiation. LMX differentiation, in turn, moderates the lower-level effect that LMX has on performance evaluation
Kwan et al. (2011); Lingnan University, Hong Kong	Journal of Business Research	385 supervisor-subordinate dyads in a private manufacturer located in China; 258 supervisor-subordinate dyads in two state-owned gas and petroleum enterprises in China	7-item LMX scale Scandura & Graen (1984)	Mentoring functions; Organizational citizenship behavior; Relationship quality; LMX	LMX moderates the linkages of role modeling with organizational citizenship behavior at both the individual level and the organizational level.
Walumbwa et al. (2011); Arizona State University, USA	Organizational Behavior and Human Decision Processes	72 supervisors and 201 immediate direct reports from a major pharmaceutical joint-venture in China	7-item LMX scale Scandura & Graen (1984)	Ethical leadership; LMX; Self-efficacy; Organizational identification; Employee performance	LMX, self-efficacy, and organizational identification mediated the relationship between ethical leadership and employee performance.

(continues)

TABLE 6 (cont.)

Author(s) Year Affiliation	Publication	Participants	Measurement	Focuses and variables	Findings
Cheung & Wu (2012); Hong Kong Shue Yan University	Asia Pacific Business Review	196 participants were selected randomly from four manufacturing firms in China	7-item LMX scale Scandura & Graen (1984)	LMX; Job satisfaction; Organizational commitment; Intention to leave	Job satisfaction fully mediates the relationships between LMX and employees' organizational commitment and intention to leave.
Liu et al. (2013); Renmin University of China	Management Studies	Matched data were collected from a multi-source sample that included 219 employee-supervisor dyads from a Chinese bank	7-item LMX scale Scandura & Graen (1984)	LMX; Guanxi with the supervisor; Career mentoring; Organization-based self-esteem; Job performance	LMX and guanxi are positively related to organization-based self-esteem. Organization-based self-esteem plays a mediating role in the relationship between guanxi and job performance.
Gu & Tang (2015); Shanghai Jiao Tong University, China	Journal of Business Ethics	160 supervisor-subordinate dyads from MBA classes in China (1998)	LMX-MDM (Liden & Maslyn, 1998)	Moral leadership; Identification with leader; LMX; Employee creativity	Employee identification with leader partially mediates the relationship between moral leadership and LMX; employee identification with leader greatly enhances LMX, which leads to high creativity.

As seen in Table 6, the total number of detected studies is 15, and except for one study by Hui et al. (1999), the majority of the studies have been conducted since the year 2004. This implies that LMX in China is a relatively new but rapidly expanding area of research. Among the total fifteen studies, ten studies used multisource data from both supervisors and subordinates' perspectives. More than half (8/15) studies used the unidimensional 7-item LMX scale proposed by Scandura and Graen (1984), the multidimensional LMX-MDM scale (Liden & Maslyn, 1998) was used in four studies and the 5-item LMX scale (Fairhurst et al., 1987) in three studies. So, the unidimensional 7-item LMX scale seems to be dominant in the studies. As for the research design, thirteen studies have taken LMX as an antecedent in research, including four taking LMX as a mediator, and two taking LMX as a moderator. Two studies took LMX as a consequence. The outcome variables used in the previous studies which took LMX (1) as an antecedent can be summed up into one category: attitudinal and behavioral outcomes, including employee performance (6 times), organizational behavior (5 times), commitment (3 times), empowerment, constructive controversy, promotion, job satisfaction, turnover intention, and work-related self-esteem; and (2) as a consequence. In the latter case LMX has been linked to cooperative goals and identification with leaders.

In sum, in terms of these studies in the last 10 years, the direction of LMX future research in the Chinese context is not easy to predict; however, the main focus areas in LMX-related research are obvious: The majority of the studies are interested in discussing the effect of LMX on work-related outcomes, such as employees' personal work performance and organizational citizenship behaviors. In addition, it is worth noting that, as a distinct and Chinese specific topic, the term of "guanxi" (interpersonal relationship) appears in several studies with LMX: cooperative goals help the leader-follower relationship quality as measured by LMX and guanxi (Chen & Tjosvold, 2006); LMX and guanxi promote leader-follower constructive controversy (Chen & Tjosvold, 2007); LMX and guanxi are both positively related to employee self-esteem (Liu et al., 2003). However, prior research providing more detailed analysis of guanxi in relation to LMX is scarce; therefore, in the following section, this study will take a closer look at guanxi when discussing the LMX contextualization in the Chinese context.

2.4.2 Contextualizing LMX theory in the Chinese context

The leader-member exchange theory, which emphasizes the importance of relationships, can be useful in the Chinese context (Redding & Wong, 1986; Yang, 1993; Hui & Graen, 1997), since, as highlighted by Nie and Lämsä (2015), interpersonal relationships and belonging to a group are crucial to Chinese people and their culture. Support for an argument that LMX needs to be understood taking into consideration the context in which it is practiced is given by the theory of legitimacy (Suchman, 1995) and institutional leadership theory (Biggart & Hamilton, 1987). The theories argue that leadership behavior is seen as legitimate by people when it is congruent with the cultural context in

which leadership occurs. Thus, LMX, which is a Western construct, can be legitimate in the eyes of Chinese employees when it is congruent with the local socio-cultural values and norms. However, it may be that some aspects of the LMX theory are congruent with the Chinese context while some aspects are not. Therefore, an analysis of LMX in the Chinese socio-cultural context is of importance. The analysis is of significance specifically to Western expatriate managers who work with Chinese subordinates. LMX is argued to be one of the best known leadership approaches now for Western managers (Ladkin, 2010). However, without an understanding of local values, it is difficult to apply LMX theory in the Chinese context successfully (Chen & Chen, 2004; Ladkin, 2010). The following discussion is made to contextualize the LMX approach in the specific Chinese environment. First, Chinese social values, Confucian thinking, and *guanxi* in particular are introduced. Then, a comparison between LMX and *guanxi* is conducted, highlighting their similarities and differences. Finally, ethical challenges of *guanxi* to a Western expatriate manager are analyzed (Nie & Lämsä, 2015).

2.4.2.1 Chinese social values and *guanxi*

Regarding cultural comparison, the widely used construct was proposed and developed by Hofstede (1980), comprising the dimensions of power distance, uncertainty avoidance, masculinity, and individualism. Using Hofstede's cultural dimensional construct, many Asian countries, including China, have been identified as belonging to the same cultural cluster characterized specifically by high power distance and low individualism, whereas the West in general is characterized the opposite way. From the viewpoint of LMX, this means that employees' evaluations of LMX quality might be different depending on cultural background. For example, as argued by Nie and Lämsä (2015), Chinese employees usually expect a harmonious leader-member relationship, and supervisors are expected to be directive (Hsu, 1982). Instead, in many Western societies employees usually favor more participative leadership behavior (Dorfman et al., 1997).

The Chinese cultural context is embedded in the Confucian value system, which occupies a dominant position in the long history of China. The most far-reaching proposition made by Confucianism is the hierarchical nature of interpersonal relationships in social networks (Yang, 1993). Nie and Lämsä (2015) say that "*wu lun*", the characteristics of social relationships, affects people's values, norms, and behavior in their relationships. The meaning of the term *wu* is five, and the term *lun* refers to the significance of relationships and moral principles regarding the interactive behaviors of related parties (Nie & Lämsä, 2015). According to "*wu lun*", hierarchical differentiation is essential in relationships (Chen & Chen, 2004), and five relationships are significant: emperor-subject, father-son, husband-wife, elder-younger siblings, and friend-friend (Hui & Graen, 1997; Chen & Chen, 2004; Law et al., 2010; Nie & Lämsä, 2015). The hierarchical differentiation is crucial in four of the relationships (emperor-subject, father-son, husband-wife, elder-younger siblings) meaning that the moral principle of respecting superiors needs to be followed in these

relationships (Chen et al., 2011). The only exception is the relationship between friend and friend, where the hierarchical division is not expected. Based on this Confucian understanding of social relationships employees (and people in general) in China tend to respect and obey people in higher positions of hierarchy and, thus, prefer authoritative leadership behavior to participative behavior (Nie & Lämsä, 2015).

According to Wang and Heller (1993), Chinese people are more likely to be highly sensitive to authority even nowadays. When it comes to the leader-member relationships, such social value still plays a role in people's minds and behaviors (Hwang, 2000; 2008). Chen et al. (2011) argue that the more power a leader has, the more obedience subordinates will show. In this culture, thus, a leader who has more resources and power, generally speaking, will get a higher evaluation from followers than leaders who have fewer resources and power (Nie & Lämsä, 2015).

Another important element in Chinese culture is *guanxi*; it is a significant aspect of Confucian thinking referring to the importance of groups for Chinese people. *Guanxi* can be defined as an interpersonal relationship between two parties (Jacobs, 1979), characterized by affection and mutual obligation (Thibaut & Kelley, 1959). It is like a private channel through which people communicate and exchange (Hackley & Dong, 2001; Chen & Chen, 2004). Emotion and feelings of concern are important factors in *guanxi*, and it can be regarded as a type of exchange currency which also influences the quality of leader-member relationships (Law et al., 2010). A well-known saying "Whom you know is more important than what you know" highlights a core idea of *guanxi* (Nie & Lämsä, 2015). In general, *guanxi* relies on kinship relations (Tong & Yong, 1998; Fan, 2002), or other significant relationships (Dunfee & Warren, 2001) (e.g., common workplace, or a common acquaintance with whom both people have *guanxi*) (Yeung & Tung, 1996; Chen & Chen, 2004; Nie & Lämsä, 2015). The latter form of *guanxi* needs to be advanced through the exchange of gifts and favors (Smart, 1993) to build trust, reputation, and credibility. According to Chen and Tjosvold (2007), personal *guanxi* includes a high level of trust and respect between people who also experience some kind of duties toward each other, while those who do not share common personal *guanxi* are usually excluded from the social network (see also Nie & Lämsä, 2015).

2.4.2.2 Similarities and differences between LMX and *guanxi*

LMX theory emphasizes the crucial role of relationship between leader and employee. Similarly, *guanxi* also highlights the importance of interpersonal relationships (Yang, 1993). In this sense, it can be expected that similarities exist in between LMX approach and Chinese *guanxi*. According to Nie and Lämsä (2015), LMX and *guanxi* share several similarities: (1) They are both rooted deeply in the relationship between two parties (e.g. Dansereau et al. 1975). The highly particular dyadic relationship is regarded as a fundamental unit of both LMX and *guanxi* (Graen & Uhl-Bien, 1995; Chen & Chen, 2004; Fan, 2002; Huang & Wang, 2011). (2) Both parties need to follow the principle of reciprocity during the dyadic interactions between leader and follower.

Practices associated with LMX and guanxi in work settings involve the exchange of obligations and benefits (Dulebohn et al., 2011), and these often occur in the dyadic leader-member relationships. (3) Both LMX and guanxi highlight the “quality” of the relationships. In other words, the argumentation of high-quality leader-member relationships benefiting effective leadership and employees’ performance (Scandura & Graen, 1984; Graen & Uhl-Bien, 1995; Bian & Ang, 1997) is applicable to LMX and guanxi as well.

Both LMX and guanxi stress the gradual and continuous development of an interdependent relationship between leader and employee through shared interactions. In particular, it is essential that the principle of reciprocity be followed in both approaches. From the viewpoint of expatriate managers the similarities imply that the managers need to stress and remember the significance of the principle of reciprocity in their leadership behavior, and motivate such behavior from their staff. Additionally, it is crucial for the expatriate manager to understand that the development of the high quality relationship between manager and subordinate takes time. These features in common between LMX and guanxi can provide a useful basis for applying the LMX theory in the Chinese context smoothly; in practice, the similarities can be taken as a helpful means for the Western leader to maintain successful relationships with Chinese employees.

However, since the LMX theory is originated from the Western context, adopting the ideas of the theory directly in a Chinese context may produce a mismatch in terms of cultural background. One could expect that differences exist in between the Western and Chinese people (Hofstede, 1980). Putting it in another way, due to the different cultural background, both groups of individuals may be different in terms of social values and cognitive structures (Yang, 1993; Chen & Chen, 2004), and this may create a challenge, even a barrier, when adopting the LMX theory in the Chinese context (Nie & Lämsä, 2015). When it comes to the specific leader-member relationships in the work setting, the congruency of values and cognitive structures are both important factors which influence the identification of the dyadic individuals with the relationship (Engle & Lord, 1997). The fact that culturally different leaders and followers may not conduct “appropriate” behavior as expected by each other may be regarded as a critical factor to weaken the quality of the leader-member relationship and increase the probability of conflict (Chong & Thomas, 1997).

As argued by Nie and Lämsä (2015), the feeling of concern is regarded as an important type of exchange currency in Chinese guanxi between leader and follower (Law et al., 2010). However, this expectation contrasts with the Western LMX approach, which considers the parties’ contribution and competence, but not feelings, to serve as the critical components of a successful leader-member relationship (Hui & Graen, 1997). In other words, Nie and Lämsä (2015) suggest that the emotional attachment between manager and employee is considered morally and socially appropriate according to guanxi. Therefore, the manager’s motivation and ability to show personal concern and care for employees is more crucial in leadership behavior in China compared to what the LMX theory suggests.

Another issue which is different between LMX and guanxi is related to the phenomenon of “face” and the sense of shame (Chueng & King, 2004; Zhong, 2007; Nie & Lämsä, 2015). The LMX theory does not pay attention to these Chinese peculiarities. In general, “face” can be understood as one’s public image (Tsang, 1998), referring to an idea that a person’s reputation in a social network is everything. When someone behaves inappropriately, it is not wise to admonish her/him in public. In other words, the person’s “face” needs to be maintained in public. Therefore, Chinese employees tend to make compromises and avoid open, face-to-face conflict. Westerners for their part usually prefer more direct confrontation and communication (Bond et al., 1985; Tse et al., 1994; Chen & Tjosvold, 2007). Nie and Lämsä (2015) say that if a Western person makes a Chinese person lose “face”, the shamed person cannot continue to communicate with dignity and the relationship fails (Ho & Redfern, 2010; Huang & Wang, 2011).

In Chinese culture a sense of shame is one of the essential human emotions indicating that the Chinese emphasize the sense of shame as a key factor in interpersonal relationships (Zhong, 2007). The expectation that one will always maintain face and avoid putting anyone in the position of feeling shame can be a challenge for Western expatriate managers; it is a cultural barrier that they have to try to overcome (Nie & Lämsä, 2015). A result of maintaining “face” is that the Chinese tend to use indirect and vague language to express their opinions; Westerners, in contrast, tend to stress logic by adopting a more direct and explicit way to ensure that the listener receives the exact message instead of relying on the listener’s ability to grasp the meaning (Wang, 2008). From the viewpoint of expatriate managers this means that to be able to build and maintain high-quality relationship with their Chinese subordinates they have to learn and use a more context-dependent and indirect communication style with their employees compared what they might use in Western contexts (Nie & Lämsä, 2015). Additionally, they need to be aware of and understand such communication behavior from their subordinates’ side.

2.4.2.3 Ethical considerations of guanxi

The ethical status of guanxi has caused much controversy, especially among Westerners (Tsang, 1998). For example, the term “backdoor guanxi” reflects the process of negotiating business solutions through one’s particularistic guanxi network, with the possibility of involving social harm (Bedford, 2011). Such types of guanxi in work settings may pose an ethical challenge in “proper” relationships between leaders and followers.

To understand the characteristics of guanxi it is important to understand different types of guanxi. One distinction is a model of three types of guanxi, namely, family guanxi, helper guanxi, and business guanxi. Family guanxi occurs among family members, while helper guanxi is related to people who are familiar to each other and involved in the exchange of favors. Finally, business guanxi refers to personal connections from business to business, respectively (Fan, 2002). In particular, from the viewpoint of organizational life, helper and business guanxi are of significance. Bedford (2011) for his part uses

the concepts of working guanxi and backdoor guanxi. The former refers to the processes of social exchange which are related to workplace goals. Backdoor guanxi means the process of negotiating business decisions through one's guanxi network, but also possibly involving corruption and social harm (Nie & Lämsä, 2015).

According to Nie and Lämsä (2015), firstly, using guanxi inappropriately may lead to corruption. When the emphasis of guanxi is only on material advantage, then it can be regarded as a form of bribery (Yang, 1989). In other words, in this case guanxi is used only for instrumental purposes and the exchange can be classified as bribery (Yang, 1989; Smart, 1993). The line between proper guanxi and bribery is often blurred; for example, compared with cash, Chinese people are more likely to bribe with gifts or other forms of material exchange than cash, which makes it difficult to identify the ethicality (Silin, 1972). So, when this kind of guanxi is expected and even used in the relationship between leader and follower, the ethical problem of bribery exists in the relationship.

Secondly, networks of guanxi are usually characterized by reciprocity, and advancing trust and increasing the value of the interaction are the main goals of networking (Standifird & Marshall, 2000). However, a certain way of guanxi may result in nepotistic relationships based mainly on positional power, rather than social principles (Nie & Lämsä, 2015). If guanxi is dominated only by the purpose of self-seeking, it will easily become a negative, nepotistic relationship compared to a situation where mutual benefits in relationships are sought (Verhezen, 2008). A person who has this nepotistic guanxi will gain benefits and secure their own interests more easily when compared with those who do not have such type of guanxi (Bian, 1994). Thus, the nepotistic guanxi in the work setting may lower the perceptions of the justice among the organization's members because it is detrimental to the principle of impartial and fair systems in organizations (Chen & Chen, 2004).

In China, as a form of social capital guanxi stresses reciprocal interest and goals in relationships, such as leader-employee relationships. The more different types of reciprocal benefits one has at one's disposal, the greater is one's socio-economic standing and influence (Nie & Lämsä, 2015). However, the expatriate Western manager has to understand the motivation, purpose, and likely outcome of his/her relationship with Chinese employees and know how to use guanxi properly and ethically. If the relationship is only based on opportunism producing beneficial outcomes for only the manager him-/herself, problems are likely to occur in leadership relations (Warren et al., 2004). The Western manager also needs to be able to make to a distinction between what is normal entertainment and what is bribery.

2.5 The ethical culture of an organization

2.5.1 Organizational culture

Organizational culture can be taken as a critical factor leading to organizations' success and members' personal well-being (Schein, 1984). When defining organizational culture, a glance at previous studies that use the term will reveal enormous variation in the conceptualizations of this term and even more in the use of the term culture (Alvesson, 2010). However, a majority of scholars agree that the key aspects of organizational culture include at least: an existing organization in which (1) members interact with each other and share a set of beliefs and values, and (2) policies, norms, regulations, and practices which guide members' attitudes and daily behaviors (e.g., O'Reilly & Chatman, 1996; O'Reilly et al., 1991; Schein, 1983).

Two main viewpoints are used to examine organizational culture. In the first, culture can be seen as the organization's identity, where culture is a part of the organization itself, and cannot be consciously changed or managed (the organization "is" a culture). A representative definition was proposed by Smircich (1983): "Organizations exist as systems of meanings which are shared to varying degrees" (p. 64). Culture is thus closely related to language use and less accessible and more complicated, calling for qualitative and interpretive studies. The second concept refers to culture as an acquired characteristic which is a controllable feature (the organization "has" a culture). Since the ethical aspect of organizational culture, one of the focuses in the present study, sees organizational culture as a combination of virtues (Kaptein, 2008) which can be changed, managed, and developed, this research utilizes the second approach. As a starting point the definition of Schein (1983; 1990) is adopted: organizational culture is the shared and relatively stable patterns of assumptions and actions, concrete and abstract, formal and informal, which are manifested in different levels of the organization or its sub-units.

According to Schein (1990), there are three major levels of culture: observable artefacts, values, and basic underlying assumptions (Schein, 1990).

(a) *Artefacts*. At the surface is the level of artefacts, which includes all the phenomena that one notices and feels when entering an organization. These are the visible and audible behavior patterns including, for example, an organization's physical environment, products and technology, office layout, published policies and norms, and observed behaviors of members (Schein, 1990; 2010). It should be noted that this level of the culture is easy to obtain (symbols and apparent phenomena observed) but difficult to decipher as the underlying logic (the reason and deeper meaning) remains invisible (Schein, 2010). Among the artefacts, symbols that reflect assumptions of the culture are easy to see and feel, but symbols are, on the other side, full of ambiguity, which in turn makes them difficult to fully understand.

(b) *Beliefs and values*. All organizational learning ultimately reflects someone's original beliefs, values, and sense of what ought to be, as distinct

from what is (Schein, 2010). In contrast to artefacts, values cannot be directly obtained by observation. Hence, in order to infer deeper assumptions from artefacts, it is sensible to aim to analyze the espoused values, norms, and rules that provide the daily operating principles by which the members of the organization guide their behaviors. Espoused beliefs and values usually leave large areas of behavior unexplained, leaving us with a feeling that we understand a piece of the culture but not as a whole. To get a deeper level of understanding and to decipher the pattern correctly, we should understand more fully the category of basic assumptions.

(c) *Basic underlying assumptions.* Basic assumptions determine the overt behavior in the group and have become so taken for granted for organization members that it is difficult for them to understand and tackle the assumptions. Typically, there is little variation in the assumptions within a social unit. This degree of consensus results from repeated success in implementing certain beliefs and values. Basic assumptions are learned responses, “invented, discovered, or developed by a given group - as it learns to cope with its problems of external adaptation and internal integration - that has worked well enough to be considered valid and, therefore - is to be taught to new members as the correct way to perceive, think, and feel in relation to those problems” (Schein, 1990, p. 111). Hence, basic assumptions tend to be extremely difficult to change. Culture as a set of basic assumptions, it defines the focus, attention, reaction, and actions of organization members in various kinds of situations (Alvesson, 2010). After they have developed an integrated set of such assumptions, they will be comfortable with others who share the same set of assumptions and very uncomfortable in situations where different assumptions exist because either they will not understand what is going on or will misinterpret the behaviors of others (Douglas, 1986).

As for the ethics in organizations, ethical tools, standards, and practices can be included at the first level; ethical values which are commonly accepted as part of the organization’s functioning (e.g., expectations that individuals will behave according to what they say, or interact with each other with honesty and integrity) can be taken at the second level; how to make ethical norms, values in congruency with basic ethical assumptions at the last level toward a common goal, is a critical issue for organizations to consider. Rather than focusing on observable organizational artefacts or the deeper level of basic assumptions, this dissertation focuses on the value-level of organizational culture by studying this level from the viewpoint of ethical virtues at the workplace.

Seen from the viewpoint of the Chinese context we may rely on Smith et al. (2002), who points out that “each individual operates within a cultural environment in which certain values, norms, attitudes, and practices are more or less dominant and serve as shared sources of socialization and social control” (p. 192). Societal culture and organizational culture are intrinsically linked (Kwantes & Dickson, 2010; Pučėtaitė & Lämsä, 2008). One way in which societal culture provides a context for organizational culture is that the specific social values impact the interpretation that employees give to organizational life and its phenomena. Kostova (1999) contends that, for employees, organizational

practices result in “meaning for organizational members” (p. 310), and much of this meaning is derived from employees' own societal context.

Although organizational culture is a topic that has been well-studied and applied in Western contexts since the 1970s, in Chinese organizations it did not appear as a topic of discussion until the 1990s. Zhao (2001) writes that organizational culture as a concept was not well understood by most Chinese organizations, with little attention be paid to the meaning behind culture, such as the basic assumptions, core values, and behavioral norms, before the 1990s. However, more recently, organizational scholars have directed much more attention to understanding the dynamics of culture in Chinese organizations. Denison et al. (2010) in their review article point out that the most comprehensive study of the organizational culture in Chinese companies was the research conducted by Tsui and his colleagues (2006), drawing upon 160 companies in China. Their findings suggest that different cultural characteristics would be present in some organization types more than others: State-owned organizations were found to have a hierarchy culture, demonstrating low scores in internal integration and external adaptation. Private companies were expected to be focused more on external adaptation and thus would have a strong market-oriented culture. Finally, foreign-owned firms were expected to demonstrate an equal emphasis between internal integration and external adaptation values (Tsui et al., 2006).

The application of Western theories of organizational culture has helped to identify similarities between Chinese and Western companies, and develop organizational culture research in China. This dissertation aims to discuss and develop the importance of the culture effect in Chinese organizations by using the Western theoretical framework proposed by Kaptein (2008) as well as to test its adaptation in a non-Western context.

2.5.2 Ethical organizational culture

As a part of organizational culture, the ethical organizational culture can promote either ethical or unethical behaviors through various means (Treviño, 1990), such as ethical norms, value statements, performance appraisal standards and criteria for rewards and punishment, and behavioral role models (Falkenberg & Herremans, 1995; Treviño & Weaver, 2003). The concept of ethical organizational culture has received increased attention over the last decade. Among other factors, ethical cultures are “characterized by a value or mission-driven focus, process integrity, and a long-term focus” (Cardador & Rupp, 2010, p. 21), and represent the shared values, norms, and beliefs about ethics that are upheld in an organization by emphasizing a more observable and conscious level of culture. An ethical organizational culture, particularly when there is congruency between formal and informal systems, can powerfully influence employees' behavior in ethical ways (Treviño, et al., 2006).

Based on different understanding of organization and the role of management (Burrell & Morgan, 1979), Sinclair (1993) proposed two approaches for managing organizational culture toward a better ethical end.

The first approach aims to create a unitary and cohesive culture around core ethical values by assuming that the organization's moral conscience can be upheld by rational decision-making. Information system, organizational planning, standards of rewards, selection, appraisal, promotion, and routines should all be designed to reinforce organizational values and norms. This approach attempts to ensure ethical behavior and enhance ethical culture in the work setting by reinforcing adherence to clearly-defined lines to guide organization members' behaviors.

The second approach stresses the different subcultures within an organization, and highlights the importance of understanding the value differences of subcultures (Gregory, 1983). This approach shows a new perspective to understanding organizational culture, which takes culture as "a dialogue between opposing forces that agree on the nature of their opposition", and questions the power to control the whole organizational culture as "a total agreement" (Bridges, 1986, p. 32). In this case, different values and views are taken as an asset, and different subgroups can stimulate and increase ethical behaviors by encouraging individuals to understand and challenge the ethics and values they bring to the organization (Sinclair, 1993).

Both of these approaches can be criticized, however. The strong culture emphasized by the first approach understates conflicts of interest inherent in organizations (Gowler & Legge, 1983; Denison, 1984; Mathews, 1998). The risks of the second approach lie in the fact that the divergent values of subcultures may allow deviant groups to flourish, and this may pose a challenge for management to find a common basis on which to proceed (Sinclair, 1993). In the present study, the first approach is emphasized. The unitary and cohesive ethical culture is viewed as the important feature and aim of an organization since it can provide adherence to common values; thus, common guidance is its basic principle (Sinclair, 1993). The Chinese context, as discussed earlier, is a "hierarchical" society (Yang, 1993). In organizations, this centralized system also occupies a dominant position (Chen & Chen, 2004). Thus, an aim to achieve a unitary ethical organizational culture makes sense in this context, in which adherence to organizational values and rules are stressed.

The ethical organizational context is defined as "principles of right and wrong that govern the exchanges of members of the organization when they are engaged in organizational activities" by Sinclair (1993, p.64). Within, the organizational context, there are two related constructs invoking interest among scholars in recent decades: ethical culture (Treviño, 1990) and ethical climate (Victor & Cullen, 1988). Treviño (1986) was the first to put focus on ethical culture by stressing its important role in individuals' ethical decision making and develop the first ethical culture model over a decade later with her colleagues (Treviño et al., 1998). Based on research by Glick (1985), Victor and Cullen (1987; 1988) introduced a theoretical model for ethical climates and defined ethical climates as "those aspects of work climate that determine what constitutes ethical behavior at work" (Victor & Cullen, 1988, p. 101).

The two constructs share many commonalities as well as differences. Research indicates that both culture and climate stress and exert a substantial

influence on organization members' ethical behavior and attitudes as well as play a role in the achievement of organizational outcomes. For instance, the two constructs have been empirically shown to be associated with such outcomes as employee satisfaction and commitment, absenteeism, turnover, performance, and customer satisfaction (Treviño et al., 1998; Schminke et al., 2007), which in turn provide a powerful means for gaining competitive advantage.

The possible differences between ethical culture and climate have been discussed extensively. Prior research has progressed by now to distinguish ethical culture as a distinct phenomenon from ethical climate (Treviño & Weaver, 2003). Ethical culture is defined as those aspects that stimulate ethical conduct (Treviño & Weaver, 2003; Kaptein, 2008), whereas ethical climate is understood as those perceptions and aspects that determine what constitutes ethical conduct (Victor & Cullen, 1988). In addition, ethical climate relates more to individuals' feelings and perceptions of their work environment, while culture puts focus on describing what the organization ultimately is about (Rentsch, 1990; Schminke, et al., 2007). Treviño and her colleagues (1998) also discussed the difference between the two constructs in their model. They argue that ethical culture includes more aspects that can prevent unethical behaviors compared to ethical climate. Moreover, Heugens et al. (2006) argue that culture can serve as a guide to make individuals comply with ethical expectations, whereas climate merely stresses the feelings and perceptions of individuals; thus, ethical culture explains ethical behaviors more precisely than climate. Furthermore, some empirical studies have been conducted concerning the differences between the two constructs. The findings of Treviño et al. (1998) showed that the relationship between unethical behavior and ethical culture was stronger than the relationship between unethical behavior and ethical climate. In sum, given the above discussion, it can be said that ethical culture and ethical climate, even though they share many similar characteristics, are distinct constructs in nature. A generally accepted idea is that ethical culture can be more powerful than ethical climate in defining people's ethical behavior in organizational life and, therefore, this construct is of interest in the present study.

The first construct trying to tap values as a part of ethical organizational culture was the "corporate ethical values" proposed by Hunt et al. (1989), who emphasized the role of management in creating culture. The model of Hunt et al. included three dimensions: ethical actions of managers, managers' concern with ethical issues, and the rewarding/punishment for ethical/unethical behaviors. Following that, Treviño and her colleagues attempted to assess the ethical aspects of organizational culture in a precise, dichotomous manner. Based on the previous research in 1990, Treviño et al. (1995) developed a scale called The Ethical Culture Questionnaire (ECQ). However, they indicated that the measure was designed with a code-organization bias, and suggested that this measure should be refined so it could be applied to both code and non-code organizations (Treviño et al., 1998). Following this suggestion, Key (1999) modified the measure by rewording and deleting items that referred to an ethics code, leaving eighteen items in a scale named the modified Ethical

Culture Questionnaire (ECQ-M). The results of Key's (1999) study indicate that ECQ-M may not measure the ethical culture of an organization as suggested by Treviño et al. (1995) but an individual's evaluation of the ethical aspects of an organization.

After the ECQ-M measure (the application of which remained only marginal), Kaptein (2008) was the first to develop a multidimensional model and a scale for measuring ethical culture of an organization. Based on Kaptein's (2008) work, DeBode et al. (2013) developed a short form of Kaptein's scale called the CEVMS-Short Form (CEVMS-SF), leaving a 32-item scale. The findings of DeBode and his colleagues' (2013) study showed that the CEVMS were generalizable across organizations. Moreover, the shorter length of the scale can make the measurement instrument more attractive to researchers and practitioners. Additionally, less time is required from respondents who answer the survey, which can be considered an advantage.

2.5.3 Corporate Ethical Virtues model

The multi-dimensional model of the ethical culture of organizations was developed by Kaptein (2008) with a sample of Dutch employees. Kaptein was the first to define the construct of the ethical culture of an organization, drawing upon the ethical virtues of corporations. The Corporate Ethical Virtues model (CEV model) (Kaptein, 1998) is grounded on a virtue-based theory of business ethics (Solomon, 2004). An important argument in business ethics put forward by Solomon (2004) is that "a virtue has a place in a social context... It consists not just of individual autonomy and 'togetherness' but of such company virtues as loyalty and congeniality, cooperation and trustworthiness" (p. 1025). As suggested by Heugens et al., "a central concern for the field of business ethics is to identify the qualities that firms must possess in order to lead an existence of excellence" (Heugens et al., 2006, p. 397), and virtue ethics can be a fruitful basis for this concern. Virtue ethics focuses on the pursuit of excellence and links well to commonly understood business virtues, such as reliability, achievement, and 'hard work' (Solomon, 1992).

Kaptein (1998; 2008) transferred Solomon's (2004) virtue-based theory to the organizational context, stressing that not only individuals but also organizations need certain characteristics (virtues) to facilitate ethical actions. In line with the conception by Treviño (1990), the virtuousness of an organization can be defined by how far the culture encourages ethical behavior among the organization's members and how far it prevents them from behaving unethically (Kaptein, 1998). To define these virtues, Kaptein (2008) made an exploratory and confirmatory factor analysis to test the latent structure underlying the eight dimensions of the ethical culture of organizations, resulting in a final 58-item self-reporting questionnaire (see Figure 7). The following section is mainly based on Kaptein's study from 2008.

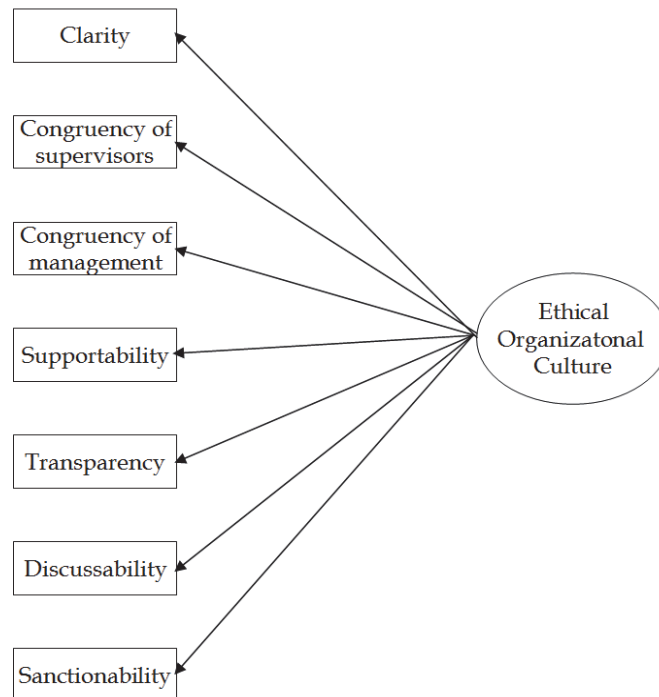


FIGURE 7 Dimensions of the Corporate Ethical Virtues model. Source: Kaptein (2008), with modifications

Clarity is the first virtue in the CEV model (Kaptein, 2008), regarding expectations of conduct of employees. These expectations should be concrete, understandable, and sufficiently clear enough to employees to follow. Clear expectations are needed for ethical behavior, as the ethical issues encountered in business settings can differ from those encountered in other social environments (Crane & Matten, 2007; DeGeorge, 1999; Donaldson & Dunfee, 1999). Without a guiding organizational frame of reference, employees' own moral intuition may not be sufficient to face the risks of unethical behavior in the workplace (Bird & Waters, 1989; Tyler & Blader, 2005). In addition, it can also help to communicate to organization's members that ethical norms are very important, which, in turn, can decrease the likelihood of violating behaviors. (Kaptein, 2011b). In contrast, ambiguous ethical expectations can be a major cause of unethical behaviors in organizations (Bird & Waters, 1989) for its uncertainty of right and wrong (Kaptein, 2008). A further risk of unclear normative expectations is that employees may hide behind their ignorance or deliberately keep themselves uninformed, which leaves much room for excuses and rationalizations (Bovens, 1998).

The following two dimensions of the ethical organizational culture are

congruency of supervisors and *congruency of management*. In some cases, even though the organization has sufficiently clear ethical standards, it also has been found that unethical behaviors by employees were motivated by the example set by their supervisors, or senior managers engaging in unethical conducts or behaving in unethical ways (Kaptein, 2008; Brown & Treviño, 2006; Mayer et al., 2010; Schminke et al., 2005). One theory that can be used here to explain this phenomenon is the social learning theory proposed by Bandura (1971). According to this theory, new patterns of behavior, through the influence of example, can be acquired by observing the behavior of others, either deliberately or inadvertently. Those who have high status, prestige, and power are much more effective in evoking matching behavior in observers than models who possess relatively low standing and low vocational competencies (Lippitt et al., 1952; Lefkowitz et al., 1955; Bandura, 1971). It is therefore not difficult to explain why leaders are considered by employees to be role models to follow and pattern themselves on, and why the actual behaviors of supervisors and senior managers contradicting organizational expectations and standards will make employees get conflicting and inconsistent signals. The actions of leaders who have gained some status are more likely to be viewed as successful and hence have greater functional value for observers in an organization. The influence of leaders' prestigious role modelling on the thoughts, perceptions, values, and behavior of members of an organization can be found directly and indirectly. In sum, in an ethical organization, managers at all levels should act in accordance with ethical standards.

The fourth dimension in the CEV scale is *feasibility*, which refers to the extent to which the organization creates conditions that make its employees behave in a certain way that comply with normative expectations (Kaptein, 2008). Rest (1984) has pointed out that employees who work under pressure tend to behave more unethically than those who have sufficient resources at their disposal. Similarly, findings of Treviño's (1986) study show that employees are less likely to pay attention to the legitimate expectations and interests of others if they are under pressure of time, information, budget, and equipment to fulfill their responsibilities. Schweitzer et al. (2004) also convincingly and empirically show that excessively high targets stimulate unethical behavior. As suggested by Kaptein (1998; 2011b), if employees have little scope to realize their tasks and responsibilities, the risk of unethical conduct increases, and in a high pressure culture, complying with ethical expectations may have to give preference to other financial goals for example. Therefore, feasibility plays a critical role in creating an ethical organizational culture.

Supportability is the fifth dimension of the CEV scale, meaning the strength of employees' identification with the normative expectations of the organization, and support created by the organization to stimulate this. Employees who feel that they are taken seriously and treated fairly are more likely to behave ethically, whereas, mistrust and a hostile work environment might make it difficult to comply with the ethical standards of the organization (Kaptein, 2008; 2011b). Tyler and Blader (2005) in their empirical study pointed out that when

employees are encouraged to identify with the organizational values, they are intrinsically motivated to comply with the ethical standards of the organization. Thus, creating a culture to encouraging and supporting such identification is important.

The next dimension of the CEV scale is *transparency*, referring to the degree to which the consequences of employee conduct are perceptible to those who can act upon it, such as their colleagues, supervisors, and subordinates. Zey-Ferrell & Ferrell (1982) stated that peers, their perceptions, thoughts, behaviors, and daily interaction with peers show strong influence on individuals' ethical decision-making and behaviors due to feedback and disclosure for misinterpretation and dishonesty that accompanies it. In organizations with a high level of transparency, employees are expected to succeed in correcting their behavior or that of their peers, supervisors, or subordinates (Kaptein, 1998). In contrast, the opportunity for employees who are hardly aware of the consequences of their behaviors are quite small, which in turn, decreases their chance to modify their misconduct and increases the likelihood of unethical conduct. This can lead to a situation where employees only focus on the action without regard for its consequences (Bovens, 1998).

Discussability is the seventh virtue of the CEV scale, which means the opportunity to learn from others' mistakes and the opportunity for workers to exchange, analyze, and discuss their experiences. In an open culture with a high degree of discussability, moral issues are openly spoken about, and criticism is accepted and encouraged. This can increase the opportunity to learn from others' mistakes and modify individual behaviors. Whereas, if employees are not given adequate scope to exchange, analyze, and discuss their experiences, they are more likely to close their ears and eyes to what they do not want to hear or see (Kaptein, 1998). Such a situation is often characterized by "negative information blockage" (Bishop, 1991). Also Bird and Waters (1989) argue that persistently avoiding moral talk reinforces an amoral organizational culture. They point out that if moral issues are not openly discussed, ethical issues go unnoticed and unacknowledged, which results in higher levels of moral stress (Bird & Waters, 1989). Thus, employees are expected to report perceived transgressions under this dimension of CEV; in this way, their work setting should be taken as a secure place where ethical issues can be raised without fear of being victimized.

The final virtue in the CEV model is labeled as *sanctionability*, stressing the importance of enforcement and referring to the extent to which reward and punishment are used for behaving ethically or unethically (Kaptein, 2008). Such enforcement can maximize the effectiveness of ethical norms in organizations. According to Falkenberg & Herrenans (1995), the strength of the enforcement of sanctions can be seen as a stimulus of employees' (un)ethical behaviors. Findings show that the more ethical conduct is rewarded, or the more unethical behavior is punished, the fewer violations people commit (Román & Munnuera, 2005). On the other side, if managers reward employees for unethical behavior or fail to punish them for conducting such behavior, they send a message that unethical behavior is acceptable or desirable (Ball et al., 1994). Therefore,

reinforcing ethical norms through rewards and punishment is a sensible way to make employees realize that the organization is a place where ethical behaviors are encouraged and wrongdoers are responsible for their unethical conduct (Treviño et al., 1999).

The Corporate Ethical Virtues Model as developed by Kaptein (1998; 1999), formulates normative criteria for the ethical culture of organizations. Subsequently, Kaptein (2008) validated and refined the model with four interlocking studies, in which, an exploratory factor analysis provided support for the existence of eight unidimensional corporate ethical virtues. The results indicated that there was an overall significant difference between the three companies that participated in his study, showing that the CEV scale provides more promising results than Key's (1999) ECQ-M model, where no significant differences were found between organizations. Many studies have been conducted to compare the culture of different organizations (*cf.* Hofstede et al., 1990). The questionnaire developed in Kaptein's (2008) study can be used to examine the extent to which the ethical culture of organizations differs. Related future research could also reveal to what extent the eight ethical virtues differ by nations for example. This study aimed at further validating the CEV scale in a sample of Chinese employees in three organizations to help us to achieve a better understanding of the construct of the ethical culture of an organization.

2.5.4 Previous studies on ethical organizational context

Studies that have examined the influence of the ethical context of an organization to different outcomes are divided into two categories here: (1) studies focusing on ethical culture worldwide, and (2) studies focusing on the Chinese context.

2.5.4.1 Previous studies on ethical culture

Studies that have tested the ethical organizational culture in relation to different outcomes are summarized in Table 7.

TABLE 7 Research findings related to ethical culture in organizations, listed by year

Author(s) Year	Participants	Focus	Outcome(s)	Findings
Hunt et al. (1989)	1264 employees in marketing and advertising department	Ethical values	Organizational commitment	The higher the organizational ethical values, the better organizational commitment will be.
Singhapakdi (1993)	367 members from American Marketing Association	Ethical culture	Ethical sensitivity	Ethical culture was positively related to the ethical sensitivity (perceived ethical problems) of marketers.
Treviño et al. (1998)	318 alumni of two private U.S. colleges	Ethical climate and ethical culture	Organizational commitment, observed unethical behavior	Both ethical climate and ethical culture were associated positively with organizational commitment, and ethical culture was associated with less observed unethical behavior.

(continues)

TABLE 7 (cont.)

Author(s) Year	Participants	Focus	Outcome(s)	Findings
Douglas et al. (2001)	Practicing accountants employed by two large, international accounting firms	Ethical culture	Personal values and ethical judgement	Ethical culture was found linked positively to idealism, and negatively to ethical judgment.
Valentine et al. (2002)	304 employees from four institutions of higher education located in the U.S.	Ethical values	Ethical sensitivity and Machiavellianism	Ethical culture was positively related to the ethical sensitivity (perceived ethical problems) of marketers. Ethical culture had a more positive effect on ethical sensitivity of a high Machiavellian marketer than on a low Machiavellian marketer.
Baker et al. (2006)	489 members of a regional chapter of the National Association of Purchasing Managers (NAPM) in the U.S.	Ethical values	Organizational justice	Organizational ethical values were found to be positively associated with both procedural and distributive justice.

(continues)

TABLE 7 (cont.)

Author(s) Year	Participants	Focus	Outcome(s)	Findings
Valentine et al. (2006)	Randomly selected 460 employees from the Institute of Management Accountants in the U.S.	Ethical values	Perceived organizational support, job satisfaction, turnover intention	Perceived organizational support mediated the effect of corporate ethical values on both job satisfaction and turnover intention.
Vitell & Hidalgo (2006)	387 marketing managers from the U.S. and Spain	Ethical values	Social responsibility and organizational effectiveness	Ethical values had a significant positive effect on the degree of importance that individuals attributed to the role of ethics and social responsibility in achieving organizational effectiveness.
Valentine & Barnett (2007)	373 sales and marketing professionals in the U.S.	Perceived organizational ethics	Recognition of ethical issues, ethical judgments, and ethical intention	Perceived organizational ethics was positively associated with ethical judgments and ethical intentions, but not related to respondents' recognition of ethical problems.

(continues)

TABLE 7 (cont.)

Author(s) Year	Participants	Focus	Outcome(s)	Findings
Caldwell & Moberg (2007)	186 first-year students from an MBA program in the U.S.	Ethical culture	Moral imagination	Ethical organizational culture had a positive direct influence on better moral imagination. Individuals will not be strongly influenced by the situation if morality is a strong part of their self-identity. However, for those individuals whose social self-identity does not have a strong moral component will be more attentive to the social cues and direction provided by an organization's culture.
Kaptein (2009)	4056 members of the U.S. working population.	Ethical culture	Ethics programs	Relationships between the components of an ethics program and the dimensions of ethical culture differ in strength, nature, and significance.

(continues)

TABLE 7 (cont.)

Author(s) Year	Participants	Focus	Outcome(s)	Findings
Sharma et al. (2009)	186 first-year students from an MBA program in the U.S.	Ethical values	Job performance and commitment, Perceived fairness	Perceived fairness moderates the influence of corporate ethical values on two seminal outcomes: job performance and commitment. The impact of corporate ethical values on commitment and job performance was weaker when fairness was low.
Valentine (2009)	373 sales and marketing professionals in the U.S.	Ethical culture and ethical values	Ethics training, Satisfaction with supervisors and co-workers	Corporate ethical values and ethical culture mediated the relationship between ethics training and satisfaction with supervisors positively.
Sweeney et al. (2010)	555 auditors from Ireland and the U.S.	Ethical culture	Ethical evaluation and intention to act	While perceived unethical pressure to engage in dysfunctional behaviors and unethical tone at the top were significant in forming an ethical evaluation, only perceived unethical pressure had an impact on intention to engage in the behaviors. Country was also found to have a significant impact, with U.S. respondents reporting higher ethical evaluations and lower intentions to engage in unethical acts than Irish respondents.

(continues)

TABLE 7 (cont.)

Author(s) Year	Participants	Focus	Outcome(s)	Findings
Pučetaitė et al. (2010)	519 respondents in Lithuania companies	Ethical practices	Organizational trust	Of the ethical organizational practices, fair and just human resource management and employees' participation had the strongest associations with organizational trust.
Kaptein (2011a)	5065 respondents from the U.S. working population	Ethical culture	Employee response in observed wrongdoing	Several dimensions of ethical culture were negatively related to intended inaction and external whistleblowing and positively related to intended confrontation, reporting to management, and calling an ethics hotline.
Kaptein (2011b)	341 triads with one manager and two direct reports	Ethical culture	Observed unethical Behavior	Six dimensions of ethical culture were negatively related to observed unethical behavior: ethical role modeling of management, ethical role modeling of supervisors, capability to behave ethically, commitment to behave ethically, openness to discuss ethical issues, and reinforcement of ethical behavior.

(continues)

TABLE 7 (cont.)

Author(s) Year	Participants	Focus	Outcome(s)	Findings
Huhtala et al. (2011)	902 managers from different organizations in Finland	Ethical culture	Managers' occupational well-being	The managers' perceptions of the ethical culture prevailing in their organizations were associated with their occupational well-being both directly (high-work engagement) and indirectly via a low level of ethical strain (low-emotional exhaustion).
Huhtala et al. (2013)	811 Finnish managers from different organizations in Finland	Ethical culture	Managers' personal work goals	Ethical organizational culture operated as a context for personal goal setting: Those managers who evaluated their organizational culture as more ethical were more likely to report organizational goals.
Riivari et al. (2014)	719 respondents from all levels of three Finnish organizations, both general staff and managers	Ethical culture	Organizational innovativeness	The ethical culture of the organization had a specific role in process and behavioral innovativeness. It was found that congruency of management was the single virtue with the highest effect on organizational innovativeness overall and specifically on process and behavioral innovativeness.

As seen in this table, ethical culture is a relatively new research area, as the majority of the researches have been conducted since 2000. Rather simple associations between ethical culture and various outcomes have been a dominant research design. The outcome variables in the studies can be divided into two categories in terms of level: individual level (employee turnover intention, employee ethical judgment and moral imagination, satisfaction with supervisors and co-workers, performance, employee ethical evaluation and intention to act, employee response in observed wrongdoing, managers' personal work goals, and occupational well-being) and organizational level (organizational effectiveness, ethics programs in organizations, organizational trust, and innovativeness).

2.5.4.2 Previous studies in the Chinese context

Studies in recent five years (2011-2015) that have investigated the ethical context in China in relation to different outcomes are summarized in Table 8.

TABLE 8 Research findings related to ethical organizational context in Chinese context in 2011-2015, listed by year

Author(s) Year	Participants	Focus	Outcome(s)	Findings
Deshpande et al. (2011)	118 successful Chinese managers among business students and managers in the Zhejiang province of China.	Ethical climate	Successful managers	A majority of the respondents perceive successful managers as ethical; In addition, those who believed that their organization had a "rules" climate perceived a strong positive link between success and ethical behavior.
Jiang et al. (2011)	264 supervisor-subordinate dyadic data from Taiwanese organizations	Moral values	Organizational commitment, job performance, Attendance.	The results indicated (1) that supervisor business moral values were positively associated with subordinate business moral values, and (2) that the latter mediated the relationship between the former and subordinate outcomes.
Lin (2011)	470 employees with at least 1 year work experience from organizations in Taiwan and Mainland China	Ethical climate	Guanxi and reciprocity behavior	Instrumental ethical climate expects employees to enhance firm's benefit regardless of consequences, that with law and code ethical climate expects employees to obey the law and the ethics in profession; Employees will try to achieve these two goals through the development and maintenance of guanxi.

(continues)

TABLE 8 (cont.)

Author(s) Year	Participants	Focus	Outcome(s)	Findings
Fu & Deshpande (2012a)	208 employees of a Chinese state-owned steel company	Ethical climate	Ethical behavior	Rules climate had a significant impact on ethical behavior of respondents. Other ethical climate types such as professional, caring, instrumental, independence, and efficiency did not impact ethical behavior of respondents.
Fu & Deshpande (2012b)	144 employees working at a Chinese private construction company	Ethical climate	Organizational behavior	Caring and independence climate types had a significant positive impact on organizational commitment. Instrumental climate had a significant negative impact on organizational commitment.
Cheng & Wang (2014)	956 respondents from 143 teams in Mainland China and Taiwan	Team ethical climate	Team identification	The ethical climate of benevolence and egoism mediated the relationship between authoritarian leadership and team identification; the ethical climates of benevolence had a partial mediating effect on the relationship between benevolent leadership and team identification as well as moral leadership and team identification.

(continues)

TABLE 7 (cont.)

Author(s) Year	Participants	Focus	Outcome(s)	Findings
Fu & Deshpande (2014)	476 employees working in a Chinese insurance company	Ethical climate	Job satisfaction, organizational commitment, and job performance	Caring climate had a significant direct impact on job satisfaction, organizational commitment, and job performance. Caring climate also had a significant indirect impact on organizational commitment through the mediating role of job satisfaction, and on job performance through the mediating role of job satisfaction and organizational commitment.

As can be seen in this table, the majority of the studies have taken ethical climate as an antecedent to discuss its influence on organization or employees; none of these studies put their focus on ethical organizational culture, which shows that ethical organizational culture is a new area of research in China. Previous studies have mainly examined connections between ethical climate and different outcome variables. The outcome variables used in the previous studies can be divided into two main categories: attitudinal outcomes (identification, job satisfaction) and behavioral outcomes (commitment, job performance, ethical behavior, reciprocity behavior, attendance).

The present research differs from the above mentioned studies in three main ways. Firstly, it investigates the impact of ethical culture, rather than ethical climate, on outcomes for the organization first time in the Chinese context. This can lead to a more comprehensive and deeper understanding of the importance of ethical issues in organizations, and also provide broader validity for the CEV scale. Secondly, as the previous studies have been rather simpler in terms of their research design, this research is expected to produce more detailed new information about the phenomena in question. Thirdly, by combining ethical culture with psychological outcomes, namely, employee work engagement, the present research provides a new avenue for studying the effects of organizational ethics.

2.6 Employee work engagement

Over the past ten years, employee work engagement has received increasing research attention and become a well-known construct to both scholars and business practitioners (Kahn, 1990; 1992; Schaufeli et al., 2002; Schaufeli & Bakker, 2004; May et al., 2004; Leiter, 2005; Schaufeli & Salanova, 2007; 2008; Bakker et al., 2008; Macey & Schneider, 2008; Rich et al., 2010; Adekola, 2011; Christian et al., 2011). Work engagement is fundamentally a positive, motivational, and persistent concept that is characterized by vigor, dedication, and absorption (Schaufeli et al., 2006). Vigor refers to high levels of energy and the willingness to invest effort in one's work even in the face of difficulties. Dedication refers to strong identification and a sense of significance, enthusiasm, inspiration, and pride. Absorption is concerned with focused attention, and effortless concentration on one's work. Given these characteristics, work engagement can be defined as "a relatively enduring state of mind referring to the simultaneous investment of personal energies in the experience or performance of work" (Christian et al., 2011, p. 95).

An emerging body of research indicates that engagement has potentially positive consequences for both employees and their employing organization. Engaged employees have a sense of energetic and effective connection with their jobs, and they see themselves as able to deal well with the demands of their tasks (Maslach & Leiter, 1997; Schaufeli et al., 2006; Leiter & Bakker, 2010). Moreover, they are thought to experience a high level of connectivity with their

tasks and use more of their talents in the workplace, committing themselves to ever more challenging in-role and extra-role tasks (Adekola, 2011), which in turn leads to improved personal and organizational outcomes (Wang et al., 2005; Atwater & Carmeli, 2009). It is therefore important to identify the factors that are related to employees' work engagement in an organization.

2.6.1 Definitions and measurements of work engagement

The term "employee engagement" was most likely first used in the 1990s by the Gallup organization (Buckingham & Coffman, 1999). Although there have been many studies which have been conducted concerning and carrying the label of "engagement", its definitions are not always consistent. However, as Christian et al. (2011) point out, among these various definitions, Kahn's conception has been used most in the vast majority of studies, proposing that employee engagement represents a state in which employees "bring in" their personal selves during work role performances, investing personal energy and experiencing an emotional connection with their work.

In this sense, work engagement should refer to a psychological connection with the work performance rather than an attitude toward features of the organization or the job (Maslach et al., 2001). Moreover, work engagement is not only involving the investment of a single aspect of the self; rather, it represents the investment of multiple dimensions in terms of physical, emotional, and cognitive for example, so that the experience is simultaneous and holistic (Kahn, 1992; Rich et al., 2010). Later, Kahn (1992) differentiated the concept of engagement from psychological presence, namely when "people feel and are attentive, connected, integrated, and focused in their role performance" (p. 322). Put another way, engagement as a behavior, which drives energy in one's work role, is considered as the manifestation of psychological presence, a particular mental state. Engagement, in this way, is assumed to produce positive outcomes, rather than negative outcomes such as burnout, both at the individual level and the organizational level (Schaufeli & Bakker, 2010).

According to Schaufeli et al. (2006), work engagement is characterized by vigor, dedication, and absorption. Vigor refers to high activation, characterized by high levels of energy and willingness to invest effort in one's work even in the face of difficulties. Energy is the underlying bipolar dimension with vigor at one hand, and emotional exhaustion at the other (Gonzalez-Roma, et al., 2006). Dedication is described as "being strongly involved in one's work and experiencing a sense of significance, enthusiasm, inspiration, pride, and challenge" (Schaufeli et al., 2006, p. 3). Identification is the underlying bipolar dimension, with opposite ends of dedication and cynicism (Gonzalez-Roma, et al., 2006). Absorption is the third and final aspect of engagement. Employees absorbed in their work can be thought of as being fully engrossed in their work and in a mindset enabling full concentration in that work (Schaufeli et al., 2006). At the positively deviant end of the absorption spectrum, employees experience a state called flow, whereby time passes quickly and one has difficulties with detaching oneself from work (Csikszentmihalyi, 1990).

Another important factor in defining engagement is its conceptualization as a “state” versus as a “trait.” Most of the research conceptualizes engagement as a relatively stable individual difference variable that varies between persons (e.g., Schaufeli et al., 2002; Schaufeli & Salanova, 2007). Recent research has suggested that work engagement is subject to moderate day-level fluctuations around an average level (Sonnentag, 2003). This is consistent with Kahn (1990), who argued that work engagement ebbs and flows—a condition that may vary both between and within individuals. Thus, a debate concerning the state or the trait, or both, has emerged (Dalal et al., 2008).

Schaufeli and Bakker in their review study (2010) distinguished the following eight concepts related to work engagement; either refers to behaviors, beliefs, or affect (see in Table 9). The following review is mainly based on their study (Schaufeli & Bakker, 2010, p. 13-15):

TABLE 9 Work engagement and its related concepts. Source: Schaufeli & Bakker (2010, p. 13-15), with modifications

Related concepts and focus		Engagement focus
Extra-role behavior	Extra, voluntary effort	Different or creative job
Personal initiative	Quality of job	Both quality and quantity job
Job involvement	Identified psychologically with one's work	In addition to identification, but also energy and absorption
Organizational commitment	A binding force between individual and organization	Involvement in one's work role
Job satisfaction	Satiation and concern with affect	Activation and concerning with mood
Positive affectivity	Includes factors corresponding with work engagement	A domain-specific psychological state
Flow	Short-term experience	Pervasive and persistent state of mind
Workaholism	Driven by a strong inner urge	Work is challenging and fun

(1). Extra-role behavior. Even though work engagement has been commonly defined in terms of discretionary effort, or “going the extra mile”, but this argument is limited to consider engagement solely in terms of extra, voluntary effort. Schaufeli and Bakker (2010) noted that differences exist between both, since engagement not only includes “extra”, but also something different or

creative brought to one's job, which means that extra behavior should not be a constituting element of work engagement.

(2) Personal initiative. As a specific kind of behavior, personal initiative goes beyond the normal or ordinary job. Such initiative comprises proactivity and persistence element and benefit one's goal achievement (Frese & Fay, 2001); however, this concept does not include the quantity of behavior but the quality of one's behavior (Schaufeli & Bakker, 2010). Thus, personal initiative is more like the behavioral dimension of the engagement such as vigor.

(3) Job involvement. Lodahl and Kejner (1965) defined the job involvement as "the degree to which a person is identified psychologically with his work or the importance of work in his total self-image" (p. 24). It is therefore closely related to the identification factor of engagement but not the overall engagement as a whole.

(4) Organizational commitment. Mowday et al. (1979) defined the organizational commitment as "the relative strength of an individual's identification with and involvement in a particular organization" (p. 226). Different from engagement, the commitment is like a binding force between individuals and their employing organizations, whereas engagement stresses the involvement in one's work role or the work itself.

(5) Job satisfaction. The vast majority of studies on job satisfaction use the definition by Locke (1976) as "a pleasurable or positive emotional state resulting from the appraisal of one's job" (p. 1300), connoting satiation and concerning with individuals' affect toward their work. Unlike job satisfaction, work engagement is more connoting activation and concerning with individuals' mood at work.

(6) Positive affectivity. According to Watson et al. (1998), positive affectivity includes factors corresponding with work engagement, such as attentive (absorption), proud (dedication), and energized (vigor). As suggested by Schaufeli and Bakker (2010), work engagement can be taken as a domain-specific psychological state, being a dispositional trait.

(7) Flow. Flow is characterized by focused attention, clear mind, effortless concentration, and intrinsic enjoyment (Csikszentmihalyi, 1990), referring to rather short-term experience, whereas, work engagement refers to a more pervasive and persistent state of mind.

(8) Workaholism. A distinction between workaholism and work engagement is made by Vallerand et al. (2003) who argue that workaholism is driven by obsessive passion, but engagement is by harmonious passion. In other words, workaholic employees are more likely to be driven by a strong inner urge they cannot resist, whereas engaged employees who work hard because work is challenging and fun.

Following the three-dimensional conceptualization of Schaufeli and Salanova (2002), work engagement is defined here as a state characterized by vigor, dedication, and absorption. To reflect an experiential state, ideally all three aspects of work engagement are supposed to be simultaneously present. However, as suggested by Sonnentag et al. (2010), when individuals recall their experiences over an extended time period in the past, they are more likely to

score high on all three aspects of engagement without ever having experienced them simultaneously. Research on state work engagement can inform individuals and organizations about how to foster work engagement in specific situations or during specific times when it is particularly important that work engagement is high (Sonnentag et al., 2010). Given the above discussion, work engagement as a state was used in this present study.

Based on various conceptualizations of work engagement, different instruments have been proposed to measure this issue, among which, based on the research by Schaufeli and Bakker (2010), three main measurements are discussed in this section.

(1) The 12-item Gallup scale. The Gallup questionnaire includes 12 items, and it has been administered to more than 7 million employees in 112 countries (Harter et al., 2002). The leading principle of the Gallup scale is regarding the usefulness for managers in creating change in the workplace. Thus, the scale is mainly used as a management tool over the world. The 12-item questionnaires are scored on a 5-point rating scale ranging from 1 (strongly disagree) to 5 (strongly agree). A closer look at the content of items reveals that, instead of measuring engagement in terms of an employee's involvement, satisfaction, and enthusiasm, the Gallup model aims to tap the employee's perceived job resources. In other words, it assesses the perceived level of resources in the employee's job and not his or her level of engagement. Thus, the antecedents of engagement in terms of perceived job resources are the measurement's focus (Schaufeli & Bakker, 2010). However, empirical findings indicate that the disadvantage of this measurement is that the concept of the Gallup's engagement is virtually identical with overall job satisfaction.

(2) The Utrecht Work Engagement Scale (UWES). Schaufeli and his colleagues (2002) developed a new scale for measuring the work engagement in 2002. The original UWES contains 17 items, and the key components include: positive, fulfilling, work-related state of mind; persistence and pervasive affective-cognitive state; energy and mental resilience while working; significance, enthusiasm, inspiration, pride, and challenge; and fully concentrated and engrossed in one's work, time passes quickly, and one has difficulties detaching from work. Later, a shortened version of 9 items was developed by Schaufeli and colleagues in 2006. The reason for shortening the UWES is basically pragmatic: Researchers strive to include as few items as possible for measuring a particular construct because respondents should not be unnecessarily bothered. Besides, long questionnaires increase the likelihood of attrition. Findings (Schaufeli et al., 2006) show that the UWES-9 scores, which is applied in the present study, have acceptable psychometric properties and that the instrument can be used in studies on positive organizational behavior.

2.6.2 Work engagement as a positive psychology

Since the beginning of this century, increased attention has been paid to positive organizational psychology: the scientific study of human strength and optimal functioning in the workplace (Seligman & Csikszentmihalyi, 2000;

Luthans, 2002; Schaufeli et al., 2006). It is important to pursue research on positive constructs, since the business practitioners are doing so and advocating such concepts, methods, and interventions with no proven validity (Luthans & Avolio, 2009). The present study addresses the empirical call for research targeting work engagement studies. Work engagement is considered to be a positive state and the opposite of workplace burnout (Schaufeli et al., 2006), in line with occupational well-being studies (Demerouti et al., 2002; Demerouti & Bakker, 2008).

By focusing on building human strengths at work instead of only managing weaknesses (Nelson & Cooper, 2007), Luthans (2002) pioneered a positive approach in organizational behavior by mapping out positive organizational behavior (POB), which is defined as “the study and application of positively-oriented human resource strengths and psychological capacities that can be measured, developed, and effectively managed for performance improvement in today’s workplace” (Luthans, 2002). Four state-like capacities are the key areas of POB theory and its research, including (1) self-efficacy, meaning that individuals “have confidence (self-efficacy) to take on and put in the necessary effort to succeed at challenging tasks”; (2) hope, referring to “making a positive reference (optimism) about succeeding now and in the future”; (3) optimism, which means “persevering toward goals and, when necessary, redirecting paths to goals (hope) in order to succeed”; and (4) resilience, “when beset by problems and adversity, sustaining and bouncing back and even beyond (resilience) to attain success” (Luthans et al., 2007).

As an outgrowth of POB, psychological capital invokes great attention among scholars in recent years. By combining those four positive capacities, Luthans et al. (2007) have conceptually and empirically shown that the positive capital represents a higher-order construct and can be thought of as one’s positive psychological resources or capacities. Of the four psychological capital constructs, self-efficacy is rather well supported within organizational literature in the form of Bandura’s self-efficacy (Bandura, 1997), whereas hope, optimism, and resilience are relatively new to the field of research in organizational behavior (Nelson & Cooper, 2007).

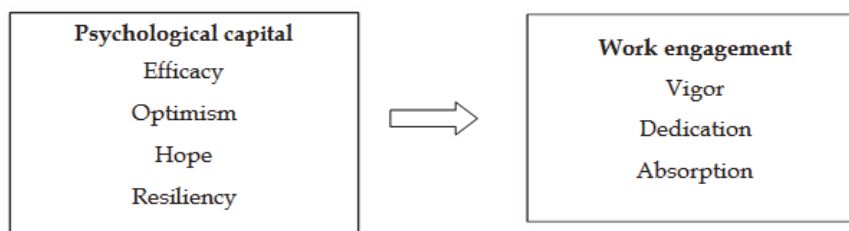
According to Luthans et al. (2007), the psychological capital constructs fit in the continuum as being “state-like,” which means they are not as stable and are more open to change and development compared with “trait-like” constructs, but importantly they are not momentary states. Similar to the psychological capital, work engagement is taken as a “state-like” phenomenon, not as a fleeting, temporary state such as mood, nor as relatively fixed characteristics such as Big Five personality traits, which were mentioned in an earlier section. Rather, engagement is described as an affective-cognitive state-like condition not focused on a specific individual, object, or behavior (Schaufeli, et al., 2006).

In addition, Sweetman and Luthans (2010) argue that the work engagement is associated with the psychological capital due to the following reasons: (1) vigor is expected to relate to the psychological capital capacities of efficacy directly in motivating the effort, hope in providing the willpower and

developing alternate pathways to achievement, optimism in expecting future success, and the final resiliency in the continued pursuit of goals; (2) dedication is associated with efficacy in one's involvement in one's work, optimism in attributions of significance and pride, hope in dedicated waypower and pathways, and resiliency in continuing in the face of challenging obstacles and adversity; and (3) absorption is expected to related to individual efficacy through having the confidence to be absorbed, optimism through the individual expecting positive outcomes will occur, and the resiliency to be persistently absorbed in the tasks.

Moreover, Sweetman and Luthans (2010) proposed a conceptual model to show the relationship between psychological capital and employee work engagement (see Figure 8). According to the authors' argument, the four aspects of psychological capital have impact on the work engagement.

FIGURE 8 Conceptual model relating psychological capital to work engagement. Source: Sweetman & Luthans, (2010, p. 58), with modifications



As pointed out by Luthans et al. (2007), the best fitting the criteria for the psychological capital is efficacy. Bandura (1997) stated that efficacy is confidence, or the belief in one's ability to succeed at a particular task in a specific context. When considering the work engagement issue, the confidence or the ability to successfully accomplish tasks would seem to be an important ingredient in absorption. In other words, employees competently able to accomplish a particular task can become absorbed in the overall achievement of the task, instead of being distracted by other meaningless things. In addition, other major sources of efficacy identified by Bandura (1997) such as learning and encouragement are found to influence one's engagement through identification. That is, employee whose confidence is increased through modeling or through encouragement will be able to identify with personally being able to accomplish the task, while also reducing their cynicism (Avey et al., 2008). Finally, the fourth source of efficacy is the motivation of emotional or physical arousal, which in turn, leads to increased vigor and energy of engagement.

The second main aspect of the psychological capital is optimism. "Optimists are people who expect good things to happen to them, whereas

pessimist are people who expect bad things to happen to them" (Carver & Scheier, 2002, p. 231). Optimism plays a critical role in one's approach to job duties, with those high in optimism expecting success when presented with a challenge. While high job demands can limit engagement through a decreased feeling of control and increased cynicism, this can be counteracted through the impact of the resource of optimism in reducing cynicism and increasing dedication by a sense of personal control over the demands at hand (Karasek, 1979). In addition, optimism enables employees to be more psychologically available through the expectation of a positive outcome. In other words, the optimist tends to choose to be available to the task at hand, given the expectation of a positive outcome. This greater psychological availability leads to higher levels of proposed engagement through absorption (Kahn, 1990).

The third aspect of the psychological capital is hope, defined as a "positive motivational state that is based on an interactively derived sense of successful agency (goal-directed energy) and (2) pathways (planning to meet goals)" (Snyder et al., 1991, p. 287). Employees high in hope have the ability to not only determine a pathway to achieve their goal, but also to generate multiple pathways and adapt their plans as needed. As suggested by Sweetman and Luthans (2010), hope can lead to enabling the energy to be vigorously dedicated to a goal. In addition, Snyder (2002) pointed out that hope "takes on special significance when people encounter impediments. During such instances of blockage, agency helps the person to apply the requisite motivation to the best alternative pathway" (Snyder, p. 258), which in turn, one is expected to show persistent dedication toward achieving one's goal.

The final facet of the psychological capital is resiliency, referring to a "positive psychological capacity to rebound, to 'bounce back' from adversity, uncertainty, conflict, failure, or even positive change, progress and increased responsibility" (Luthans, 2002, p. 702). Masten and Reed (2002) indicated that the employee who possesses such a capacity not only survives, but also thrives through positive adjustment to current adversities. Resilient employees may also find they are at ease outside of their normal comfort zone. This enables them to challenge their personal assumptions and build further resilient capacities through positive adaptation to challenging situations (Luthans et al., 2007). Consistent with Kahn's (1992) view, individuals with resiliency capacity can buffer the effect of potentially stressing job demands. Moreover, the "buffer of resiliency" is expected to reduce the likelihood that activities will be stress-inducing, alter perceptions and cognitions of such potential stressors, and reduce disengagement. Marks (1977) suggested that the recovery and development of this resiliency has a direct and positive effect on energy, increasing engagement through greater vigor. Thus, building such personal resources is more likely to result in heightened work engagement.

2.6.3 Previous studies on work engagement

Studies that have investigated work engagement can be divided into three categories: work engagement (1) as an independent variable, (2) as a dependent

variable, and (3) as a mediator or moderator variable. This present study took leadership, LMX in particular, as an antecedent to discuss its relationship with work engagement as an outcome via the mediator of ethical organizational culture. The following section is mainly based on reviews by Adekola (2011) and Christian et al. (2011).

Engagement as an independent variable: Drawing on 36 organizations, findings of Harter et al.'s study (2002) indicated that engagement was positively relate to outcomes at organizational level, such as profitability, productivity, and turnover. Similarly, Salanova et al. (2005) pointed that work engagement has an impact on the whole organizational climate, which in turn influence employee work outcomes at individual level. Schaufeli and Salanova (2007, 2008) and Demerouti and Cropanzano (2010) empirically suggested that engagement is linked to positive employee attitudes, proactive job behaviors, higher levels of employee psychological wellbeing, and increased both employee and overall organizational performance (Bakker et al., 2008).

Engagement as a dependent variable: Findings of an empirical study by Schaufeli and Bakker (2004) found job workload and related emotional demands were positively related to burnout, whereas job resources was found to be positively related to work engagement and negatively related to burnout. Hakanen and Roodt (2010) come to similar conclusions that a motivational process in which available job resources can foster employee engagement, which in turn, affects work outcomes. Huhtala and her colleagues (2011) conducted an empirical study and found that managers' occupational well-being including personal work engagement was associated positively and directly with their perceptions of the ethical culture prevailing in organizations.

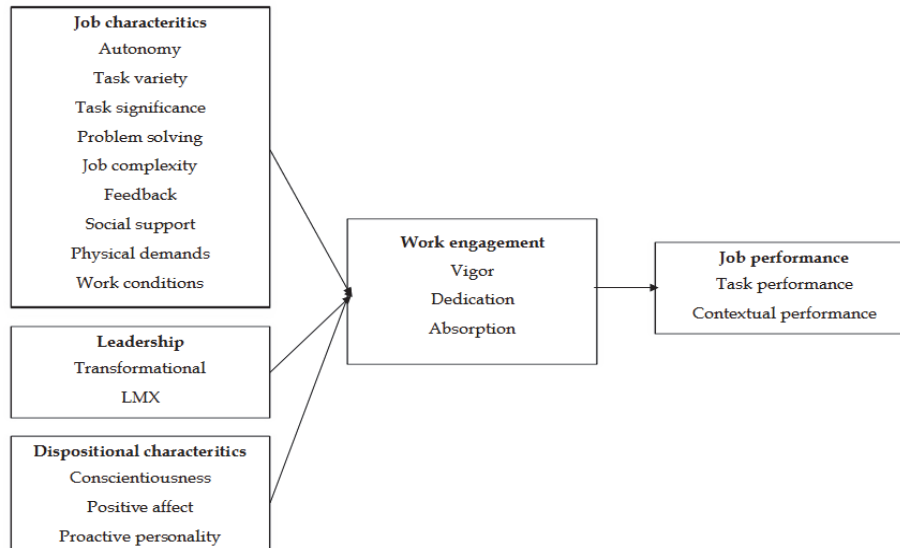
Engagement as a moderating and mediating variable. Leiter and Harvie (1998), in a study of a large-scale organizational change in a hospital setting, reported that work engagement moderated the relationship of supportive supervision, confidence in management, effective communication and work meaningfulness and acceptance of the change.

Sonnentag (2003) examined work-related outcomes of recovery during leisure time. A total of 147 employees completed a questionnaire and a daily survey over a period of 5 consecutive work days. Multilevel analyses showed that day-level recovery was positively related to day-level work engagement and day-level proactive behavior (personal initiative, pursuit of learning) during the subsequent work day; moreover, recovery was found to affect proactive behavior via work engagement. Salanova and Schaufeli (2008), in two large samples of Spanish and Dutch managers and employees, reported that engagement (vigor, dedication) fully mediated the relationship of job resources (job control, feedback, and variety) and proactive work behaviors. It is important to study engagement because it is linked to positive individual and work-related outcomes (Schaufeli & Salanova, 2007, 2008). In a sample of male and female managers and professionals working in various organizations and industries in Nigeria, Adekola (2010) empirically indicated that engagement is associated with positive work and individual well-being outcomes, and that stable individual difference factors are a major contributor to levels of employee

engagement. They are consistent with the results of an increasing number of recent studies (Gonzalez-Roma et al., 2006; Hakanen et al., 2005; Montgomery et al., 2003; Sonnentag, 2003) reflecting the importance of understanding and increasing employee engagement. Similarly, on the basis of theories about the motivational potential of job resources, Bakker and Bal (2010) in their study indicated that individuals' weekly job resources are positively related to their week-levels of work engagement, and that week-level work engagement is predictive of week-level performance.

Kahn (1990) proposed that individual and organizational factors influence the psychological experience of work and that this experience drives work behavior. Following from this and drawing on research from job characteristics theory (Hackman & Oldham, 1980), charismatic leadership (e.g., Bass & Avolio, 1990), and personality, Christian et al. (2011) proposed a framework by specifying work engagement as a mediating variable situated among its antecedents and outcomes (p. 96; see in Figure 9). The authors make the case that (a) job characteristics, (b) leadership, and (c) personality traits should all be directly related to work engagement and, thus, indirectly related to performance (Christian et al., 2011).

FIGURE 9 Conceptual framework of mediating role of work engagement. Source: Christian et al. (2011, p. 96), with modifications



2.6.4 Previous studies on work engagement in the Chinese context

Studies from 2010-2015 that have investigated employee work engagement in the Chinese context are reviewed in Table 10. As seen in this table, among the nine studies, four have taken work engagement as a mediator to link various antecedents (job and family support, work place condition, leader-follower relationship, psychological contracts) to individual work outcomes (work performance). Four other studies have taken engagement as consequence to discuss its associations with antecedents, such as family mastery, psychological ownership, organizational socialization tactics, and value congruency. Only one study has taken work engagement as an antecedent to test its impact on employee job crafting.

TABLE 10 Research findings related to work engagement in Chinese context during the latest six years, listed by year

Author(s) Year	Participants	Antecedent(s)	Mediator or Moderator	Outcome(s)	Findings
Siu et al. (2010)	786 employees from hospitals in Guangzhou and an eyeglasses factory in Dongguan, China	family-friendly organizational policies; job autonomy; job resources; family support	Work engagement	Work-family enrichment	Work engagement fully mediated the relationship between family-friendly organizational policies and work-family enrichment, and also between job autonomy and family-work enrichment. Further, work engagement partially mediated the relationships between two job resources (supervisor support, job autonomy) and work-family enrichment, and also between family support and family-work enrichment.
Leung et al. (2011)	304 supervisor-subordinate dyads in 19 Chinese hotels	workplace ostracism	Work engagement	Work performance	Workplace ostracism is negatively related to service performance; Workplace ostracism negatively impacts employee service performance via work engagement.

(continues)

TABLE 10 (cont.)

Author(s) Year	Participants	Antecedent(s)	Mediator or Moderator	Outcome(s)	Findings
Lu et al. (2011)	279 Chinese female nurses	Family mastery	Job demands	Work engagement	Family mastery had a significant positive effect on work engagement; The relationship between family mastery and work engagement was stronger in a context of high (vs. low) job demand; Resources generated in a family could directly help people stay engaged in the workplace, particularly under stressful working conditions.
Li et al. (2012)	298 employees (survey data) and 54 supervisors in a large luxury hotel in southern China	LMX	Work engagement	Work performance	LMX was positively related to employee job performance. Moreover, as expected, work engagement mediated this relationship and HRM consistency strengthened the influence of LMX on work engagement.

(continues)

TABLE 7 (cont.)

Author(s) Year	Participants	Antecedent(s)	Mediator or Moderator	Outcome(s)	Findings
Yeh (2012)	223 employees from the largest airline in Taiwan	Relational psychological contracts	Work engagement	Work performance	Relational psychological contracts have a positive influence on work engagement; Transactional psychological contracts have a negative influence on work engagement; Work engagement has a positive influence on service performance; Work engagement mediates the relationship between relational psychological contracts and service performance.
Ramos et al. (2014)	101 employees from small Chinese family firms	Organization-based and job-based psychological ownership		Work engagement and extra-role behaviors	Significant effects of organization-based and job-based psychological ownership on extra-role behaviors and work engagement were found.

(continues)

TABLE 7 (cont.)

Author(s) Year	Participants	Antecedent(s)	Mediator or Moderator	Outcome(s)	Findings
Lu et al. (2014)	246 Chinese employees of a high technology company	Work engagement	job insecurity	Job crafting	the positive relationship between work engagement and changes in relational job crafting is strengthened under conditions of high (vs. low) job insecurity. Engaged employees craft their work in physical and relational ways, which creates a better person–job fit.
Song et al. (2015)	161 employees from nine luxury Chinese hotels	Organizational socialization tactics		Work engagement and job satisfaction	Newcomer job satisfaction and work engagement each is predicted by institutionalized organizational socialization tactics directly and positively.
Li et al. (2015)	767 teachers in Mainland China	Value congruence	autonomous and controlled motivation	Work engagement	Value congruence exerted its indirect effect on teacher's work engagement through the mediating effect of autonomous and controlled motivation

The present research differs from these previous studies in three main ways. Firstly, from an ethical perspective, it investigates the impact of the ethical culture of an organization on work engagement for the first time in the Chinese context. This can lead to a more comprehensive understanding of the importance of ethical issues in organizations. Secondly, it takes leadership, LMX in particular, as a mediator, through combining organizational culture and leadership with psychological outcomes and thus provides a multiple perspective to its research phenomena.

2.7 Hypothesis and theoretical framework

Next, the summary of literature from previous studies and the main principles of the theories of the current study are presented, which establishes the dissertation research perspective. This chapter is divided into two phases. First, the theories and their relationships to the research design of the dissertation study are briefly shown. Second, the overall theoretical framework of this study is presented.

This research uses individual, dyadic and organizational level viewpoint to study its topic. The individual level perspective and its analysis involve work engagement variable. The dyadic level viewpoint and its analysis include LMX examinations between leader and employee. Finally, the organizational viewpoint refers to the analysis of ethical organizational culture. The basis of the research design of the present study can be seen in Figure 10 as below.

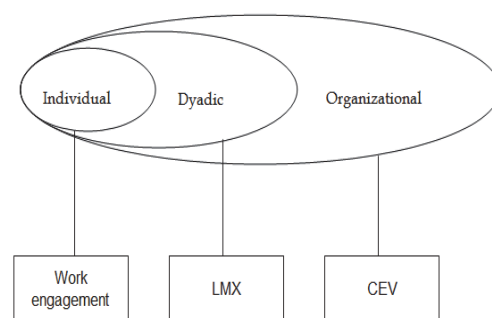


FIGURE 10 Key variables forming the basis of the research design

As one of the best known relational leadership theories, the leader-member exchange theory stresses the significance of the working relationship that is formed between the leader and the follower (Ladkin, 2010; Anand et al., 2011).

It is often stated that leadership only exists in the interaction between leaders and followers (Grint, 2000). The nature of LMX interactions depends on the characteristics each individual brings to the relationship, including their personal, physical, and psychological makeup that remains relatively stable and disposes them to approach interpersonal situations in a certain way (Phillips & Bedeian, 1994). It stresses that both followers and leaders mutually determine the quality of their relationship.

Lord et al. (1999) suggest that the employee perspective remains an underexplored source of variance in understanding leadership processes. Similarly, according to Howell and Shamir (2005), there is a need to understand more about what LMX says about followers *per se*, about the ways they may influence the leader-member relationship or about the group and organizational dimensions of these relationships (Howell & Shamir, 2005). Thus, this dissertation aims to take followers' perspective to discuss the three variables' relationship. More specifically, a main focus in the framework is in how the ethical culture of an organization effects on LMX and how LMX and the ethical culture of an organization may lead to work engagement (see Figure 11).

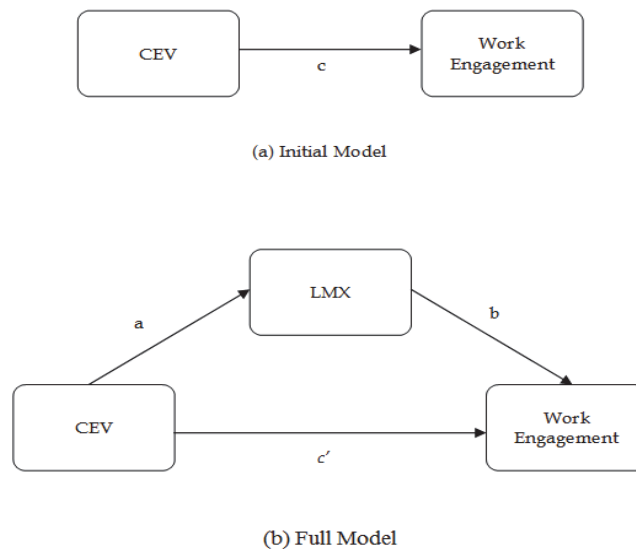


FIGURE 11 Framework of the present study

Ethicality is important both in itself and to produce useful benefits in organizational life. Empirical studies have confirmed that ethical context of an organization is significant in directing organizational behaviors (Peterson, 2002; Treviño et al., 1998), building organizational trust (Pučėtaitė et al., 2010), promoting occupational work goals (Huhtala et al., 2013), and enhancing organizational innovativeness (Riivari & Lämsä, 2014). However, as discussed earlier, Chinese organizations nowadays have been undergone a moral

degradation in society and business area in particular in to pursue economic profits, which pose big challenge for those organizations' long-term development (Whitcomb et al., 1998; Wright et al., 2003; Luo, 1991). The ethical perspective in this study responds to this need by linking ethical organizational culture to the leader-member relationship and employee engagement. In addition to degradation of ethical values, there has been a decline in employee work engagement in China (Gallup, 2013). Considering engagement has positive effect for both employees and organizations, it is therefore important to identify the leadership (LMX) and organizational (ethical organizational culture) that are related to employees' work engagement in an organization.

The ethical culture of an organization and employee work engagement

As discussed earlier, engaged employees are thought to experience a high level of connectivity and identification with their tasks and use more of their talents in the workplace, committing themselves to ever more challenging in-role and extra-role tasks (Adekola, 2011), which in turn leads to improved personal and organizational outcomes (Wang et al., 2005; Atwater and Carmeli, 2009). Previous studies have shown that ethical organizational culture is associated with employee initiatives. Treviño et al. (1998) proposed that ethical organizational practice has a significant role in fostering organizational commitment. Similarly, a report by the Ethics Resource Center (2009) revealed that employees who felt under pressure to violate or observed conduct that violated the organization's ethical standards, policy, or the law were less likely to be highly engaged. That is to say, employees cannot be expected to be fully engaged in their employing organization unless it is ethically sound, stable, and trustworthy. Organizations with higher ethical standards will consciously avoid causing harm to their employees and will seek to gain their trust (Ip, 2009), which contributes to employees' satisfaction with and involvement in their work. Huhtala et al. (2011) studied a sample of Finnish managers and found that ethical culture had an effect on the managers' occupational well-being. Thus, the following hypothesis is made:

Hypothesis 1: The ethical culture of an organization affects employee work engagement.

The mediating role of leader-member exchange

There is a reciprocal process in the dyadic exchanges between the two parties; each party brings to the relationship different kinds of resources for exchange (Wang et al., 2005). In the present study, it is argued that when the ethical culture of an organization encourages a high evaluation of LMX among the employees of the organization, they are likely to be engaged in their work.

(1) *The ethical culture of an organization and LMX.* The theoretical basis in this study for expecting a positive association between the ethical culture of an organization and LMX is Biggart and Hamilton's institutional theory: "If . . . leadership is embedded in social and cultural beliefs and values, then leadership cannot be fully understood apart from the context in which it exists"

(Biggart & Hamilton, 1987, p. 437). In other words, the organizational culture engenders beliefs about what is effective and ineffective leadership, and these beliefs almost certainly constrain and define the range of variation for leadership practices (Bryman et al., 1996). For example, if the ethical culture emphasizes and inspires transformational leadership behavior – an important element in LMX – managers will feel motivated to provide individual support and intellectual stimulation to employees. In so doing, a high-quality LMX will be nourished. This suggests that the ethical culture of an organization is a resource which helps strengthen employees' evaluation of LMX.

(2) *LMX and employee work engagement.* LMX is expected to generate employees' positive feelings of energy enhancement and high involvement in their tasks. The theoretical basis in this study which supports this argument is the social exchange theory (Blau, 1964). LMX is by nature an exchange theory of leadership (Brower, 2000); the norm of reciprocity (Gouldner, 1960) between the leader and the follower is therefore its central feature (Cropanzano and Mitchell, 2005). Employees who feel that they benefit from their leader will try to reciprocate by offering a favor in return (Xu et al., 2011). Social exchange creates a felt obligation on the part of organizational members to reciprocate their leaders' trust and liking through "citizenship behaviors" and work performance (Gerstner & Day, 1997; Chen & Chiu, 2008). It is argued that employee work engagement can also be taken as a means of fulfilling such obligations for reciprocity (Cheng et al., 2013). An alternative, closely related, theoretical foundation that would point to a positive association between LMX and work engagement is Heider's (1958) balance theory, which suggests that individuals are motivated to perform jobs in a manner that is consistent with their self-image (Heider, 1958). Quality relationships with managers would signal to employees that they are valued, important, and competent employees of the organization (Liu et al., 2013). Thus, when employees receive such a signal from their immediate manager, in order to be consistent with that image they are likely to reinforce it even further by fully engaging in their daily work (Blickle et al., 2011; Wu et al., 2013). Based on the above discussion, the following hypotheses are put forward:

- Hypothesis 2:* The ethical culture of an organization affects LMX.
Hypothesis 3: LMX affects employee work engagement.
Hypothesis 4: LMX mediates the effect of the ethical culture of an organization on an employee's work engagement.

3 METHODS

3.1 Survey approach

The present study adopts a survey as its method. Survey approach is popular in applied social research (Ornstein, 1998), such as management and leadership research and psychology. The term "survey" generally means "the selection of a relatively large sample of people from a pre-determined population, followed by the collection of a relatively small amount of data from those individuals" (Kelley et al., 2003, p. 261). A single survey is made of at least a sample, a method of data collection, and questions, and it may focus on different types of topics (i.e. preferences, opinions, behavior), depending on its purpose (Fowler, 2009). According to Fowler (2009, p.1), survey approach has the following characteristics: "(1) the purpose of the survey is to produce statistics, that is, quantitative or numerical descriptions about some aspects of the study population; (2) the main way of collecting information is by asking people questions; their answers constitute the data to be analyzed; (3) information is collected about only a fraction of the population, that is, a sample."

The procedures used to conduct a survey include three different but related activities - sampling, questionnaire design, and data collection, and their combination is critical to the survey since it determines "the likelihood that the results will describe accurately what they are intended to describe" (Fowler, 2009, p.4). According to Fowler (2009), a popular way of sampling nowadays is to select a small subset of a population representative of the whole population following the principle of "the same chance" of selection procedure; when designing questions, the researcher must pay attention to the reliability and validity of questions based on prior relevant literature and precise wording to make it more objective; and finally, there are many ways for researchers to collect data - mailed survey, group administered survey, phone survey, and web survey (Check & Schutt, 2012), and the decision about which type of collection to be used will influence the quality of the data.

The advantages of a survey approach lies in the facts that: (1) data from a chosen sample enable researchers to have confidence that the sample is reliable and estimate the data precisely; (2) standardized measurements applied across all respondents ensure comparable information; and (3) all the data needed for carrying out a given analysis are available and can be related. In spite of this, it is acknowledged that potential limitations may exist when taking a survey approach to do a research. In particular, the data collected through questionnaires are likely to lack details and depth on what researchers intend to examine; securing a desirable response rate is difficult to expect and control (Kelley et al., 2003).

The survey approach was adopted in the present study since one of the main purposes is to investigate relationships among organizational phenomenon - ethical culture, leader-member relationship, and work engagement. The survey can help with this since "it may be the only way to ensure that all the data needed for a given analysis are available and can be related" (Fowler, 2009, p. 3). More details of the survey conducted in this study are presented in the following sections.

3.2 Participants and procedure

3.2.1 Sampling strategy

Sampling is a key step in the research process, referring to the selection of individuals, units, and/or settings to be studied (Camic et al., 2003) and aiming to help to determine the quality of inferences that stem from the underlying findings by researchers (Collins et al., 2006). It is expected that through a variety of types of people in a quantitative study, one can generalize beyond those participants to get a general conclusion. According to Collins et al. (2006), a typical quantitative research, scholars should decide on the sample size (the number of participants to select) and sampling scheme (how to select these participants).

In order to have confidence that the survey results are representative, it is critically important that researchers have a large number of participants in a survey. According to statistical results provided by the Creative Research Systems (2003), the larger the number of participants, the smaller the margin of error will be; and generally, the margin of error is expected to narrow to 5% (see in Table 11). As seen from this table, the sampling size in the present study (720) has a margin of error between 4.5% - 3.2%, which means the number of participants in this study desirable.

TABLE 11 Estimate of the margin of error for sample sizes. Source: Creative Research Systems (2003), adapted with modifications

Sample size	Margin of error (percentage)
10	31.6
100	10.0
500	4.5
1000	3.2

As for the issue of sampling schemes, Collins et al. (2006) has classified them into two categories: random sampling and non-random sampling. The goal of the present study is to gain insights into a work-related phenomenon and their relationships, thus, the non-random sampling was chosen to do the research. By doing so, the individuals and settings were purposefully chosen to maximize understanding of the underlying phenomenon (Onwuegbuzie & Collins, 2007).

The participants in this study consist of employees from three organizations with special features in a city in the northeast of the People's Republic of China: a public organization, a state-owned manufacturing company, and a private service company. The first organization in this study is a public sector in charge of city's infrastructure construction. The public organization occupies a dominant position in China due to its power authority endowed by government and its large scale. According to a rough estimate in the China Statistical Yearbook in 2006, the amount of Chinese public organizations is over one million, with staff thirty million, accounting for 25% of the total employment in China. The second organization is a state capital-intensive company specializing in steel production. The Chinese state company usually enjoys a great privilege on resources and has a monopoly on market (China Statistical Yearbook, 2006), and its economic value occupies approximately 25% of the total national economy in the year of 2011 (Fan & Hope, 2011). The last organization chosen for this study is a private labor-intensive company offering logistic service for productive company. As a new emerging force in the national economy, the private company has been developing in a rapid speed in the past 30 years, however, major challenge facing Chinese private companies however is unequal competition with state companies in terms of resources acquired and market entry (Zheng & Yang, 2009). The three organizations represent different industrial areas, different ownership, and different business environment; and it is believed that respondents from these three different organizations can give a more comprehensive and balanced evaluation of the phenomenon to be investigated in the present study.

After successful contacting with the human resources representatives of these three organizations, employees answered a questionnaire at a determined time and place in the workplace. The details of the sampling statistics are given in the following section.

TABLE 12 Demographic findings of the study sample

	Organization A	Organization B	Organization C	Total
Sample size	241	869	360	1470
Responses received	150	416	154	720
Response rate (%)	62	47	43	49
Age (years)				
Average	33	38	26	33
SD	8.5	8.5	8.4	8.4
Gender				
Male (%)	64	48	68	59.9
Female (%)	36	52	32	30.1
Education				
Academic degree (%)	75	78	40	70

Organization A: state-owned public organization, Organization B: state-owned manufacturing company, Organization C: private service company.

3.2.2 Sampling statistical findings

A total of 720 respondents completed and returned the entire survey (response rate = 49%). The average age of the participants was 33, and the ages ranged from 18 to 54 years (SD=8.39). 59.9% (n=431) of the participants were men. The educational level of the sample was as follows: 30% had a vocational or college degree, 53.6% had a Bachelor's degree, 14.9% a Master's degree, and 1.5% a Postgraduate degree. The respondents represented 3 lines of industry. The majority of the participants were working in the state-owned manufacturing company organization (62%), 17% in the public organization, and 21% in the private service company. The overall and each organization's respondents' demographic findings are presented in Table 12.

3.3 Measurements

The survey instrument was initially in English and translated into Chinese and then back-translated into English. Translation and back-translation is a standard procedure in this kind of survey research designed to ensure the equivalence of measures used in both versions of the survey instrument (Brislin, 1980).

LMX was measured using the 7-item scale developed by Scandura and Graen (1984) and recommended by Graen and Uhl-Bien (1995). The scale focuses on a dyadic relationship between a leader and the led. The scale has 5 points, from 1 (strongly disagree) to 5 (strongly agree), with a higher score indicating a higher quality of LMX. Sample items include, "My leader

understands my job problems and needs." The Cronbach's alpha for this scale was .78.

The ethical culture of the organization was measured with the CEV questionnaire (Kaptein, 2008). The CEV scale consists of 58 items, which can be classified into the above-mentioned eight dimensions: clarity (10 items, e.g. "The organization makes it sufficiently clear to me how I should handle money and other financial assets responsibly"), congruency of supervisors (6 items, e.g. "My supervisor fulfills his responsibilities."), congruency of management (4 items, e.g. "The conduct of the Board and (senior) management reflect a shared set of norms and values"), feasibility (6 items, e.g. "I have insufficient time at my disposal to carry out my tasks responsibly"), supportability (6 items, e.g. "In my immediate working environment, an atmosphere of mutual trust prevails"), transparency (7 items, e.g. "If a colleague does something which is not permitted, I or another colleague will find out about it"), discussability (10 items, e.g. "In my immediate working environment, there is adequate scope to discuss unethical conduct") and sanctionability (9 items, e.g. "In my immediate working environment, ethical conduct is rewarded"). These items are presented on a 6-point Likert scale ranging from 1 (strongly disagree) to 6 (strongly agree). Except for the reversely scored items in the feasibility dimension, a higher score means a higher level of satisfaction with the ethicality of the organization. The internal consistency (alpha) was .83.

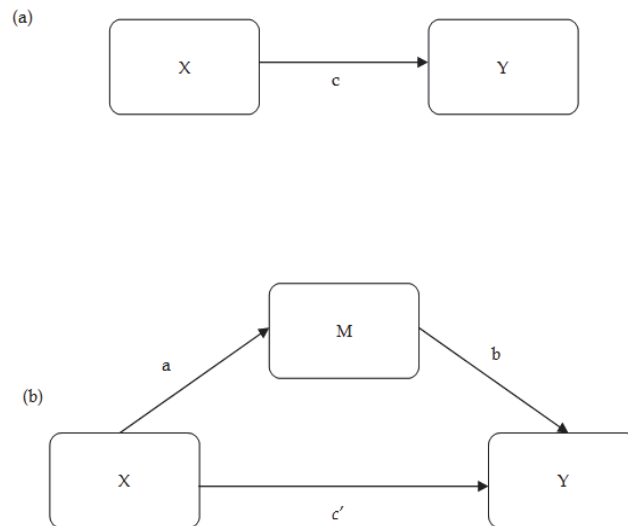
Work engagement was measured using the 9-item scale developed by Schaufeli et al. (2006). The items are grouped into three subscales that reflect the underlying dimensions of engagement: vigor (3 items, e.g. "At my work, I feel bursting with energy"), dedication (3 items, e.g. "When I get up in the morning, I feel like going to work"), and absorption (3 items, e.g. "I am immersed in my work"). All items are scored on a 7-point frequency-based rating scale from 1 (never) to 7 (every day). The internal consistency (alpha) was .77.

Control variables: in the present study, we controlled for the demographic variables of gender and age as the two variables were found to influence leadership (cf. Bass & Avolio, 1994) and work attitude and performance (Beaudry et al., 2005). Gender was coded male = '1' and female = '2'.

3.4 Analytic Procedure in Testing the Hypotheses

Figure 12 illustrates the generic path diagram for the mediator model that is examined in this study, in which an independent variable (X) is related to the mediator (M) that are both related to the dependent variable (Y). In Figure 11 (a), c is the parameter relating the direct effect of the independent variable on the dependent variable. In Figure 11 (b), c' is the parameter relating the independent variable to the dependent variable, adjusted for the effects of the mediator; b is the parameter relating the mediator to the dependent variable; a is the parameter relating the independent variable to the first mediating variable. The coefficients will be presented in further discussion.

It is possible that mediation can exist even if there is not a significant direct relationship between X and Y (Kenny et al., 1998; MacKinnon, 2008). That is, a path from the initial, independent variable to the outcome is implied if relationships can be shown between the independent variable and the mediator, as well as between the mediator and the dependent variable.



(a) Independent Variable X Affects Dependent Variable Y ;
 (b) X is hypothesized to Exert Indirect Effects on Y Through Mediating Variables M .
 $X = \text{CEV}$, $Y = \text{Work engagement}$
 $M = \text{LMX}$

FIGURE 12 Illustration of the Mediator Model

Multiple methods for testing hypotheses in mediated models have been proposed by MacKinnon et al. (2002) for a review of methodologies. As recommended by methodologists (Bollen & Stine, 1990; Preacher & Hayes, 2004), a reliable method for testing the significance of indirect effects is to generate bootstrapped confidence intervals, resulting from repeatedly drawn random samples with replacement from the original sample. Bootstrapping has been introduced as a rigorous way to test such relationships and overcome the limitations of statistical methods that make assumptions about the shape of sampling distributions, such as normality. Following the method originally proposed by Shrout and Bolger (2002), this mediation model was analyzed by using a bootstrap version of this approach. Generally, the method involves repeatedly and randomly sampling observations with replacement from the data set and computing the statistic of interest in each resample. Over many bootstrap resamples, an empirical approximation of the sampling distribution of the statistic can be generated and used for hypothesis testing. Specific to our analysis, 1,000 iterations were used (with replacement), and the indirect effect

was computed and retained for each sample. The point estimate of the indirect effect is simply the mean computed over the samples, and the estimated standard error is the standard deviation of the estimates. To derive the 95% confidence interval, the 1,000 estimates were first sorted from low to high. This approach is particularly appropriate for smaller samples, such as the one used in this study.

The "PROCESS" SPSS Macro developed by Hayes (2013) to assess my mediational hypothesis was used. PROCESS is a "computational tool for path analysis-based mediation analysis as well as their integration in the form of a conditional process model. PROCESS generates direct and indirect effects in mediation models, and offers various methods for probing two- and three-way interactions and can construct percentile bootstrap, bias-corrected bootstrap, and Monte Carlo confidence intervals for indirect effects" (Hayes, 2013). In the present study, I aim to compute: (a) the unstandardized betas used in the conventional causal path analysis, and (b) the bootstrapping method that produces the 95% confidence intervals to test indirect effects without assuming that the sampling distribution is normal.

3.5 Reliability and validity of the study

To investigate the relationships between the ethical culture, leader-member exchange relationship, and work engagement in this study, the survey approach was adopted by sampling, questionnaire design, and data collection. When designing a questionnaire, three terms deserve our special attention, namely, measurement, reliability, and validity.

Measurement. It seems commonplace that measurement is crucial to research in various fields. The most popular definition of measurement is provided by Stevens (1951, p.22), proposing that the measurement "is the assignment of numbers to objects or events according to rules". When it comes to social science, however, "concepts that are formulated at rather high levels of abstraction" (Blalock, 1968, p.6), thus, how to bridge the gap between the abstract theory and research is a critical issue of measurement. As such, Zeller and Carmines (1980) argued that measurement can be taken as a process of linking the two phenomenon - theoretical concepts and empirical indicators. According to Carmines and Zeller (1979), measurement puts focus on "the crucial relationship between the empirically observable response and the underlying unobservable concept(s)" (p.10). In the ideal case, when this relationship is a strong one, social scientists can argue that "empirical indicators can lead to useful inferences about the relationships among the underlying concepts", and evaluate "the empirical applicability of theoretical propositions" (Carmines & Zeller, 1979, p. 10).

Reliability and validity. Given the above definition of measurement, Carmines and Zeller (1979) argue that how to determine the extent to which a particular empirical indicator represents a given theoretical concept is a

challenge social scientists faced before conducting analysis. At the most general level, there are two basic goals in measurement using: (1) to obtain information relating to the purposes of the survey, and (2) to collect this information with maximal reliability and validity, which constitute the main criteria of the study trustworthiness (Warwick & Linninger, 1975).

Reliability refers to “the extent to which an experiment, test, or any measuring procedure yields the same results on repeated trials” (Carmines & Zeller, 1979, p. 11), by stressing “the tendency toward consistency found in repeated measurements of the same phenomenon” (Carmines & Zeller, 1979, p.12). If an indicator aims to provide an accurate representation of some abstract concept, in addition to the reliability, the validity is also a crucial component. Validity concerns “the crucial relationship between concept and indicator” (Carmines & Zeller, 1979, p.12), by emphasizing that a particular indicator measures what it is supposed to measure rather than reflecting some other phenomenon (Carmines & Zeller, 1979, p.16). Thus, whether the data consistently and accurately represents the constructs under investigation and whether the data represents the constructs they were assumed to capture is important when scholars estimate their data quality (Teddlie & Tashakkori, 2009).

Assessing reliability in the present study. Based on a review by Carmines and Zeller (1979), there are four basic methods for estimating the reliability of empirical measurements, namely, the retest method, the alternative-form method, the split-halves method, and the internal consistency. Among the four methods, by far the most popular of these reliability estimates is the last method given by Cronbach's alpha (Cronbach, 1951). The higher the Cronbach's alpha value is, the better the internal consistency will be, and a commonly accepted rule for describing internal consistency using Cronbach's alpha can be seen in Table 13 (George & Mallery, 2003; Kline, 2000, p.13).

TABLE 13 Rule of Cronbach's alpha describing internal consistency

Cronbach's alpha	Internal consistency
$\alpha \geq 0.9$	Excellent
$0.7 \leq \alpha < 0.9$	Good
$0.6 \leq \alpha < 0.7$	Acceptable
$0.5 \leq \alpha < 0.6$	Poor
$\alpha < 0.5$	Unacceptable

In this study, the LMX, CEV and work engagement all demonstrated good internal consistency (Cronbach's alpha = .78; .83; .77), which provides a strong support for the reliability of the present study.

Assessing validity in the present study. There are three types of validity that are relevant in social sciences to assess the extent to which a measure measures what it aims to.

(1) Criterion-related validity, which is “at issue when the purpose is to use an instrument to estimate some important form of behavior that is external to the measuring instrument itself, the latter being referred to as the criterion” (Nunnally, 1978, p.87). This validity has been used mainly in psychology and education to analyze certain types of tests and selection procedures, however, in social science, there are few criteria against which the measure can be reasonably evaluated, especially with more abstract the concepts (Carmines & Zeller, 1979). Therefore, the limitation of the criterion validity is obvious when applying it in the social sciences.

(2) Content validity is most often used in education but has not been applied widely in social research (Carmines & Zeller, 1979). In content validity, the “acceptance of the universe of content as defining the variable to be measured is essential” (Cronbach & Meehl, 1955, p.282); thus, it seems too difficult with respect to measures of the more abstract phenomena that tend to characterize the social sciences.

(3) The final type is construct validity. It has been proved effective to the measurement of abstract theoretical concepts, thus occupies a dominant position in social research, and it was also adopted in this study. Construct validity is concerned with “the extent to which a particular measure relates to other measures consistent with theoretically derived hypotheses concerning the concepts (or constructs) that are being measured” (Carmines & Zeller, 1979, p.23).

Moreover, according to Carmines and Zeller (1979), construct validity involves three steps: “First, the theoretical relationship between the concepts themselves must be specified. Second, the empirical relationship between the measures of the concepts must be examined. Finally, the empirical evidence must be interpreted in terms of how it clarifies the construct validity of the particular measure” (p. 23). When it comes to the focuses of the present study, it can be concluded that the positive associations between CEV, LMX, and work engagement, both theoretically and empirically, provided one piece of strong evidence supporting the thesis construct validity. In sum, given the above discussion, the data consistently and accurately represents the constructs under investigation and thereby improve the trustworthiness of this study.

4 RESULTS

4.1 The reliability and validity of the CEV scale

One aim of this research was to test the construct validity of the CEV scale in the Chinese organizational context. Even though researchers have earlier applied the 7-item LMX and 9-item work engagement scale in the Chinese context (Wang et al., 2005; Fong & Ng, 2012), no earlier studies have investigated the construct validity of the CEV measurement in China. The first step towards investigating ethical organizational culture as a context for psychological outcomes was to test the validity of the Corporate Ethical Virtues scale (Kaptein, 2008) in a Chinese context, so that operationalizing ethical culture would provide reliable results. To do this the original scale items were first of all translated from English to Chinese by a translator, and subsequently translated back into English by another independent translator. This Chinese version of the scale was then tested with a sample of employees from three different types of organizations in a northern city of Mainland China, who responded to the survey as individual participants.

Whereas the original study investigating the validity of the CEV scale was carried out in a single Dutch organization (Kaptein, 2008), this Chinese research was carried out with employees who did not share a common one organizational work environment. Rather, they come from three different organizations that varied substantially in size and line of business. Nevertheless, the participants understood the scale items similarly and the interrelations between the concepts remained. In sum, in the present study three Chinese organizations form the case of validation.

Item analysis and confirmatory factor analysis (CFA) to estimate the reliability of the CEV scale, using SPSS Statistic 22 and the Amos program was first performed. The results are summarized in Table 14.

TABLE 14 Summary of results from CEV scale reliability

Dimension of CEV	items	Factor loading of items on dimension to which they belong	Corrected item-to-total correlation
Clarity (alpha=0.82)	1	0.55	0.48
	2	0.61	0.54
	3	0.63	0.57
	4	0.51	0.46
	5	0.56	0.50
	6	0.65	0.58
	7	0.58	0.52
	8	0.64	0.59
	9	0.53	0.48
	10	0.39	0.35
Congruency of supervisors (alpha=0.87)	11	0.80	0.76
	12	0.64	0.64
	13	0.42	0.43
	14	0.83	0.73
	15	0.85	0.74
	16	0.81	0.73
Congruency of management (alpha=0.76)	17	0.81	0.62
	18	0.82	0.64
	19	0.61	0.59
	20	0.42	0.41
Feasibility (alpha=0.15)	21	0.28	0.03
	22	0.44	0.06
	23	0.69	0.09
	24	0.81	0.10
	25	0.77	0.12
	26	0.34	0.10
Supportability (alpha=0.71)	27	0.26	0.23
	28	0.68	0.56
	29	0.76	0.59
	30	0.77	0.61
	31	0.75	0.64
	32	0.58	0.46

(continues)

TABLE 14 (cont.)

Dimension of CEV	items	Factor loading of items on dimension to which they belong	Corrected item-to-total correlation
Transparency (alpha=0.79)	33	0.63	0.55
	34	0.59	0.50
	35	0.68	0.58
	36	0.61	0.52
	37	0.60	0.52
	38	0.57	0.54
	39	0.47	0.44
Discussability (alpha=0.83)	40	0.69	0.60
	41	0.57	0.48
	42	0.58	0.53
	43	0.71	0.63
	44	0.56	0.51
	45	0.71	0.65
	46	0.70	0.64
	47	0.34	0.31
	48	0.70	0.67
49	0.15	0.14	
Sanctionability (alpha=0.82)	50	0.17	0.19
	51	0.44	0.43
	52	0.70	0.59
	53	0.82	0.69
	54	0.66	0.600
	55	0.66	0.59
	56	0.43	0.41
	57	0.68	0.62
	58	0.55	0.50
	32	0.58	0.46

Numbers in bold format mean that the corresponding items' item-to-total correlations are below 0.4 or their standardized loading factors are below 0.5, which are taken as garbage items to be deleted (Nunnally, 1978; Hair et al., 2006). In the end, all of the 6 items in feasibility and 10 items in other dimensions were removed from the original scale, leaving a total of 42 items. The goodness-of-fit of the 7-dimension CEV scale was then assessed using the CFA approach. Several fit indexes were used in this study, as presented in Table 15; the results of squared multiple correlations and standardized regression weights of the assumed CEV model are summarized in Figure 13.

TABLE 15 Results of confirmatory analysis of the assumed CEV scale (N=720)

	Number of items	Cronbach's Alpha	GFI	CFI	RMSR	χ^2	Df	Sig.
Clarity	9	0.82	0.90	0.89	0.08	357.54	27	.00
Congruency of supervisors	5	0.89	0.95	0.95	0.05	98.69	5	.00
Congruency of management	3	0.78	0.97	0.96	0.04	50.96	2	.00
Supportability	5	0.83	0.98	0.98	0.03	37.37	5	.00
Transparency	6	0.79	0.97	0.94	0.05	72.52	9	.00
Discussability	8	0.86	0.95	0.93	0.05	172.24	20	.00
Sanctionability	6	0.84	0.98	0.97	0.03	59.60	9	.00

Number of items is the number of items after scale analysis.

Cronbach's alpha refers to the raw (non-weighted) scale reliability. *GFI* is the Goodness-of-Fit Index. *CFI* is Bentler's (1989) Comparative Fit Index. *RMSR* refers to the Root Mean Square Residual. χ^2 is the observed chi-square statistic for a test of the assumed factor model; *Df* is its degrees of freedom and *Sig.* is the associated significance level.

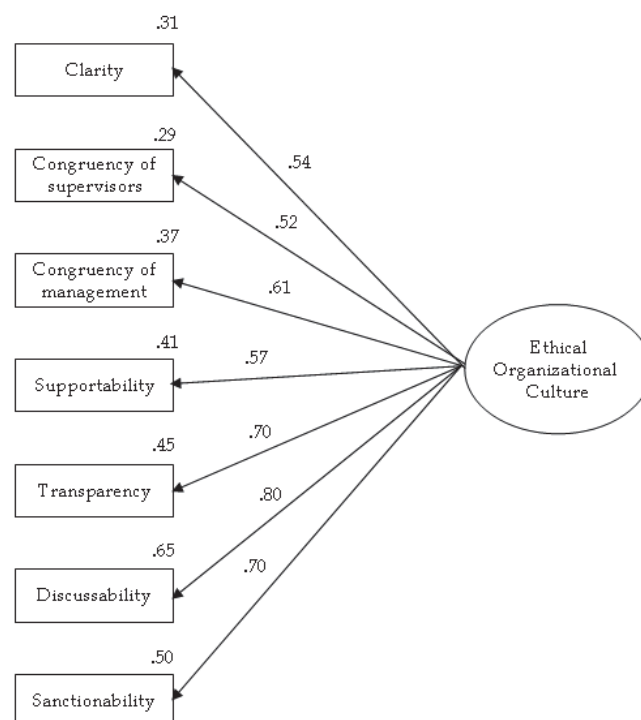


FIGURE 13 Results of confirmatory analysis of the 42-item CEV scale (N=720)

As Table 15 shows, all the fit indicators indicate acceptable GFI and CFI values approaching and above the criterion value of 0.90, as well as an RMSR value below 0.08.

From Figure 13 we can see that all of the dimensions load on the assumed CEV scale with loadings above 0.52. Among these dimensions, discussability appeared to be the best indicator of CEV, with a standardized regression weight of 0.80. Overall it can be concluded that the original 8-dimension CEV scale with 58 items failed in this study, but the CFA results provide support for the 7-dimension CEV model with 42 items, and this 42-item scale will be applied in the following analysis.

4.2 Descriptive statistics and correlation coefficients

Next, the discussion turns to the aim to analyze the connections between LMX, ethical culture of an organization and employee's work engagement. The descriptive statistics and correlation coefficients for the study variables are shown in Table 16.

TABLE 16 Descriptive statistics and correlation coefficients for study variables (N=720)

Variables	Mean	s.d.	1	2	3	4	5	6	7
1. CEV	3.49	.54							
2. LMX	3.35	.55	.406**						
3. Engagement	4.00	.76	.352**	.373**					
4. Vigor	3.94	.88	.162**	.202**	.735**				
5. Dedication	4.21	.87	.351**	.351**	.887**	.488**			
6. Absorption	3.88	.89	.352**	.364**	.852**	.364**	.711**		
7. Gender	1.49	.50	.068	.050	.106**	.098**	.098**	.070	
8. Age	33	8.32	.010	.133**	-.096*	-.079*	-.078*	-.079*	.003

*p<0.05, **p<0.01.

In general, the respondents' evaluations of work engagement had higher values (mean score=4.00, 6-point Likert scale) than their evaluations of LMX (mean score=3.35, 5-point Likert scale) and the ethical organizational culture (mean score=3.49, 6-point Likert scale). Consequently, employees gave the lowest score on the ethical organizational culture. Among the three dimensions of the work engagement scale, absorption received the lowest scores (mean score=3.88) and dedication the highest score (mean score=4.21). This suggests that an employee's identification with their work is valued and taken seriously by the respondents, but in order to stimulate employees' vigor more emphasis should probably be placed on tangible rewarding practices in leadership, particularly on making the working environment full of vitality and energy.

Significant correlations were found between LMX and the ethical organizational culture ($r=0.41$, $p<0.01$), LMX and work engagement ($r=0.37$, $p<0.01$), and the ethical organizational culture and work engagement ($r=0.35$, $p<0.01$). The findings indicate that the more highly employees evaluate LMX, the better the ethical culture of the organization is likely to be, and the more constructive the ethical organizational culture is, the greater the level of work engagement will be. Additionally, the results indicate that LMX is related to work engagement, that is, the higher evaluation of LMX, the greater level of work engagement will be.

Among the work engagement factors, absorption ($r=0.35$; 0.36 , $p<0.01$) and dedication ($r=0.35$; 0.35 , $p<0.01$) had the stronger connections with the ethical culture of the organization and LMX than vigor ($r=0.16$; 0.20 , $p<0.01$). One reason may be that feelings of dedication are a more emotionally laden aspect of work engagement than vigor. Such feelings can be enhanced through a high-quality relationship between a manager and an employee, one that is characterized by social exchange and through the sense of safety generated by an ethical organizational culture. Vigor, on the other hand, which has reference above all to hard work and willingness to invest effort in one's work, might be related more to tangible and formal assets in terms of economic exchange with managers than to social exchange.

The background variables (gender and age) had some correlations with the LMX, CEV, and work engagement dimensions. Gender showed a positive correlation with work engagement factors, with men giving lower assessments of personal work engagement than women, especially in terms of vigor and dedication. Age had a significant positive correlation with LMX but a negative correlation with work engagement. Respondents of around 30 years of age gave a higher evaluation to LMX but lower evaluation to work engagement than respondents aged from around 50-60.

4.3 The mediating role of LMX testing

The main purpose of this empirical study is to investigate the relationships among LMX, ethical organizational culture, and employee work engagement. More specifically, it aims to find the possibility of the mediating effect of LMX on the other two phenomena. The relating results in this section are analyzed in Tables 17, Figure 14, and Table 18. In Table 17 and Figure 14, the effects of CEV on overall work engagement and three dimensions of engagement are summarized separately.

TABLE 17 Direct effect analysis of CEV on overall work engagement

<i>X</i> to mediator (<i>a</i> path)				Total effect of <i>X</i> on <i>Y</i> (<i>c</i> path)					
	Coeff.	SE	P		Coeff.	SE	P		
CEV	.07	.01	<.001	CEV	.11	.01	<.001		
Direct effect of mediator on <i>Y</i> (<i>b</i> path)				Direct effect of <i>X</i> on <i>Y</i> (<i>c'</i> path)					
	Coeff.	SE	P		Coeff.	SE	P		
LMX	.52	.07	<.001	CEV	.07	.01	<.001		
Partial effect of control variables on <i>Y</i>									
	Coeff.	SE	P						
Gender	1.05	.46	.02						
Age	-.11	.03	<.001						
Fit statistic for model									
R ²	F	df1	df2	P					
0.46	48.11	4	715	<.001					

X = CEV, *Y* = Work engagement. N = 720.

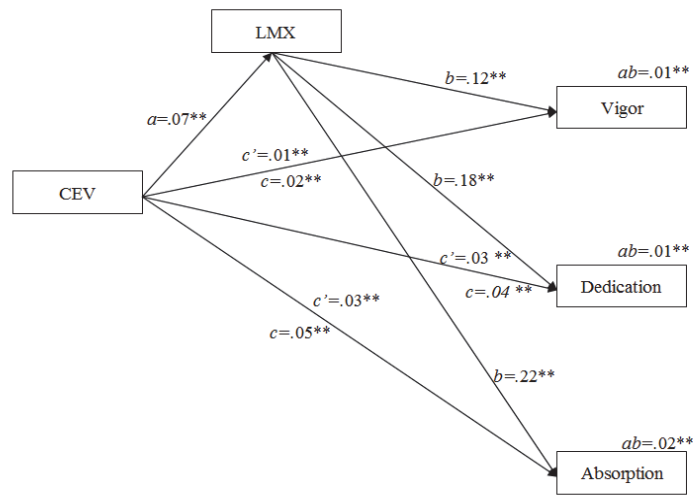


FIGURE 14 Effect of CEV on dimensions of work engagement

As shown in Table 17 and Figure 14, there is a statistically significant effect of CEV on overall work engagement ($c = .11, p < .01$). Among the work engagement dimensions, absorption ($c = .05, p < .01$) has a stronger connection with CEV than either dedication ($c = .04, p < .01$) or vigor ($c = .02, p < .01$). Thus, CEV affects differently different factors of work engagement. However, in sum, it can be said that the results lend support to hypothesis 1, that the ethical culture of an organization affects employee work engagement. In support of hypothesis 2, that the ethical culture of an organization (CEV) affects LMX, the results show (see in Table 17) that CEV has a positive and significant effect on LMX ($a = .07, p < .01$). Consequently, the results support hypothesis 2.

In support of hypothesis 3, that LMX affects employee work engagement, the results show (see in Table 17 and Figure 14) that the effect of LMX on work engagement ($b = .52, p < .01$) is statistically significant when controlling for CEV. Absorption ($b = .22, p < .001$) is more strongly influenced by LMX than dedication ($b = .18, p < .001$) or vigor ($b = .12, p < .001$). Thus, LMX affects differently different factors of work engagement. Both CEV and LMX seem to have the strongest role in absorption and the weakest role in vigor. In sum, it can be said that the results lend support to hypothesis 3.

In order to test the indirect effect of LMX on the relationship between CEV and work engagement, the bootstrap analysis of indirect effect of CEV on work engagement was made in Table 18.

TABLE 18 Bootstrap analysis of indirect effect of CEV on work engagement via LMX

Indirect effect of <i>X</i> on <i>Y</i> through proposed mediators (<i>ab</i> paths)				
	Effect	SE	Confidence interval	
			Lower	Upper
LMX	.04	.006	.0232	.0483

As is often the case with inconsistent mediation models, the total indirect effect of *X* on *Y* is not significant. However, as shown in Table 18, of greater importance is the specific indirect effect through LMX, $ab = .04$ ($p < .01$). It can thus be concluded that, in support of hypothesis 4, the CEV has an indirect effect on employee work engagement through the mechanism of LMX. This bootstrapped estimate of the indirect effect is similar to the point estimate computed from conventional regression analysis of the raw data (Galvin et al., 2010). However, the true indirect effect of LMX on the relationship between CEV and work engagement is estimated at between .023 and .048. Because zero does not appear in the 95% confidence intervals generated by the bootstrap distribution, it can be concluded that the indirect effect is indeed significantly

different from zero at $p < .05$. Moreover, as Figure 14 shows, similar effects can also be found in the dimensions of work engagement: vigor ($ab = .01$, $p < .01$), dedication ($ab = .01$, $p < .01$), and absorption ($ab = .02$, $p < .01$). In sum, the results support hypothesis 4 that LMX mediates the effect of the ethical culture of an organization on an employee's work engagement.

5 DISCUSSION AND CONCLUSION

This final chapter of the study begins with the main findings and related implications (section 5.1). Next, strengths, limitations, and suggestions for future research are presented (section 5.2). Finally, the overall conclusion of the study (section 5.3) is made.

5.1 Findings and implications

The main focus of this dissertation was in a reciprocal process that focuses on the dyadic leader-follower relational leadership by adopting the leader-member exchange theory. Even though the LMX theory has its origins in the Western countries, it has also been proved a useful theory in Eastern cultural context like China (Hui & Graen, 1997; Wang et al., 2005; Chen & Tjosvold, 2007; Law et al., 2010; Liu et al., 2013). This research started with an argument that successful leadership requires that the specific context in which the processes leadership take place needs to be paid attention to. Drawing upon the theory of legitimacy (Biggart & Hamilton, 1987; Suchman, 1995) it was assumed that the leadership exerted by Western managers is seen as legitimate by Chinese employees when it is congruent with the socio-cultural context.

The first aim of this dissertation was to increase knowledge and understanding of the LMX theory by contextualizing the theory in the Chinese context through the literature analysis. In line with previous researches (e.g. Hui & Graen, 1997; Chen & Tjosvold, 2005; Xu et al., 2011), the results imply that in spite of its usefulness in both Western and Eastern contexts (Hui et al., 1999), LMX theory, which has its origin in Western tradition, can have some limitations when applied in the Chinese context (Nie & Lämsä, 2015). The results in this dissertation show that to be able to build high quality social exchanges between manager and employee, that supports feelings of personal obligation, gratitude, respect, and trust in the relationship, essential elements of a high quality leadership relationship (Blau, 1964, Gerstner & Day, 1997; Sparrowe & Liden, 1997), the personal and emotional side of the leadership relationship needs to be emphasized more strongly in the Chinese context than

the LMX theory suggests. The manager's willingness to show personal consideration for his/her employee to nurture an emotional bond between two parties is critical as, according to Chinese social values and *guanxi*, consideration is usually regarded as morally accepted and socially appropriate in China (Nie & Lämsä, 2015). Even if transformational leadership, which is an important element of LMX, pays attention to leader's individualized support and consideration towards followers (Anand et al., 2011; Wang et al., 2005) as well as leader's sociability, friendliness, and warmth (Dulebohn et al., 2011), these aspects are limited to work environment in the LMX theory. However, in China, an emphasis on the development of the positive personal and emotional bond may require stretching the leader's consideration of his/her subordinates beyond work to non-work sphere. For example, gift giving to employees on their birthday and home visiting if employees have serious illnesses (Hui & Lin, 1996; Law et al., 2000) are regarded as warm behaviors and crucial in the maintenance of a leadership relationship between manager and employee beyond formal work relationships. In general, the LMX theory stresses an equity-matching relationship, where contribution and competence, not feelings, form a basis for leadership relationship (Hui & Graen, 1997; Chen et al., 2009; Nie & Lämsä, 2015).

The rather weak focus on emotions in LMX (Ashkanasy et al., 2002) may be a limitation of the theory, especially when applied in Chinese context. Competence but not emotions are emphasized in the LMX theory, while Chinese stress personal affection and emotion (Chow & Ng, 2004). It is suggested here that *the LMX theory would benefit from a more significant emotional element than now, and it would be important to make this element fitting to the socio-cultural context in which the theory is applied in both research and practice*. Based on the results of this study, it is suggested that *in China consideration and shame are culturally appropriate emotions to be paid attention to in the LMX theory, its application and measurement*. Moreover, due to the importance of social relationships, *guanxi*, in Chinese society and working life, there is a risk that people's social ties matter more than their competence, for example, in recruitment, promotion, and appraisal situations, that is not always fruitful from the viewpoint of leadership effectiveness. Therefore, in addition to the emotional aspect, it is suggested that *the LMX theory and its measurement would benefit of also adding the "competence" as a factor into the LMX scale in the Chinese context*. By doing so, it is hoped that the developed measurement would provide a new perspective to reconsider the leader-member relationships in Chinese context.

Furthermore, seen from the practical point of view, this study shows that understanding the peculiar features of *guanxi* is helpful for an expatriate manager when applying LMX in the Chinese organizational context. Due to the importance of social ties and *guanxi* in China it is suggested here that *Western expatriate managers may face ethical challenges in their relationships with local employees in the Chinese context; in particular risks of corruption and nepotism may occur* (Nie & Lämsä, 2015). Therefore, it is worthwhile to try to identify the purpose and expect the likely outcome of the pursuit of *guanxi* in any particular

case to prevent any pure self-seeking opportunism while harming others (Warren et al., 2004). It is also necessary for Western managers to try to distinguish between what is normal entertainment and what is bribery according to local organizational rules. Such behavior would reduce the chances of being involved in bribery and thereby save the managers from potentially unethical deals.

As brought forth above, in addition to the importance of consideration in LMX, this dissertation implies that recognizing the role of another emotion, namely, shame, is critical in leadership relationships in China. Keeping both parties' public image is important in the leader-follower interaction processes, and even in conflict situations. Individuals who have a sense of shame is valued in Chinese culture (Zhong, 2007), which means that one will be always expected to maintain a positive public image and avoid putting anyone in the position of feeling shame in interpersonal relationship generally, which can be a challenge for Western managers, even a cultural barrier that they have to try to overcome. Thus, sensitivity is required in understanding the role of shame and public image, since if either party - manager or employee - loses reputation in public, the quality of the leader-follower relationship deteriorates (Nie & Lämsä, 2015). Seen from the practical point of view, to meet this challenge, this study shows that although the leader-follower communication style has been discussed and emphasized in the LMX theory (Chen & Tjosvold, 2007), how to communicate more effectively between managers and employees from different cultural backgrounds is still a key factor deserving special attention. In response to this issue, learning and applying a more context-dependent communication way may be a sensible way for the expatriate manager to follow due to the fact of shame-avoiding in the Chinese context.

Finally, even though the differences between the LMX theory and Chinese *guanxi* may cause challenges and problems to the Western expatriate manager in his/her relationship with Chinese employees and the recognition of the limitations is important, a sensible way for the manager to manage is also to understand and take advantage of the similarities of the two approaches - LMX and *guanxi*, both of which highlight the nature of the interpersonal relationship, follow the principle of reciprocity, and include factors such as mutual trust, obligation, and respect. In sum, it is hoped that through the analysis in this dissertation concerning LMX in Chinese organizational setting, both Western expatriate managers and local employees can have a better understanding of each other's moral culture and social values, which can not only build a solid foundation for constructive controversy but also improve business cooperation between Western and Chinese parties (Chen & Tjosvold, 2006).

The second aim of this dissertation was to analyze the connections between LMX, ethical culture of an organization and employee's work engagement through the empirical quantitative study in three Chinese organizations. The empirical study offered a new perspective for organizational behavior and leadership studies, as LMX research has not previously been combined with virtue ethics and occupational well-being. The results of this study show that the ethical culture of an organization affects LMX, therefore, it

is suggested here that *the ethical organizational culture can have a socializing effect on LMX relationship between manager and employee in the Chinese organizational context*, even many leadership studies – typically conducted in Western contexts – have argued vice versa (see Alvesson, 2011). In China, collectivism and belonging to a group are crucial social values (Yang, 1993; Nie & Lämsä, 2015); therefore, it is plausible the role of organizational culture in leadership may be more prominent than in many Western contexts where individualism and even a heroic leader role are emphasized (Hofstede, 1980; Meindl et al., 1985). It is also noticeable that the relationship between the ethical organizational culture and leadership may be bidirectional also in China. However, this was not the focus of this dissertation: only the effect of the ethical culture of an organization on LMX was assumed based on institutional leadership theory (Biggart & Hamilton, 1987) and investigated empirically. In general, *the empirical results of this dissertation lend support to institutional leadership theory (Biggart & Hamilton, 1987) which underlines the role of organizational culture in engendering beliefs about what is effective and ineffective leadership.*

Findings of the current study suggest that an ethical viewpoint is worth further consideration and discussion in LMX research in the future. Creating an ethical organizational culture by emphasizing such virtues as “integrity”, “togetherness”, “cooperation”, “loyalty”, and “trustworthiness” (Solomon, 2004) will improve interactions between employees and their immediate managers because it will support their mutual expectations and task completion, which in turn will nourish the development of LMX. In the Chinese context, Confucian ethics might be a useful starting point; in Western contexts other ethical theories might make sense (Nie & Lämsä, 2015). The combination of various ethical viewpoints could also be fruitful, as suggested for example by Hackett and Wang (2012), who showed that both Aristotelian and Confucian virtues are crucial in leadership behavior.

Moreover, the findings highlight the importance of an organization’s ethical culture in fostering employee work engagement. Currently, the increasing number of unethical acts that are being carried out by Chinese organizations is threatening organizations’ sustainable development. Employees cannot be expected to be fully engaged in an organization that is not strong and trustworthy. Thus, to provide employees with a sense of security and commitment, based on the results of this dissertation, it is suggested that organizations should specifically develop high ethical standards and make it sufficiently clear to employees what is appropriate behavior in different situations. As Schaufeli and Bakker (2004) declared, adequate job resources are seen as the main element in boosting engagement. It is proposed that *an ethical organizational culture can offer employees a favorable working environment which provides them with different resources, such as identifiable values, organizational support, and an open culture for discussion, and thus support feelings of engagement.* Further, managers at all levels should act according to the organization’s normative expectations and strictly implement the reward and punishment system.

Finally, this study indicates empirically that LMX can be taken as a

mediator in the relationship between ethical organizational culture and employee work engagement. On the one hand, as discussed earlier, the ethical culture of an organization is helpful to strengthen leader-follower relationship; and on the other hand, the leader-follower relationship plays a positive and significant role in nurturing employees' work engagement. A Chinese employee's relationship with his/her supervisor is an essential component of the Chinese social structure (Hui et al., 2004; Nie & Lämsä, 2015), and high-quality relationships might be taken as an implicit signal to employees that they are important, appreciated and valued by their managers or even by their employing organization (Liu et al., 2013). Thus, based on the results of the current study, it is suggested *that to strengthen employees' engagement, managers should consciously pay attention to the importance of the leader-follower relationship, and especially for Western expatriate managers, trying to learn local Chinese values and using guanxi properly is a critical step for them to follow*. In sum, this present study indicates the importance and mediating effect of the leader-member relationship in organizations, and thus, *culturally sensitive LMX-enhancing strategies should therefore be part of leadership development programs*.

The third aim of the dissertation was to examine the construct validity of the measurement of the ethical culture of an organization, Kaptein's (2008) Corporate Ethical Virtues (CEV) model. Theoretically, this dissertation study extends previous related studies by examining the Western CEV model (Kaptein, 2008) in the Chinese context for the first time. Different from findings of Kaptein (2008) with a sample in a Dutch organizations and Huhtala et al. (2011) in Finnish organizations, and Novelskaitė and Pučėtaitė (2014) in the Lithuanian organizational context that the Corporate Ethical Virtues scale provides a reliable and valid instrument for investigating ethical dimension, *the results of this study support a seven-dimension CEV scale rather than the original eight-dimension scale*. Therefore, this seven-dimension model was applied in the empirical study of this dissertation.

Among these dimensions, *the virtues of clarity, congruency of supervisors, congruency of senior management, supportability, transparency, discussability and sanctionability, but not feasibility, were found to form the underlying structure of the CEV scale in the Chinese context*. From a methodological point of view, the result may be due to the fact that the items in the feasibility questionnaire are designed in two contrasting ways so that respondents have to change the positive and negative in the scale of evaluation when filling out the form. When respondents complete questionnaires they may sometimes fail to pay sufficient attention to the specific details of each question and might tend rather to expect to consistently provide responses at one end of the scale; such a tendency would increase the likelihood of misunderstandings and reduce the likelihood of obtaining good data using the scale. In the Chinese context, another possible explanation for this result could be that the items in the section on feasibility cannot predict ethical organizational culture as a whole. For example, insufficient resources are taken for granted in many Chinese organizations. In recent years, the persistent economic depression has forced many employees to "voluntarily" work overtime to sustain a satisfactory level of performance and

to ensure job security (Lu et al., 2006). All of this makes these issues a matter of life, or livelihood, rather than of ethics for Chinese employees.

Among the seven dimensions of the CEV scale, discussability, referring to organization members' opportunity to exchange, analyze, and discuss ethical problems, showed the strongest influence on CEV. According to Kaptein (1998), persistent avoidance of ethical discussion probably results in higher ethical stress and reinforces an unethical organizational culture, whereas, as Bird and Waters (1989) found, when employees are encouraged to report concerns and disclose unethical practices within their organizations there can be clear benefits for the building of an ethical culture.

This research confirms also in the Chinese organizational context the importance to ethical organizational culture of employees' opportunity to raise and discuss ethical issues. Although the average Chinese citizen enjoys significantly more personal freedom today than ever before, the freedom of discussability is, on the whole, discouraged in both Chinese society (Emmons, 2001), and in Chinese organizations. From the cultural point of view, the Chinese have grown up in a social environment where it is normal to listen to and obey one's elders and those in a more senior position of authority such as one's managers (Yang, 1993). A Chinese employee might be seen as disrespectful if he or she voiced disagreement publicly in the workplace. Harmonious relationships are central in Chinese organizational life. So too is the enjoyment of prestige. Not losing face and the saving of others' face are emphasized in Chinese society (Hwang, 1987) and an argument in a public place would cause loss of face and go against the philosophy of the importance of Chinese interpersonal relationships. These social and cultural reasons might account for why Chinese employees place such great importance on the virtue of discussability.

Getting to know how ethical behaviors are actually done in an organization and further acknowledging ethical issues is important for the organization's development in the long run. In terms of practical implications point of view, the results of the current study suggest that the seven-dimensional ethical virtues scale can be applied in evaluating organizational ethics in Chinese organizations. Having been translated into Chinese and validated in different organizational contexts, the CEV scale provides organization's members with a practical tool to assess ethical organizational culture. Once the perceived ethics in an organization has been measured with a valid and extensive multidimensional model, additional interventions can be designed based on the results to reinforce ethical behavior and prevent unethical behavior among the organization's members. For example, if employees give low ratings on the virtue of clarity, the organization should invest in clarifying more detailed ethical rules and standards, and try best to make those rules sufficiently clear enough to guide organization's members when facing with various ethical related situations in the workplace. In addition, organizations can also use external services here, for example arranging training for employees, in a more structured way, which helps when it comes to resolving difficult situations at work.

5.2 Strengths, limitations, and future research

The most important strength of this study is that it helps to reflect on how to contextualize one of the best known relational leadership theories (Ladkin, 2010), namely, LMX theory, in Chinese context. In this dissertation, an important role of the socio-culture in leadership research and practice was shown. In particular, it was shown that both the societal level culture, that is Confucian social values embedded deeply in people's mind in China (Yang, 1993) and social ties, *guanxi* in Chinese social life (Tsui & Farh, 1997; Chen & Chen, 2004) as well as organizational level culture, i.e. ethical culture of an organization in this study, influence leadership relationships between managers and employees. In this study, the similarities and differences between LMX theory and *guanxi* (Nie & Lämsä, 2015) were analyzed. A strength of this knowledge is that it can help expatriate managers to adopt to the Chinese organizational environment by both overcoming differences and taking advantage of similarities. Finally, a strength is that in this dissertation ethical challenges that Western managers may face when practicing *guanxi* were made visible and thus possible to discuss and reflect on (Nie & Lämsä, 2015). In sum, through these descriptions of the specific Chinese social values and its relationships with LMX theory, it is hoped that the current study can serve as an aid to reflect on how to integrate the well-known LMX framework (Ladkin, 2010) into the Chinese organizational settings.

Furthermore, this study takes ethical organizational culture as a starting point for understanding both LMX and employee well-being from an ethical perspective. Research on LMX has been conducted mostly stressing behavioral and attitude outcomes such as job performance, organizational commitment, turnover, satisfaction with job and supervisor, or combined with various antecedents like follower and leader characteristics (Dulebohn et al., 2011). Similarly, ethical culture has previously been studied almost exclusively in the field of business ethics, and combined mostly with behavioral and attitudinal outcomes such as work commitment (Hunt et al., 1989; Sharma et al., 2009) and satisfaction (Valentine et al., 2006) or with the occurrence of (un)ethical behavior (Kaptein, 2011). Occupational well-being, on the other hand, has only just begun to expand its research from individually focused studies into a wider angle, such as leader-follower relationship at a dyadic level and organizational culture at an organizational level (Peterson & Wilson, 2002; Huhtala et al., 2011). Integrating these three constructs – ethical culture of an organization, LMX theory, and work engagement – led to a more comprehensive picture of how contextual features and leadership can exert their influence on psychological outcomes in the work setting. More specifically, the present study shed light on associations among LMX, ethical organizational culture, employee work engagement at work.

Finally, a significant methodological contribution of this study was to validate the 58-item Corporate Ethical Virtues scale (CEV; Kaptein, 2008) in a

Chinese context. The findings of this research show that the CEV scale can be partially used as a valid tool in assessing ethical culture in different organizations. Using Chinese samples contributes to testing the generalizability of Western theories in the Chinese context. In general, this study calls for non-Western samples in studies of leadership and organizational behavior.

We must, however, also acknowledge several limitations of our research. First of all, the data used in our study were collected through cross-sectional measures, which raises concerns about the true nature of the associations studied, for various reasons. Cross-sectional data prevents one from making causal inferences, and therefore the direction of the relationships among ethical culture, LMX and employee work engagement were only theoretically driven. Nevertheless, both causal directions are possible. For example, on the one hand, one's leader-member exchange relationship can influence his or her work engagement. On the other hand, the employees' work engagement can affect their perceptions of the quality of LMX, in that employees with high enthusiasm and engagement in their daily work are generally perceived by others as favorable (Dulebohn et al., 2011); specifically, managers likely equate these employees with good role-players, and they may be more inclined to delegate favorable tasks to these employees, and subsequently form high-quality relationships with them (Kinicki & Vecchio, 1994). Therefore, longitudinal analyses are needed to investigate changes and stability in the three frameworks used in the present study. Although the LMX quality is more likely to be stable over the time, evaluations of ethical culture might change among employees if they face potential ethical dilemma situations between the different time points of a longitudinal study. Additionally, using longitudinal data would make it possible to look at causal relationships between ethical culture and psychological outcomes.

Secondly, the fact that the data used in our study were mainly based on self-report measure can be taken as one of the limitations, which might increase the risk of common method bias, as the same person is not evaluating both predictor and criterion variables. In the future, using multiple source data both from managers and employees to assess evaluations of those frameworks could be a step forward from the present study.

Thirdly, although the samples used in this research represented employees from three different lines of organizations, the limitation exists because the sample was dominated by state-owned company's respondents, with a small portion of employees from private company. However, based on a survey conducted by McKinsey (Woetzel, 2008), findings indicate that compared with Chinese private companies, state-owned companies have much more assets, including obsolete equipment and technology, as well as broad social obligations such as employee health care and pensions. In this situation, employees with different background, state-owned company and private company, are more likely to give different evaluations on the same issue. Thus, in order to get a more accurate view of the topic in both the public and private sectors in China, a more balanced sample is needed in the future.

Fourthly, because ethics is a sensitive topic for research, there is also the

possibility that social desirability response bias may have affected the results. Generally, participants could have given more positive evaluations of their own behavior, or their evaluations of their employing organization's ethical behavior, than they really believe because they would be seen as preferable answers.

Fifthly, the CEV model was not supported well in the Chinese context - 16 of the original 58 items were deleted, including all 6 of a single dimension. It is not clear from the analyses whether the items were just poorly translated or if the construct operates differently in the Chinese context. As it stands now, all analysis is conducted on a single sample, which essentially capitalizes on chance. In future studies, it may be sensible to conduct an exploratory factor analysis on one Chinese sample and then confirmatory factor analysis on a second Chinese sample. If the CFA on the second sample is supported, then the primary hypotheses can be tested on a third Chinese sample.

Sixthly, in this research all the frameworks studied were investigated using quantitative methods. In this case the limitations of using survey data should be noted. Although the operationalisation of ethical culture was based on a measure which had been translated and validated thoroughly, the evaluation of culture based on survey items does not give information about deeper values or unconscious basic assumptions in the organization. Thus, in the future it would be worth making a qualitative investigation, to expand our knowledge of ethical organizational culture by interviewing both managers and employees using a less rigid format.

Finally, as discussed earlier, one of the differences between LMX and Chinese guanxi is their opinions of the key component of the quality of leader-member relationship (Nie & Lämsä, 2013). Westerners tend to take competence as the most important criterion for selection and promotion (Hui & Graen, 1997; Chen et al., 2009), whereas human feelings like personal affection and emotion are more likely to be emphasized more by Chinese workers (Chow & Ng, 2004). Thus, in the future, the LMX theory and its measurement may be developed in the Chinese context by adding the "competence" as a factor into the whole scale. Additionally, an emotional viewpoint, particularly the emotions of shame and consideration which were shown to be important to leader-follower relationship in China, could be stressed in the scale while applied in the Chinese organizational context. By doing so, it is hoped that the developed measurement will provide a new perspective to reconsider the leader-member relationships in the Chinese context.

5.3 Conclusions

LMX occupies a prominent position among the relationship-based leadership approaches (Ladkin, 2010), and it has been evolving into a dyadic approach for studying leadership (Gerstner & Day, 1997), more specifically, leader-member relationships. However, despite the usefulness and popularity of the LMX, the theory does not recognize fully the role of a broader socio-cultural setting such

as the Chinese context (Nie & Lämsä, 2015). In response to this call, the present study aimed to contextualize LMX in the Chinese context by exploring its similarities and differences between LMX and Chinese *guanxi*, thus, proving a more comprehensive and deeper understanding of LMX from the socio-context point of view than previously.

In addition to discussing the LMX theory in Chinese context, another aim in this study was to investigate the mediating effect of LMX in the relationship between ethical organizational culture and employee work engagement. The ethical culture of an organization is a relatively new, exciting area of inquiry in the management and leadership literature. Despite the pivotal role of ethical culture in organizational management that has been recognized in the past few years (Treviño et al., 1998; Kaptein, 1998; 2008), research in non-Western contexts, however, remains rather limited. The current study has accumulated additional evidence for these effects by examining the CEV scale in China and illustrated that nurturing an ethical culture can be taken as an important way to increase the quality of leader-member relationships and employee work engagement.

Findings of this study are promising because it is among the first to examine the relationship between ethical culture, LMX, and employee work engagement simultaneously with Chinese employee data and the study indicates that indeed such relationships exist. Moreover, the results also show the prominence of LMX in translating ethical culture into employee work engagement, and thus LMX-enhancing strategies should therefore be part of leadership development programs in the Chinese organizational environment. In sum, appropriately reinforcing ethical virtues and preventing unethical conduct can help to heighten the quality of leader-follower relationships and meanwhile increase employees' work engagement in an ethical and favorable workplace.

TIIVISTELMÄ

Tämän tutkimuksen aiheena on johtajan ja alaisen välinen vuorovaikutus. Tutkimuksen tarkoitus on ymmärtää ja lisätä tietämystä johtaja-alaisuusteoriasta eli LMX-teoriasta kiinalaisissa organisaatioympäristöissä. Tutkimuksella on kolme tavoitetta. Ensimmäinen tavoite on lisätä tietämystä LMX-teoriasta soveltamalla teoriaa kiinalaisessa ympäristössä. Kiinalaisia sosiaalisia arvoja käsitellään johtaja-alaisuuteen näkökulmasta pohtimallaguanxin (verkosto) merkitystä. Toinen tavoite on analysoida johtaja-alaisuuteen, organisaation eettisen kulttuurin ja työntekijän työhön sitoutumisen välisiä yhteyksiä. Kolmas tavoite on tutkia organisaation eettisen kulttuurin mittauksen rakennevaliditeettia Kapteinin (2008) yrityksen eettiset hyveet -mallin (Corporate Ethical Virtues, CEV) pohjalta. Ensimmäisen tavoitteen saavuttamiseksi toteutettiin kirjallisuusanalyysi. Toisen ja kolmannen tavoitteen saavuttamiseksi noudatettiin kvantitatiivista tutkimustapaa. Empiirinen tieto kerättiin kolmesta mannerkiinalaisesta organisaatiosta, joiden työntekijöistä yhteensä 720 palautti tutkimuslomakkeen kokonaisuudessaan. Tulosten mukaan johtajasuhteiden henkilökohtaista ja emotionaalista puolta on korostettava kiinalaisessa organisaatioelämässä enemmän kuin LMX-teoriassa sanotaan. Tulokset osoittavat, että emotionaalinen elementti tulisi sisällyttää osaksi LMX-teoriaa, kun sitä sovelletaan Kiinassa toteutettavissa tutkimuksissa. Lisäksi empiiristen tulosten mukaan eettisellä organisaatiokulttuurilla voi olla sosialisiva vaikutus johtaja-alaisuuteeseen ja työntekijän työhön sitoutumiseen. Organisaation eettinen kulttuuri auttaa vahvistamaan johtaja-alaisuutta, mutta toisaalta johtaja-alaisuuteella on myös positiivinen rooli työntekijän työhön sitoutumisen edistämiseksi. Tulosten mukaan johtaja-alaisuus voi toimia välittäjänä eettisen organisaatiokulttuurin ja työntekijöiden työhön sitoutumisen välisessä suhteessa. Tulokset tukevat myös seitsenportaisen CEV-asteikon käyttämistä organisaation eettisen kulttuurin mittaamisessa alkuperäisen kahdeksanportaisen asteikon sijaan. Tämä tarkoittaa sitä, että CEV-asteikkoa voidaan käyttää kiinalaisissa organisaatioissa osittain organisaatioiden eettisen kulttuurin arvioinnissa. Tiivistettynä tämä tutkimus tarjoaa kattavamman ymmärryksen johtaja-alaisuudesta sosiaalisen kontekstin näkökulmasta katsottuna muihin tutkimuksiin verrattuna. Lisäksi tutkimuksen mukaan jatkossa kannattaa harkita erityisen eettisen ja emotionaalisen näkökulman sisällyttämistä johtaja-alaisuuteen tutkimukseen ja käytännön toteutukseen.

Avainsanat: Johtaminen, johtaja-alaisuusteoria (Leader-member exchange theory, LMX), eettinen organisaatiokulttuuri (CEV), hyve, työhön sitoutuminen, guanxi, Kiina

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