

How ethical leadership cultivates healthy *guanxi* to enhance OCB in China

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Ethical leadership has been documented as a critical factor influencing employee behavior. This study aims to expand on previous research by investigating how ethical leadership cultivates healthy Chinese *guanxi* between employees and their supervisors and influences employee organizational citizenship behavior (OCB). We propose that two types of Chinese *guanxi*, favor-seeking *guanxi* and rent-seeking *guanxi*, may play a mediating role in the relationship between ethical leadership and OCB. Using survey data collected from Chinese employees ($N = 502$), regression and bootstrap analyses are used to test the proposed research model. The results suggest that ethical leadership not only directly promotes employee OCB performance, but also does so indirectly by facilitating favor-seeking *guanxi* orientation and suppressing rent-seeking *guanxi* orientation. The results provide a theoretical contribution to the study of ethical leadership and Chinese *guanxi*, and also extend our practical understanding of the role of ethical leadership in enhancing OCB effectively in the China context.

Keywords: Chinese context, ethical leadership, *guanxi*, organizational citizenship behavior (OCB)

Key points

- 1 Chinese *guanxi* has an important role in mediating between ethical leadership and employee OCB.
- 2 Ethical leadership directly promotes employee OCB.
- 3 Ethical leadership also indirectly promotes employee OCB by facilitating favor-seeking *guanxi* and suppressing rent-seeking *guanxi*.

Unethical behaviors are problems that not only affect individuals, but also can damage entire companies or even national reputations. As the potential for unethical behaviors to damage organizations has become more and more clear, business ethics has become an active area of research. Within the leadership literature there has been an increased

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interest in ethical leadership and its role in business ethics (Su and Littlefield 2001). Several studies have highlighted the impact of ethical leadership on employee behavior, especially organizational citizenship behavior (OCB) (Mayer et al. 2009; Shin 2012). The underlying mechanisms that link ethical leadership to OCB performance have also been investigated (Newman et al. 2014; Zhang et al. 2013). In a recent study, Newman et al. (2014) found that trust-based mechanisms (i.e. cognitive trust and affective trust) mediate the relationship between ethical leadership and organizational citizenship. However, given that culture has a strong effect on perceptions of trust and propensity to trust, it may be useful to take cultural elements into consideration when investigating the underlying mechanisms by which ethical leadership influences employee behavior (Schoorman, Mayer and Davis 2007). In western cultures trust is often engendered by social and formal institutions, whereas in eastern societies like China, personal and informal relationships such as Chinese *guanxi* are the most important foundations of trust (Chen, Chen and Huang 2013). Interpersonal trust in China can be classified by closeness of Chinese *guanxi*, and also involves complicated meanings based on the Chinese cultural context (Chen and Chen 2004). Because of its relationship to trust in Chinese culture and its importance as a cultural factor influencing behavior, *guanxi* is likely to be a critical factor linking ethical leadership to employee behavior in China.

When considering supervisor–subordinate relationships, attention must be given to developments in leader–member exchange (LMX) theory (Graen and Uhl-Bien 1995). In fact, supervisor–subordinate *guanxi* emphasizes the importance of the exchange relationship between them. However, LMX theory is restricted to job-related exchanges in the workplace. In contrast, *guanxi* in China typically also involves non-work exchange through social and personal interactions (Chen and Tjosvold 2007; Hui et al. 2008; Law et al. 2000). In addition, LMX is based on fair exchange and utility, whereas Chinese *guanxi* involves unconditional loyalty, which is a characteristic of Chinese cultural values (Chen et al. 2009). Thus, *guanxi* is a more appropriate concept to employ to better understand the supervisor–subordinate relationship in China.

In previous research, *guanxi* has been shown to be an important aspect of social capital for achieving business success in China (Zhai, Lindorff and Cooper 2013). Unfortunately, there is also research that suggests Chinese *guanxi* may lead to corruption and other unethical behaviors, especially when ethical norms and standards are ignored in the organization (Su and Littlefield 2001). Therefore, in order to promote positive employee behaviors it is crucial to handle *guanxi* effectively by fostering an ethical climate or ethical culture in the organization. Recognizing that ethical leadership plays an important role in promoting ethical climate and motivating employees' ethical behaviors (Mayer, Kuenzi and Greenbaum 2010), this study investigates the role of ethical leadership in cultivating healthy Chinese *guanxi*. Specifically, this study examines how ethical leadership influences favor-seeking and rent-seeking Chinese *guanxi* orientation and subsequently promotes employee OCB performance. Thus, by embedding Chinese *guanxi* in our research model,

we empirically investigate its mediating role in the link between ethical leadership and OCB performance.

Theory and hypothesis development

Ethical leadership

For ages, the morality of a leader has been considered an important element of the leader's effectiveness (Burns 1978; Gardner 1987; Kanungo and Mendonca 1995). Considerable amounts of literature have also discussed the leader's moral traits or behaviors in relation to various categories of leadership. For instance, transformational leadership involves the ethical aspirations of leaders and followers (Burns 1978). Authentic leadership has been found to be linked with moral characteristics such as honesty, altruism, kindness and fairness (Bass and Steidlmeier 1999). Similarly, spiritual leadership and servant leadership emphasize ethical values such as a leader's kindness and altruism (Fry 2003). The fact that ethical traits and behaviors have been demonstrated to be key components of all these various leadership styles suggests that ethical traits and behaviors should be considered as central qualities of leaders.

In particular, Treviño, Brown and Hartman (2003) conducted qualitative, interview-based research to understand the perceived domain of ethical leadership. They found that ethical leadership involves personal characteristics such as traits (e.g. honesty, integrity and trustworthiness) and behaviors (e.g. openness, concern, fairness and decision-making). They identified these personal characteristics as aspects of the 'moral person'. In addition, they proposed another aspect of ethical leadership, the 'moral manager' dimension, because this leadership style needs proactive managing to effectively influence employees. Moral managers use communication, discipline, and role-modeling to help employees learn ethical norms and encourage employees to behave ethically (Brown and Treviño 2006). Therefore, ethical leadership is defined as 'the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making' (Brown, Treviño and Harrison 2005).

Although the primary streams of research on ethical leadership have evolved from western philosophy and culture, some concepts and characteristics of ethical leadership can be found in the Confucian culture of traditional China (Hackett and Wang 2012). *Junzi* (the superior man) represents the Confucian ideal person with superior morality. The *junzi* follows the Confucian ethical principles of *ren* (concern), *yi* (justice) and *li* (courtesy) (Ip 2011). Furthermore, Confucian ethics have been considered an important quality of leaders. Thus, the *junzi* is operationalized as an ethical leader not only based on personal ethical virtues, but also based on leadership behaviors; in addition to personal ethical virtues the *junzi* also demonstrates concern for followers and serves as a good role model (Ip 2011). Therefore, the concept of ethical leadership proposed by Brown, Treviño

and Harrison (2005) has some strong similarities with aspects of traditional Chinese Confucian culture.

Chinese *guanxi*

Guanxi, a unique type of relationship in the Chinese culture, has a powerful influence on Chinese social and business activities, reflecting the great importance of social interdependence in China's collectivist culture (Kim, Lee and Lee 2013). *Guanxi* is composed of two Chinese characters, *guan* (gate) and *xi* (connection), and literally means 'pass the gate and get connected' with others (Lee and Dawes 2005). Chen and Chen (2004, 306) define *guanxi* as 'an informal, particularistic personal connection between two individuals who are bounded by an implicit psychological contract to follow the social norm of *guanxi* such as maintaining a long-term relationship, mutual commitment, loyalty, and obligation'. Studies on *guanxi* have suggested that it may have both positive and negative outcomes. Some researchers have focused on its benefits such as promoting long-term relationships (Wang, Shi and Barnes 2015) and providing access to scarce resources (Yu, Nahm and Song 2016) and human capital (Peng, Sun and Markóczy 2015), while others have suggested that *guanxi* may lead to corruption and cause ethical dilemmas (Luo 2008; Snell, Tjosvold and Wu 2010). It seems clear from prior research that Chinese *guanxi* may act as a double-edged sword: it can lead to positive outcomes, but it may also lead to negative outcomes, especially in business relationships (Fan 2002; Warren, Dunfee and Li 2004). Considering these disparate outcomes of *guanxi*, Su and Littlefield (2001) proposed that there are two types of *guanxi* orientation: favor-seeking and rent-seeking.

Favor-seeking *guanxi* orientation is culturally rooted in interpersonal relationships, emphasizes exchange of favors or affection, and reflects Chinese moral values such as obligation and loyalty (Su and Littlefield 2001). Traditionally, Chinese *guanxi* is influenced by Confucian ethical principles, which specify that people maintain hierarchical relationships through continued exchange of favors (Hwang 1987). For example, Confucius proposed that in a family or clan, an elder or father displays benevolence and affection, and a younger person or child reciprocates with loyalty and obligation. Although the sense of affection is reduced for more distant relatives and non-relatives, the values of social obligation and reciprocity have a dominant position in Chinese societies. When people strive to develop *guanxi* by showing benevolence and altruism, even a stranger or business associate is expected to reciprocate and enter into the favor exchange. In this way, Chinese people have the tendency to favor reciprocity in their overall social lives. This favor-seeking *guanxi* orientation is a very important relationship factor embedded in Chinese traditional culture.

Rent-seeking *guanxi* orientation is based on power exchange in the Chinese planned market economy. After Chinese economic reform, *guanxi* has often been denounced as being associated with bureaucratic corruption. Su employs rent-seeking theory to explain this phenomena. According to rent-seeking theory, economic rent refers to the profits over and above the costs of employing monopolistic resources (Buchanan 1980). Since bureaucratic power is necessary to allocate the rents under the imperfect market

conditions of a planned economy, power typically confers a higher share of the rents, and people without power are compelled to seek a way to be compensated (Lambsdorff 2002). Individuals without power may try to build *guanxi* with those in power, which they can then draw on in an instrumental fashion to gain access to scarce goods or services, whereas individuals with power may build *guanxi* to seek personal benefits, such as gifts from those without power (Fan 2002; Su and Littlefield 2001). In this way, rent-seeking *guanxi* orientation plays an important role in connecting these people. In the China business environment, characterized by relatively weak market structure and an incomplete system of institutions, rent-seeking *guanxi* orientation has often been shown to be linked with corruption and wrongdoing (Fan 2002; Su, Sirgy and Littlefield 2003).

Favor-seeking *guanxi* orientation is an important element of *guanxi* circles in traditional Chinese society, whereas in the business environment of modern Chinese society rent-seeking *guanxi* orientation goes beyond traditional Chinese norms. Therefore, understanding these two types of *guanxi* orientation should be useful in helping us understand the complex nature of Chinese relationships, especially in the business setting. Since this study focuses on supervisor–subordinate relationships within business organizations, these two specific types of *guanxi* (i.e. favor-seeking *guanxi* and rent-seeking *guanxi*) orientation are incorporated into the research model. Also, given the characteristics of these types of *guanxi*, it is expected that favor-seeking and rent-seeking *guanxi* orientation will relate differently to employee behavior (Su, Sirgy and Littlefield 2003). We expect that both the instrumentality of rent-seeking *guanxi* orientation and the affection of favor-seeking *guanxi* orientation will be important factors driving Chinese employee behaviors (Zhang, Li and Harris 2015).

Organizational citizenship behavior

Organ (1988, 4) defined OCB as ‘individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promotes the effective functioning of the organization’. In other words, OCB is not only a form of job performance but also an exhibition of citizenship-related philosophies such as altruism, courtesy, conscientiousness, sportsmanship and civic virtue (Organ 1977, 1988). As research on OCB has expanded to various fields, empirical researchers have found that leadership behaviors have significant relationships with citizenship behaviors (López-Domínguez et al. 2013; Tse and Chiu 2014). In addition, procedural justice is thought to play a critical role in enhancing OCB because employees are willing to reciprocate the fair treatment they receive by demonstrating citizenship behaviors (Farh, Earley and Lin 1997; Moorman, Blakely and Niehoff 1998; Organ 1988). In particular, Moorman (1991) argued that a leader’s interactional justice affects the OCB of employees. Given that ethical leadership could affect employees’ normative behavior through the social learning process, and that employees are more likely to perceive justice in the behavior of ethical leaders, OCBs are a likely outcome of ethical leadership. Therefore, researchers have investigated the linkage between ethical leadership and OCB, and have attempted to explain the mechanisms through which ethical leadership influences employee OCB (Shin 2012; Zhang

et al. 2013). Furthermore, cultural context and national norms may be expected to impact employee OCB (Huo, Luo and Tam 2014). For instance, cultural relationship types and traditional norms such as obligation and authority are likely to impact employee OCB in China (Farh, Earley and Lin 1997; Wang and Wong 2011). Thus, this paper explores Chinese *guanxi* as a mechanism through which ethical leadership may have an effect on employee OCB.

Hypothesis development

Brown, Treviño and Harrison (2005) proposed, based on the social learning perspective, that ethical leaders could gain the attention of followers and effectively influence them by exhibiting ethical conduct and acting as ethical role models. Employees under an ethical leader are more likely to imitate their leader's ethical norms and behavior, which are beneficial to the organization. Since ethical leaders make ethical standards clear by disciplining and communicating, employees are encouraged to do the right thing toward others and the organization. Through these social learning processes, employees learn and are motivated to engage in OCB which benefits others and the organization. Ethical leadership demonstrates fairness and concern for followers, so it may create a social exchange relationship that leads to personal feelings such as gratitude and obligation on the part of employees (Brown and Treviño 2006; Zhu, May and Avolio 2004). Consequently, employees with ethical leaders are more likely to exhibit positive extra-role behaviors that are helpful to others and to the organization (i.e. OCB). This discussion leads to the following hypothesis:

Hypothesis 1: Ethical leadership is positively related to employee OCB.

To a very high degree, relationships among Chinese people involve the practice of *guanxi*. It is reasonable to conclude that in order to effectively manage human resources to achieve positive work outcomes a manager must utilize *guanxi* practices. From the perspective of affective events theory, leader behaviors may have an effect on employees' emotions and influence their attitudes and performance (Ashkanasy and Daus 2002; Dasborough 2006). Employees' affection evoked by a leader's behavior brings about supervisor-subordinate *guanxi* (Han and Altman 2009; Zhai, Lindorff and Cooper 2013). By emphasizing fairness, concern for employees, and two-way communication, ethical leadership engenders positive affect and feelings of trust from employees, both of which are vital facets of *guanxi* (Chen and Chen 2004). Since Chinese culture values *guanxi* in personal relationships, ethical leadership will tend to induce a subordinate's tendency to cultivate favor-seeking *guanxi*, which involves high trust and emotional closeness (Lu 2014; Zhang et al. 2013). Furthermore, ethical leadership induces the obligation and reciprocity of employees through the social exchange process because ethical leaders treat employees with fairness and consideration, which invites a reciprocal response from the employees. Given that Chinese *guanxi* is based on the principle of reciprocity, supervisor-subordinate *guanxi* may be explained by social exchange theory (Zhang, Deng and Wang 2014). Considering that favor-seeking *guanxi* is characterized by the reciprocal exchange of favors and trust and emotional closeness play a vital role in favor-seeking *guanxi*

(Zhang, Li and Harris 2015), ethical leadership is expected to be positively associated with favor-seeking *guanxi* orientation.

Hypothesis 2: Ethical leadership is positively related to favor-seeking *guanxi* orientation.

People's self-oriented motives may also facilitate supervisor–subordinate *guanxi*. That is, employees may seek to build rent-seeking *guanxi* in order to obtain economic benefits and satisfy their own self-interest (Su, Sirgy and Littlefield 2003). Given that Chinese *guanxi* may be shaped by organizational leadership through identification processes (Chen et al. 2011; Zhang, Deng and Wang 2014), ethical leadership plays a critical role in guiding the orientation of *guanxi*. Since ethical leadership enhances employees' identification with their leaders, employees with ethical leaders are more likely to imitate their leaders and demonstrate proper behaviors normatively through the social identification process (Bouckennooghe, Zafar and Raja 2014; Walumbwa et al. 2011). Therefore, such employees are less likely to seek advantages, which may include unlawful or unethical benefits, through rent-seeking *guanxi* (Fan et al. 2012). As a result, it is expected that ethical leadership will suppress rent-seeking *guanxi*.

Hypothesis 3: Ethical leadership is negatively related to rent-seeking *guanxi* orientation.

The OCB literature suggests that cultural factors such as perceptions of justice and norms affect employee OCB (Farh, Earley and Lin 1997; Moorman and Blakely 1995). For instance, Farh, Earley and Lin (1997) suggested that traditional Chinese employees are more likely to be concerned with their role within an organization. Wang and Wong (2011) found that Chinese values influence employee citizenship behavior. Previous literature suggests that supervisor–subordinate *guanxi* that resembles favor-seeking *guanxi* impacts work outcomes such as commitment, job satisfaction and turnover intention (Wong and Wong 2013; Zhai, Lindorff and Cooper 2013). Therefore, we can anticipate that favor-seeking *guanxi* orientation will induce organizational citizenship behavior which is more likely to be related to ethical norms and values. Given that favor-seeking *guanxi* represents Chinese traditional moral values such as obligation and reciprocity, employees in favor-seeking *guanxi* relationships with their supervisors are more likely to demonstrate OCB. (Cheung and Wu 2011; Su, Sirgy and Littlefield 2003; Zhang, Li and Harris 2015). Therefore, favor-seeking *guanxi* orientation may facilitate employee OCB.

Hypothesis 4: Favor-seeking *guanxi* orientation is positively related to employee OCB.

In contrast, rent-seeking *guanxi* emphasizes economic exchange, so it is not expected that employees operating under rent-seeking *guanxi* will engage in conduct that goes above and beyond what is specified in formal job descriptions or other contract-like documents (Tsui et al. 1997). Moreover, in order to gain economic value and benefit, employees in rent-seeking *guanxi* orientation may pursue opportunistic behavior, which may

lead to unethical behavior (Fan 2002; Fan et al. 2012; Su, Sirgy and Littlefield 2003). Rent-seeking orientation relates to self-interest rather than the benefit of an organization or society. Thus, it influences moral judgment and procedures (Fan, Woodbine and Scully 2012; Han Fan, Woodbine and Scully 2014). Therefore, rent-seeking *guanxi* orientation may have negative effects on employee OCB.

Hypothesis 5: Rent-seeking *guanxi* orientation is negatively related to employee OCB.

Finally, combining the above hypotheses, Chinese *guanxi* orientation may function as an important mediating factor by transferring the effect of ethical leadership to OCB. Ethical leadership is expected to encourage favor-seeking *guanxi* orientation and suppress rent-seeking *guanxi* orientation, and these activities are expected to have meaningful impacts on employee OCB. This is because Chinese *guanxi* orientation is likely to focus on the social exchange processes which lead to an employee's reciprocal behavior toward their ethical leader. Thus, *guanxi* orientation may play a mediating role between ethical leadership and employee behaviors such as OCB. More specifically, there may be an indirect effect of ethical leadership on employee OCB, because ethical leaders motivate employees to engage in OCB by building healthy Chinese *guanxi* which involves more favor seeking and less rent seeking. However, because we also expect that ethical leadership has a direct effect on employee OCB as mentioned above, we propose that both favor-seeking *guanxi* orientation and rent-seeking *guanxi* orientation partially mediate the relationship between ethical leadership and employee OCB. Thus, we posit the following hypotheses:

Hypothesis 6: Favor-seeking *guanxi* orientation partially mediates the effect of ethical leadership on employee OCB.

Hypothesis 7: Rent-seeking *guanxi* orientation partially mediates the effect of ethical leadership on employee OCB.

Figure 1 presents a conceptual research model that defines the relationship between ethical leadership, Chinese *guanxi* and OCB.

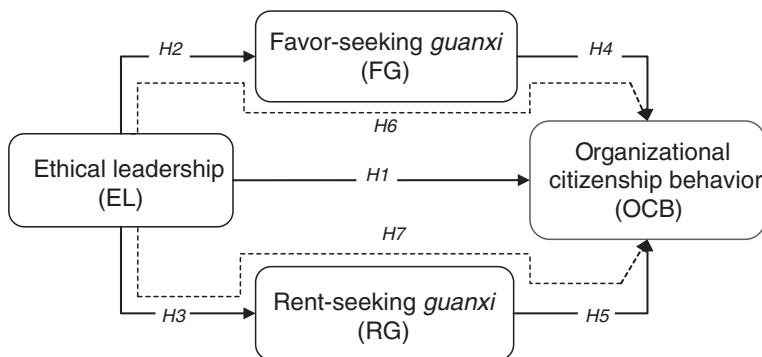


Figure 1 Conceptual research model

Method

Data collection

To test the proposed hypotheses, we collected survey data from employees in various Chinese companies, covering a wide range of sectors and ownership structures. The unit of analysis in this study is the relationship between a subordinate and his/her direct supervisor. Respondents were asked to assess their relationship with their direct supervisor and their OCB performance. A professional survey company that provides an online survey platform in China was hired to collect data. In order to collect a reliable data set: 1) we selected a reputable survey company that has accumulated more than 2.6 million panels in China and has provided survey services to a number of multinational companies and major Chinese universities; 2) we used its paid sample service; 3) any responses that were completed in too short of a time length (specifically, under 200 seconds) on the online survey website were deleted. The survey company randomly selected potential respondents who had been working as team members in various functional departments of firms operating in China and sent e-mail invitations to participate in follow-up surveys. A total of 3622 emails were sent by the survey company to collect data. Of these, 547 participants submitted responses, for an overall response rate of 15.1%. After removing 45 unusable responses (e.g. responses in which all the same answers were selected in an indiscriminate manner, or in which the respondents were in ineligible job positions such as top or middle management), leaving 502 usable responses for the final empirical test, for an effective response rate of 13.9%.

Demographic analysis of the respondents reveals that 46% of the respondents came from the manufacturing industry, 12.5% from the information technology industry, 23.7% from the service industry, and 17.7% from other industries. There was a range of departments in which respondents worked: 16.3% worked in the research and development department, 6.2% in purchasing, 13.3% in sales, 23.9% in production, 8.6% in accounting, 23.3% in administration, and 8.4% in other departments.

Measures

With the exception of rent-seeking *guanxi*, for which we developed measurement items based on concepts from the literature, measures for all constructs employed in the conceptual model, including ethical leadership, favor-seeking *guanxi* and OCB, were adapted from existing measures. When necessary, some items were modified to better fit the purpose of the study. We first developed an English version of the questionnaire and then translated the English into a Chinese version. In order to ensure the accuracy of translation, the Chinese version was back-translated into English by a bilingual translator who was unaware of the research objectives. Then, we compared the back-translated version with the original English version and found no meaningful differences. Before administering the survey we conducted a pilot test with 10 employees working in a city in eastern China. Two doctoral students in a Chinese university further enhanced the clarity of the Chinese version of the questionnaire according to feedback from the pilot test. All items

were measured using a 7-point scale ranging from (1) ‘strongly disagree’ to (7) ‘strongly agree’ (see Appendix A).

Ethical leadership was measured by 10 items from the Brown, Treviño and Harrison (2005) ethical leadership scale, which is consistent with the conceptual definition of the ethical leadership construct. To better understand the role of Chinese *guanxi*, we adopted the two types of *guanxi* orientation proposed by Su and Littlefield (2001). The measure of favor-seeking *guanxi* orientation is composed of five items. Two items were taken from Law et al. (2000)’s supervisor–subordinate *guanxi* scale, representing activities for good supervisor–subordinate *guanxi*, and three items were taken from Yen, Barnes and Wang (2011)’s Ganqing-Renqing-Xinren (GRX) measure. However, the three items taken from Yen, Barnes and Wang (2011)’s work were originally used to assess the relationship between buyer and supplier. Therefore, these items were modified to assess the relationship between supervisor and subordinate to better meet the needs of this study. For example, we modified one item from ‘I have a brotherhood feeling towards this supplier’s representative’ to ‘I have a brotherhood feeling towards my supervisor’. In this way, we adapted those five items to measure favor-seeking *guanxi* orientation (i.e. traditional Chinese *guanxi*). To measure rent-seeking *guanxi* orientation, we designed five new items based on previous studies (Fan, Woodbine and Scully 2012; Su, Sirgy and Littlefield 2003) which involve concepts of self-interest expressed in modern Chinese business relationships.

Farh, Zhong and Organ (2004) proposed a measure for OCB that includes common OCB dimensions in the western literature as well as specific Chinese OCB dimensions such as self-training, social welfare participation, protecting company resources, keeping the workplace clean, and interpersonal harmony. In this study, we adapted 11 of their items for OCB.

In addition, we controlled for duration of the relationship between leader and employee, because it has been shown by prior literature to influence Chinese *guanxi* and employee OCB (Allen and Eby 2003).

Analysis and results

Reliability and validity

Principal components analysis was initially performed to verify the items used to measure favor-seeking *guanxi* orientation and rent-seeking *guanxi* orientation. An exploratory factor analysis (EFA) for *guanxi* orientation revealed two components with eigenvalues >1. Table 1 shows the two components, including items and factor loadings. Two components of *guanxi* orientation explained 68.2% of the variance and all items loaded on their respective subscales with values above 0.747.

Table 2 presents the descriptive statistics and correlations for the variables. As shown in Table 2, the Cronbach’s alpha values range from 0.860 to 0.917, thus the construct measures in this study provide an acceptable level of reliability. A confirmatory factor

Table 1 Exploratory factor analysis summary for *guanxi*

Rotated component matrix	Component	
	1	2
Favor-seeking <i>guanxi</i>		
FG1	.833	−.145
FG2	.855	−.168
FG3	.831	−.069
FG4	.802	−.102
FG5	.838	−.091
Rent-seeking <i>guanxi</i>		
RG1	.066	.747
RG2	−.173	.818
RG3	−.042	.831
RG4	−.207	.764
RG5	−.267	.798

Table 2 Descriptive statistics and correlation coefficients

	Mean	SD	1	2	3	4	5
1 Relational duration	3.580	1.149					
2 EL	5.233	.887	.080	.917			
3 FG	4.412	1.059	.135**	.613**	.897		
4 RG	3.750	1.177	−.027	−.273**	−.286**	.860	
5 OCB	5.723	.684	.090*	.462**	.424**	−.260**	.899

* $p < 0.05$; ** $p < 0.01$. Bold values on the diagonal are Cronbach's alphas.

analysis of the four-factor model was conducted in order to examine the convergent and discriminant validity. The factor loadings of the items ranged from 0.460 to 0.844 and were significant, indicating acceptable convergent validity. The minimum factor loading value (0.460) is for item EL4 ('My supervisor disciplines employees who violate ethical standards.') and is below the ideal threshold of 0.5, but still acceptable 0.3 or 0.4 (Carmines and Zeller 1979). Also, because EL4 is an important item addressing the concept of ethical leadership (Brown, Treviño and Harrison 2005), this item was retained in our analysis. Besides, as shown in Table 3, overall model fit indices for our four-factor model are $\chi^2 = 973.875$ with $df = 428$, $p = 0.000$; RMSEA = 0.050; CFI = 0.934 and TLI = 0.929, suggesting that the model overall is acceptable. Also, the result reveals that our four-factor model fits the data better than the alternative models, supporting the discriminant validity of the four-factor model.

Table 3 Comparison of measurement models

	χ^2	<i>df</i>	RMSEA	CFI	TLI
1 Hypothesized 4-factor model	973.875	428	.050	.934	.929
2 Three-factor model: favor-seeking <i>guanxi</i> and rent-seeking <i>guanxi</i> merged	1892.786	431	.082	.824	.810
3 Two-factor model: favor-seeking <i>guanxi</i> , rent-seeking <i>guanxi</i> and OCB merged	2982.838	433	.108	.693	.670
4 One-factor model: ethical leadership, favor-seeking <i>guanxi</i> , rent-seeking <i>guanxi</i> and OCB merged	3916.508	434	.127	.581	.551

Common method variance

Because our study relied on self-report measures, we conducted tests for common method bias. Harman's single-factor test was performed to assess the issue of common method variance by using exploratory factor analysis (EFA) (Podsakoff et al. 2003). The EFA revealed four distinct factors with eigenvalues above 1.0, which together explained 58.859% of the total variance. The first factor explained 18.802% of the variance, and thus did not explain the majority of total variance. For a more sophisticated test, we also conducted confirmatory factor analysis (CFA). As shown in Table 3, a one-factor model ($\chi^2 = 3916.508$, $df = 434$, $p = 0.000$; RMSEA = 0.127; CFI = 0.581, TLI = 0.551) fits the data worse than our model. Taken together, these findings suggest that there is not a serious common method variance problem in our dataset.

Hypothesis testing

In order to test our hypotheses on the relationships between ethical leadership, *guanxi* and OCB, we conducted regression and bootstrap analyses using an independent variable (i.e. ethical leadership), a dependent variable (i.e. employee OCB), two mediator variables (i.e. favor-seeking *guanxi* orientation and rent-seeking *guanxi* orientation) and one control variable (relationship duration). Tables 4 and 5 show results of the regression analysis and the bootstrap analysis for indirect effects.

As shown in Table 4, ethical leadership was positively associated with employee OCB ($\beta = 0.353$, $p < 0.001$ in model 3), supporting hypothesis 1. Hypothesis 2, predicting the positive relationship between ethical leadership and favor-seeking *guanxi* orientation, is also supported ($\beta = 0.723$, $p < 0.001$ in model 2). Hypothesis 3, concerning the negative relationship between ethical leadership and rent-seeking *guanxi* orientation, is likewise supported ($\beta = -0.362$, $p < 0.001$ in model 1). Moreover, the results showed that favor-seeking *guanxi* orientation had a positive relationship with OCB ($\beta = 0.127$, $p < 0.001$ in model 4), thus providing support for hypothesis 4. Rent-seeking *guanxi* orientation had a negative relationship with OCB ($\beta = -0.069$, $p < 0.01$ in model 4), supporting hypothesis 5.

Table 4 Results of regression tests

	RG	FG	OCB	
	Model 1	Model 2	Model 3	Model 4
Constant	5.662	.339	3.760	4.110
Relational duration	−.005	.080*	.032	.021
EL	−.362***	.723***	.353***	.236***
FG				.127***
RG				−.069**
R ²	.075	.384	.217	.259
Adjusted R ²	.071	.381	.213	.253
F	20.150***	155.245***	68.956***	43.479***

n = 502. **p* < 0.05; ***p* < 0.01; ****p* < 0.001.

Table 5 Bootstrap results for indirect effects

	Point estimate	Boot	SE	BC 95% CI	
				Lower	Upper
Total	.1173	.1177	.0292	.0652	.1810
FG	.0922	.0926	.0283	.0421	.1539
RG	.0251	.0251	.0086	.0106	.0448
C1	.0671	.0675	.0300	.0127	.1317

Number of bootstrap samples: 5000. C1: contrast of the two indirect effects; SE: standard error; BC CI: bias corrected confidence intervals.

Furthermore, we can see that the coefficient for ethical leadership in model 4 is still significant after adding the two mediators (favor-seeking *guanxi* orientation and rent-seeking *guanxi* orientation), but the value of the coefficient for ethical leadership (0.236) decreased compared to the value in model 3 (0.353). This indicates that favor-seeking *guanxi* orientation and rent-seeking *guanxi* orientation partially mediate the relationship between ethical leadership and employee OCB. In addition, we examined the indirect effects of favor-seeking *guanxi* orientation and rent-seeking *guanxi* orientation on the relationship between ethical leadership and OCB by using a bootstrap test (Preacher and Hayes 2008). As shown in Table 5, the results revealed that the value of the total indirect effect is 0.1173 with a 95% confidence interval ranging from 0.0652 to 0.1810. Because zero is not included in this confidence interval, the total indirect effect is statistically significant at the 0.05 level. The indirect effects through favor-seeking *guanxi* orientation and rent-seeking *guanxi* orientation are 0.0922 and 0.0251 respectively. The 95% confidence intervals for favor-seeking *guanxi* and rent-seeking *guanxi* also do not include zero. Thus, the specific indirect effects through favor-seeking *guanxi* and rent-seeking *guanxi* are

statistically significant, thus providing support for hypothesis 5 and hypothesis 6. Moreover, the results reveal that the contrast between the two indirect effects (through favor-seeking *guanxi* and through rent-seeking *guanxi*) is also statistically significant, because the 95% confidence interval does not include zero. Therefore, we conclude that favor-seeking *guanxi* orientation transmits a stronger effect from ethical leadership to OCB than does rent-seeking *guanxi* orientation.

Discussion

This study proposed and tested a model that explores the relationship between ethical leadership and employee OCB in the China context, and investigates the role of *guanxi*, an important aspect of Chinese culture, in that relationship. Thus, it builds on prior ethical leadership and OCB studies by illuminating the role of cultural values and practices in the supervisor–subordinate relationship. Through empirical assessment, this study contributes to the literature on ethical leadership and OCB by providing better understanding of how ethical leadership develops Chinese *guanxi*, and how Chinese *guanxi* functions as a mechanism through which ethical leadership affects OCB. This study also contributes to the literature on Chinese *guanxi* by adapting measures for favor-seeking and rent-seeking *guanxi* orientation, and by demonstrating that they play key roles in linking ethical leadership and OCB in the supervisor–subordinate relationship.

In line with previous studies (Mayer et al. 2009; Shin 2012; Zhang et al. 2013), our results demonstrate that ethical leadership is positively related with OCB performance. The more ethical a leader is, the higher the level of OCB exhibited by employees. Our results also found that ethical leadership is positively associated with favor-seeking *guanxi* orientation, as expected. Traditionally, Chinese people endeavor to cultivate and develop meaningful *guanxi* and to respond to positive reciprocal exchanges, because *guanxi* is thought to be an important aspect of social capital in China (Chen and Wu 2011). Furthermore, the relationship between supervisor and subordinate in a Chinese organization typically engenders emotional interactions between them (Zhang and Chen 2013). When ethical leaders show concern, care, trustworthiness, fairness and ethical behavior, employees are willing to build and maintain the relationship with their supervisor as well as reciprocate supervisors' support and care. Through the social exchange process, the relationship between ethical leaders and their employees are more likely to evolve toward favor-seeking *guanxi* based on reciprocal favor exchange (Han and Altman 2009). In addition, our results show that ethical leadership is negatively associated with rent-seeking *guanxi* orientation. Rent-seeking *guanxi* focuses on economic exchange and self-interest is a dominant value in rent-seeking *guanxi*, which may lead to unethical behaviors. However, ethical leadership influences employees' ethical stance and behavior through communication and discipline, thus dissuading employees from developing rent-seeking *guanxi*, since rent-seeking *guanxi* runs counter to positive ethical values (Fan, Woodbine and Scully 2012). In other words, the more ethical supervisors are, the less likely subordinates are to try to develop rent-seeking *guanxi* toward them. Given the findings in this

study, ethical leadership plays an important role in facilitating favor-seeking *guanxi* and suppressing rent-seeking *guanxi*.

Moreover, the present findings reveal that favor-seeking *guanxi* and rent-seeking *guanxi* orientation are associated with employee OCB. Previous research suggests that employees are more likely to demonstrate organizational citizenship behavior when they are willing to develop positive *guanxi* with their supervisors (Cheng, Chiu and Tzeng 2013). Favor-seeking *guanxi*, based on favor exchange, influences employees to reciprocate their supervisors' support and care through behaviors such as organizational citizenship behavior, because the motivation for OCB tends to be more personal rather than pro-organizational in China (Zhang and Chen 2013). On the contrary, rent-seeking *guanxi* does not support positive employee behavior, because rent-seeking *guanxi* negatively impacts employees' ethical judgments (Su and Littlefield 2001). Since OCB is discretionary behavior and is characterized by extra-role performance, subordinates are less motivated to demonstrate OCB when operating according to rent-seeking *guanxi*.

This study also found that Chinese *guanxi* orientation helps to explain the mechanisms linking ethical leadership to employee behavior in China. Specifically, Chinese *guanxi* orientation acts as a mechanism that transfers ethical leadership into OCB. Our results suggest that the mediating effect of favor-seeking *guanxi* on the relationship between ethical leadership and employee OCB is stronger than the mediating effect of rent-seeking *guanxi*. In general, favor-seeking *guanxi* is related to traditional cultural morality and also reflects favor, reciprocity and trust that are crucial to Chinese supervisor–subordinate relationship quality. For this reason, favor-seeking *guanxi* may play a more important role in linking ethical leadership and OCB than rent-seeking *guanxi* does.

In sum, our results suggest that ethical leadership leads directly to increased OCB. At the same time, it leads indirectly to increased OCB by promoting favor-seeking *guanxi* and suppressing rent-seeking *guanxi*.

Managerial implications

By highlighting favor-seeking *guanxi* and rent-seeking *guanxi* intertwined within the relationship between ethical leadership and OCB performance, our findings provide important managerial implications for effective leadership practices in China.

Our findings reveal that ethical leadership not only directly impacts employee OCB, but also indirectly influences it through Chinese *guanxi*. In order to effectively influence OCB in a China context, supervisors should be aware of their leadership style and *guanxi* relationship with their subordinates. From an ethics perspective, Chinese *guanxi* has the potential to be either helpful or harmful to an organization (Luo 2008). However, ethical leadership cultivates healthy *guanxi* between leaders and their subordinates by promoting favor-seeking *guanxi* and suppressing rent-seeking *guanxi*. Ethical leadership motivates employees to build favor-seeking *guanxi* based on ethical norms and values rather than rent-seeking *guanxi*. Further, this healthy *guanxi* can influence employee contributions to the organization in the form of OCB. Leaders in China should strive to exhibit an ethical

leadership style and to carefully cultivate healthy *guanxi* by their own ethical influence (Pearce Li and Robinson 2000).

In addition, in the context of China's transient economy, employees may have greater incentives to behave opportunistically and build rent-seeking *guanxi* to pursue their short-term interests, especially when they perceive a lack of formal control mechanisms. This rent-seeking *guanxi* likely reduces OCB on the part of employees. If leaders ignore their own ethical role in the *guanxi* relationship with their employees and exclusively focus on building a formal system in their organization, they may control employees' opportunistic behaviors and enhance productivity, but may fail to motivate employees' discretionary behavior. In order to bolster leadership effectiveness in China, leaders should think about how to avoid this rent-seeking *guanxi* with their subordinates. Moreover, since favor-seeking *guanxi* encourages subordinates' OCB, even in the case of no immediate reward, it is very important for leaders to build favor-seeking *guanxi* with their subordinates by their ethical leadership influence.

In sum, in order to maximize leadership effectiveness, supervisors in China need to understand the important role of ethical leadership, which can cultivate a healthy type of Chinese *guanxi*, which may subsequently lead to an increased level of employee OCB.

Limitations and future research directions

This study provides valuable insights regarding the role of ethical leadership and Chinese *guanxi* in enhancing employee OCB output. However, there are some limitations in this study and future research is encouraged. First, our analysis is based on cross-sectional survey data. However, Chinese *guanxi* could dynamically change through mutual interactions over time. Future studies should try to address this possibility by evaluating the effects of Chinese *guanxi* through a well-planned longitudinal study. Second, we categorized Chinese *guanxi* into two types, but it is possible that additional types of Chinese *guanxi* exist and could have complicated relationships with our study variables. Third, it is also worth further investigating the influence of ethical leadership on employee behaviors by incorporating contingency factors. For example, a formal control system is an essential tool to reduce employees' opportunistic behaviors and enhance workplace efficiency (Carson, Madhok and Wu 2006). Especially in a transitional and developing economy like China, building a formal control system is an important approach to reducing potential opportunistic behaviors and uncertainties (Li, Liu and Zhao 2006; Su and Wright 2012). However, an overemphasis on formal control systems in a Chinese organization could also undermine the trust relationship between leader and subordinates (Li, Liu and Zhao 2006; Yang, Zhou and Jiang 2011). Since the effectiveness of ethical leadership may vary according to the presence and level of formal control systems, it would be valuable to investigate whether formal control systems and ethical leadership substitute for each other, or function as complements. By incorporating formal control systems into ethical leadership theory in future research, we may contribute to our understanding of how to enhance the effectiveness of ethical leadership.

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Appendix A

Questionnaire items

Ethical leadership

- EL1 My supervisor conducts h/h personal life in an ethical manner.
- EL2 My supervisor defines success not just by results, but also the way that they are obtained.
- EL3 My supervisor listens to what employees have to say.
- EL4 My supervisor disciplines employees who violate ethical standards.
- EL5 My supervisor makes fair and balanced decisions.
- EL6 My supervisor can be trusted.
- EL7 My supervisor discusses business ethics or values with employees.
- EL8 My supervisor sets an example of how to do things the right way in terms of ethics.
- EL9 My supervisor has the best interests of employees in mind.
- EL10 When making decisions, my supervisor asks ‘what is the right thing to do?’

Favor-seeking guanxi

- FG1 I consider my supervisor as being almost as close to me as family.
- FG2 I am always willing to return favors to my supervisor.
- FG3 I care about and have a good understanding of my supervisor’s family and work conditions.
- FG4 I feel a sense of obligation to my supervisor.
- FG5 I have a brotherhood feeling towards my supervisor.

Rent-seeking guanxi

- RG1 Gift giving is an important aspect in my relationship with my supervisor, because it relates to my promotion.
- RG2 If I cannot obtain benefit to myself, I don’t like to build a close relationship with my supervisor.
- RG3 Back door deals are ok to gain a good opportunity in the company.
- RG4 In order to protect my interests, I find it unnecessary to share all information with my supervisor.
- RG5 Unless I have an immediate reward, I see no reason to expend any effort on behalf of my supervisor.

Organizational citizenship behavior

- OCB1 Endeavor to keep the workplace clean and neat.
 - OCB2 Participate in activities organized by employee groups.
 - OCB3 Make constructive suggestions.
 - OCB4 Help coworkers in non-work matters.
 - OCB5 Save company resources.
 - OCB6 Help colleagues in work-related matters.
 - OCB7 Maintain harmonious relationships and defuse conflict.
 - OCB8 Prohibit behavior harmful to the organization.
 - OCB9 Share useful work-related information.
 - OCB10 Participate in company-organized group activities.
 - OCB11 Defend the company against disasters.
-