Exploring the Impact of Organizational Culture on Paternalistic Leadership in Chinese SMEs

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This research investigates the effect of organizational culture on paternalistic leadership in Chinese SMEs (Small and Medium-sized Enterprises). Based on pertinent researches and the four types of organizational culture identified by competing values framework (CVF), this research formulated hypotheses concerning the impact of group, developmental, hierarchical and rational culture on benevolent, moral and authoritarian leadership. Data stem from 515 cases in 23 Chinese SMEs. Findings show that four culture types positively associated with benevolent leadership. In addition, hierarchical culture positively impacts on moral leadership, but it is not significantly related to authoritarian leadership. The impact of group, developmental and rational culture on moral and authoritarian leadership is not statistically significant in Chinese SMEs.

Key words: organizational culture; paternalistic leadership; SMEs

JEL Codes: M14, M16 and M54

1. Introduction

Organizational culture as a subject of formal study has captured much attention in business practices and academic research (Barney, 1986; Clark, 1972; Deal and Kennedy, 1982; Denison, 1990; Ouchi, 1981; Pettigrew, 1979; Peters and Waterman, 1982; Smircich, 1983; Schein, 1985, 1992). The research on organizational culture is conducted mainly from two branches of perspectives. One branch of perspective takes a phenomenological approach (Tsui et al., 2006) and focuses on the nature of culture (Schein, 1992; Trice and Beyer, 1993), ways to study culture (Lau, 1991; Martin, 1992), determinants of organizational culture (Gordon, 1991), and managing and changing culture (Fiol, 1991; Kerr and Slocum, 1987; Kilman et al., 1985). Another branch takes the functionalist approach (Tsui et al., 2006) and focuses on the culture-performance relationship (Cameron and Freeman, 1991; Denison, 1990). In the functionalist branch, a lot of research has empirically explored the evidence about the emphasis of organizational culture on performance at both firm and individual level.
In the research on culture, a general cognition has been widely accepted that national culture within which the organization is embedded plays a significant role in shaping the organizational culture. China, with over 5000-years of history, has a long cultural evolution and a profound historical deposition. Of all the traditional culture essences, Confucianism and Taoism are the most representative ones that impact the organizations in China. Meanwhile, with the progress of the Chinese economic transition, a special national culture which is named as “Guanxi” in China has spectacularly influenced the behavioral patterns of organizations and individuals, under the background of underdeveloped laws and institutions. In addition, China, one of the largest economic entities in the whole world and a place where the East meets the West, has been affected by western culture along with the trend of globalization. The western culture which mainly values fairness and liberty has more or less reformed the unfairness in Chinese economic transition. Hence, under the comprehensive influence of both traditional Chinese culture and modern culture, a unique new national culture with Chinese characteristics has formed and has directly led to the establishment of organizational culture in Chinese firms. From this point, the influence of organizational culture within special cultural context on the firms needs to be investigated.

However, the issue of how organizational culture impacts a firm is often witnessed at the level of organization and employee. The issue of organizational culture-leader relationship has not been well explored. Entrepreneurs, who are members of organizations, are also affected by cultural context. In detail, their manner of decision making, management style and behavior models in the organization are influenced by organizational culture representing an active, living phenomenon. In a Chinese cultural context, organizational culture in SMEs differs a lot from that embedded in western society. Meanwhile, the way and extent that it impacts leadership behavior is different from that in western culture as well.

Furthermore, the impact of organizational culture on the choice of leadership behavior in Chinese SMEs is more significant than that in some other countries, because these leaders’ personal success is correlated intensively with the development and success of SMEs in China. On the one hand, the developing history of Chinese SMEs is not long enough. Most of them are controlled by the entrepreneurs of the first generation who hold the power of both ownership and governance. These entrepreneurs have the absolute power to control SMEs’ capital, labors, and resources. Their leadership behaviors, individual value, and talents are basically important for the survival and promotion of SMEs. On the other hand, family business accounts for a great proportion of the SMEs in China. In family business, the key departments and procedures of management are generally controlled by family members. This kind of administrative framework results in the absolute obedience of managers and employees to the top leader. From this point, the effect of entrepreneurs is significant for the flourish of Chinese SMEs and the influence of organizational culture on leadership behavior needs to be emphasized.
Therefore, the main issue which will be addressed in this paper is how organizational culture which embedded in Chinese culture context influences paternalistic leadership behavior in Chinese SMEs. The achievement of this study will reveal the regularity that organizational culture impacts on paternalistic leadership, in order to help entrepreneurs to adjust organizational culture and take feasible and effective leadership behaviors to regulate staff and stimulate employee performance.

2. Literature review

2.1 Organizational culture

Organizational culture and leadership behavior

In prior research, scholars have studied the impact of organizational culture on individual behavior almost at the level of subordinates. Only in recent decades, scholars had paid attention to the exploration around the relationship between organizational culture and leadership behavior, especially on their fitness. Different authors across diverse cultures and times come to a common conclusion that organizational culture and leadership have impact on each other. Schein (1992) demonstrated the relationship between leadership and organizational culture based on the investigation of organizations within one life cycle. He claimed that entrepreneurs established organizational culture, and inversely, entrepreneurs were also shaped by cultural context. His viewpoint is also supported by Bass and Avolio (1996). Song and Zhu (2003), who argued that organizations have different requirement on leadership under different organizational culture on the basis of leadership theory. Chen et al. (2004) empirically examined the coordination between organizational culture and leadership behaviors, particularly the effect of this coordination on enterprises. They suggested that transformational leadership coordinated with development-oriented organizational culture, while economy-oriented culture matched properly with transactional leadership. Through empirical research, Yao and Jiang (2008) drew a conclusion that in rule-oriented and goal-oriented organizational culture, transactional entrepreneurs can lead to higher performance than transformational entrepreneurs do. In innovation-oriented and support-oriented organizational culture, transformational entrepreneur is more effective than transactional entrepreneur.

Measuring of organizational culture

Scholars have constructed quantitative instruments to measure organizational culture according to different theories. Competing values framework is the most common used theoretical foundation for making survey instruments. This framework explores four dimensions of organizational culture, including cultural characteristics within an organization, leadership, cohesiveness, and focal point of strategy. All these dimensions match with four
types of culture (group, developmental, hierarchical, and rational culture). Based on this framework, Quinn and Spreitzer (1991) proposed a culture questionnaire and validated it in the US context. By using this questionnaire, Lau and Ngo (1996) compared the cultural emphases of Hong Kong, Chinese Mainland, American, and British firms. Strong relationships between organization cultures and employees’ satisfaction and organizational commitment were also confirmed (Lau and Ngo, 1996). Deshpande, et al. (1993) also constructed survey instrument to measure organizational culture (clan, adhocracy, hierarchy, and market) of individual firm. The questionnaire which reported by Deshpande were used by Aktas, et al. (2011) to explore the relationship between organizational culture and organizational efficiency.

2.2 Paternalistic leadership behavior

Paternalistic leadership originated from an eastern context, therefore many early studies on paternalism too, are from companies in eastern countries. For instance, paternalism is a positive value which is highly accepted by Japanese employees. Employees in Japanese companies strongly believe paternalism and consider it as the most important reinforcer for the effective operation of Japanese companies according to Uhl-Bien et al. (1990). In the Chinese mainland and Taiwan, paternalistic leadership is still a prevalent leadership style in current Chinese business organizations and is widespread in Chinese family-owned businesses (Farh et al., 2006). Based on Farh and Cheng (2000), paternalism stems from Confucian ideology which forms the cultural expectations that entrepreneurs should act as parent with strong authority, fatherly benevolence and morality to their followers, so as to maintain the control over employees and company wealth. The importance of paternalistic leadership is also confirmed in Malaysia business context. Paternal style of leadership was regarded as the suitable leadership which matches properly with the values and expectations of subordinates in Malaysia (Abdullah, 1996). According to Saufi, et al. (2002), the higher the power distance is, the more the employees prefer paternalistic leadership. Roland (1984) suggested that affective reciprocity is the way that hierarchical relationships maintain in Malaysia businesses and the entrepreneurs’ benevolence is critical for effective management.

Categorizing of paternalistic leadership

On the basis of literature review carried out by Pellegrini and Scandura (2008), the conflicting perspectives among researchers on paternalistic leadership can be attributed to a lack of sufficient construct clarity. Hence, categorizing the domain of paternalistic leadership is very important.

Farh and Cheng (2000) proposed a model of paternalistic leadership which consists of three
dimensions: authoritarianism, benevolence, and morality, according to their research in China. Based on the three dimension model, a lot of research conclusions on paternalistic leadership have been reached empirically. Authoritarianism shows negative correlation with the other two dimensions and also negatively associates with subordinate outcomes, such as organizational commitment, job satisfaction, loyalty toward leaders, trust in leaders, and organizational citizenship behavior (Cheng, Huang, and Chou, 2002, Cheng, Shieh, and Chou, 2002). On the contrary, subordinates’ identification with, compliance with, and gratitude toward leaders are positively affected by benevolence and morality which were also positively associated with each other (Cheng et al., 2004). Aycan (2006) constructed a matrix describing four distinct styles of leadership from the perspective of behavior and underlying intent: benevolent paternalism, exploitative paternalism, authoritarian approach, and authoritative approach.

Based on the literature review, we can conclude that research on the organizational culture-leadership relationship often concentrate on the impact of organizational culture on transformational and transactional leadership. Especially, organizational culture as one of the most important antecedent variables of paternalistic leadership is rarely explored in previous studies. Therefore, the effect of organizational culture on paternalistic leadership with the typical characteristics of Chinese culture needs to be emphasized in the academic field in the future. Furthermore, the impact of organizational culture on paternalistic leadership has not been tested in the Chinese cultural context. Thus, there is a large space for exploration of how paternalistic leadership is influenced by organizational culture in Chinese SMEs.

3. Hypotheses

In light of the literature review discussed above, this research will use the four types of organizational culture that are proposed by Quinn and Spreitzer (1991) and dimensions of paternalistic leadership that are reported by Cheng et al. (2000) to form hypotheses.

**Group culture:** Human relations have primarily been concerned in group culture. It emphasizes flexibility and maintains a primary focus on the internal organization. Organizations with the characteristics of group culture are often deemed as personal places. All the management activities in organizations of group culture pay more attention to discussion and participation among entrepreneurs and employees. Entrepreneur’s role is as a mentor, a sage, or a father. Loyalty and tradition are highly regarded as the main glues that hold the organization together. This kind of organizational culture is full of atmosphere of openness and emphasizes the morale of employees.

As to the three components of paternalistic leadership, benevolent leadership reflects the relationship of mutual profit between entrepreneurs and subordinates. In detail, father-like
entrepreneurs show benevolence to their employees in jobs and care their daily lives. Subordinates often respond in the way of working hard and of showing loyalty so as to appreciate the benevolence from entrepreneurs. This kind of relationship positively improves employees’ participation and discussion in their jobs. Thus, benevolent leadership matches properly with group culture. Entrepreneurs with moral leadership tend to show their virtue and morality through emphasizing human resources. And they also keep their virtue and morality to get the wholehearted respect, support and obedience from their followers. However, authoritarianism refers to utterly control and authority to subordinates and unquestioning obedience from them. Group culture with atmosphere of openness, employee concerning, commitment, discussion and participation from subordinates is not well matched with authoritarianism. Accordingly, hypotheses about the impact of group culture on three dimensions of paternalistic leadership can be drawn as:

H1: Group culture is positively related to benevolent leadership.
H2: Group culture is positively related to moral leadership.
H3: Group culture is negatively related to authoritarian leadership.

**Developmental culture:** Flexibility and external part of organization are extremely focused on by developmental culture. Organizations with this kind of culture show a sense of dynamic innovation and adaptation that are strongly emphasized to glue the organization together. Leaders are deemed as entrepreneurs, innovators, or risk takers who are driven by innovation and the discovery of new ideas. In the process of innovation and change, developmental culture will press the organization to search for external support and acquire new resources. Growth is the eternal goal for organizations with developmental culture.

Organizations which take growth as their goals usually strive for establishing harmonious relationship between entrepreneurs and their followers. Their entrepreneurs tend to act benevolently in the management practice to form good atmosphere for creation and development. Moreover, in the process of pursuing external support and acquiring resources, organizations also require a lot on the morality and virtue of both entrepreneurs and organizations of themselves. The absolute control from entrepreneurs is not proper for creating innovative and developmental climate. Hence, developmental culture matches properly with benevolent and moral leadership, while impeded by authoritarian leadership. Hypotheses are as follows:

H4: Developmental culture is positively related to benevolent leadership.
H5: Developmental culture is positively related to moral leadership.
H6: Developmental culture is negatively related to authoritarian leadership.

**Hierarchical culture:** Hierarchical culture focuses on stability and internal organization. Organization with hierarchy culture has clear structures, strict rules and well defined responsibilities which are regarded as the glues that hold the organization together.
Entrepreneurs under this type of cultural context are considered to be coordinators, organizers, or administrators. Permanence and stability inside the organization are the prime orientation for judging the success of all tasks.

Benevolent leadership is not in conflict with hierarchical culture, because the clear organizational structure can make employees feel the holistic concern and care for their personal and family well-being from their entrepreneurs. They will also respond to concerns by maintaining stability in their jobs and in the organization. Furthermore, in such an organization with standardized structure, entrepreneurs have to keep their virtue to achieve and maintain the respect, support and obedience from their subordinates. They also act as administrators to regulate their subordinates from upper side by using the power authorized by rules and occupations. Hence, entrepreneurs under hierarchical culture are intent to be authoritative. Hypotheses around the influence of hierarchical culture on paternalistic leadership are:

H7: Hierarchical culture is positively related to benevolent leadership.
H8: Hierarchical culture is positively related to moral leadership.
H9: Hierarchical culture is positively related to authoritarian leadership.

**Rational culture:** Rational culture emphasizes control and the environment outside the organization. This is a type of culture which stresses on goal achieving, so the accomplishment of tasks and goals is the prime criteria of success. Entrepreneurs are generally considered to be producer, technician, or hard-driver under such culture background. Chasing profit and productivity in the environment with intensive competition are the significant orientation for the organization.

Rational culture has positive influence on the three dimensions of paternalistic leadership, because organizations that are striving for profit, productivity and goal achievement will try their best to keep good relationship of mutual profit between entrepreneurs and employees, to get respect and obedience from subordinates by keeping virtue and morality, and to acquire discipline guarantee for individual's goal achieving. By doing so, the goals of the organizations, such as profit and productivity, can be surely achieved. Hypotheses on the relationship between rational culture and paternalistic leadership are:

H10: Rational culture is positively related to benevolent leadership.
H11: Rational culture is positively related to moral leadership.
H12: Rational culture is positively related to authoritarian leadership.

Twelve hypotheses have been proposed and framework is shown as Figure 1.
4. Methodology

4.1 Sample

In order to test the conceptual model and hypotheses around the impact of organizational culture on paternalistic leadership which have been proposed in this paper, this research conducted a survey of twenty-three SMEs in Chinese mainland. However, the definition of an SME in China is quite complex (Liu, 2007) and has been changed at least four times since the 1950s (Hall, 2007). For eliminating conceptual ambiguities of SMEs, this research defined Chinese SMEs as enterprises with less than 500 headcount according to Hall (1995).

All the sample enterprises were selected from SMEs located in Wuhou high-tech industrial development zone in Chengdu of Sichuan province, because the number of SMEs is large in the zone and all the enterprises are representatives of Chinese SMEs. Wuhou high-tech industrial development zone is one of the successful zones established by local government. It was established in 2000, with a planned area of 3.5 square kilometers. Till the year of 2006, the zone had achieved accumulated 8.3 billion RMB of industrial output. There are over 300 high-tech enterprises in the zone and they account for more than 90% of the total industrial output. The leading industries in Wuhou high-tech industrial development zone are electronic information, mechanical and electrical industry, biological medicine and new materials.

4.2 Measures

Organizational culture. Items for organizational culture were adapted from Lau et al. (1996), consisting of 16 items on four dimensions at the values and assumptions level as
suggested by the competing values framework: group culture (4 items), developmental culture (4 items), hierarchical culture (4 items), and rational culture (4 items). Respondents described their reflection about organizational culture on each of these items, using a 5-point Likert scale, varying from strongly disagree (1) to strongly agree (5). The Cronbach’s alpha coefficients of group culture, developmental culture, hierarchical culture and rational culture were 0.644, 0.836, 0.832, and 0.792 respectively.

**Paternalistic leadership.** Three dimensions of paternalistic leadership were measured by using the instrument from Cheng et al. (2000). The dimensions are benevolent leadership, moral leadership and authoritarian leadership. Subordinates in Chinese SMEs were required to rate the leadership style of their supervisors with 9 items on authoritarian leadership, 11 items on benevolent leadership and 6 items on moral leadership, using a 5-point Likert scale (one=strongly disagree; five=strongly agree). The Cronbach’s alpha for benevolent, moral and authoritarian leadership were 0.933, 0.702, and 0.826.

**Control variables.** Gender, age and educational experience were found to directly influence entrepreneur’s behavior in managerial practices. Gender was dummy coded (1=male, 2=female). Five-item variables were used to measure age with 1=20-30 years and 5=60 years above. Six-item variables were used to measure educational experience with 1= junior middle school, 4= bachelor's degree and 6=others.

### 4.3 Survey design

The survey was carried out in Wuhou high-tech industrial development zone. Firms with less than 500 employees in the zone were eligible to be target samples. Two main selecting methods were used for sampling. They included random selection and random walking. The list of SMEs was offered by the administration committee of Wuhou high-tech industrial development zone at first. Then the sample firms were selected out by using the method of random selection. In addition, the subordinates who will be asked to accomplish the questionnaire were selected out from the employee list of sample firms also by random selection. However, all the employees of the firms with less than 10 headcounts were required to finish questionnaires. For those SMEs which are not on the firm list, the method of random walking was used.

By using the methods introduced above, 23 SMEs were selected out to be sample firms. These firms are in the industries of manufacturing, telecommunication, environment protection, transportation, and logistics. All the sample firms belong to state-owned enterprises, private companies, and joint venture. 700 employees were also selected out as participants to finish the questionnaires. The survey initially distributed 700 questionnaires to the 23 SMEs, and 515 completed and useable questionnaires were received, indicating an overall response rate of 73.6 percent.
4.4 Results

As can be seen from Table 1, group culture, developmental culture, hierarchical culture, and rational culture are correlated with each other. In addition, three dimensions of paternalistic leadership also have inner correlation with each other. Though the correlation among the four types of organizational culture and among the three components of paternalistic leadership is quite significant, the correlation coefficients are less than 0.8 which is the critical value of multicollinearity. Thus, we can argue that multicollinearity does not exist among the four independent variables and among the three dimensions of paternalistic leadership.

Moreover, group culture is positively correlated with benevolent and moral leadership with correlation coefficients of 0.45 and 0.209, but negatively correlated with authoritarian leadership with correlation coefficients of -0.103 according to Table 1. Developmental, hierarchical and rational culture correlated with benevolent and moral leadership positively, but negatively correlated with authoritarian leadership. The negative correlation between hierarchical culture and authoritarian leadership is significant, while developmental culture and rational culture have no significant correlation with authoritarian leadership.

As to control variables, entrepreneurs’ gender is negatively related to authoritarian leadership, but it is not significantly correlated with benevolent and moral leadership. Age shows insignificant correlation with all the three types of leadership. Entrepreneurs’ educational experience is positively correlated with authoritarian leadership, while its correlation with benevolent leadership is negative. The impact of educational experience on moral leadership is not significant. In the next part, control variables which significantly correlate with three types of leadership will be introduced into regression analysis.
Table 1. Means, standard deviations, and correlations of the variables (N =515)

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
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</thead>
<tbody>
<tr>
<td>1. Group culture</td>
<td>3.7619</td>
<td>.84643</td>
<td>1</td>
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<tr>
<td>2. Developmental culture</td>
<td>3.7879</td>
<td>.64594</td>
<td>.656(**)</td>
<td>1</td>
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<td></td>
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<tr>
<td>3. Hierarchical culture</td>
<td>3.8750</td>
<td>.59669</td>
<td>.589(**)</td>
<td>.768(**)</td>
<td>1</td>
<td></td>
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</tr>
<tr>
<td>4. Rational culture</td>
<td>3.8257</td>
<td>.62154</td>
<td>.488(**)</td>
<td>.646(**)</td>
<td>.660(**)</td>
<td>1</td>
<td></td>
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<tr>
<td>5. Benevolent leadership</td>
<td>3.4448</td>
<td>.72455</td>
<td>.450(**)</td>
<td>.504(**)</td>
<td>.519(**)</td>
<td>.455(**)</td>
<td>1</td>
<td></td>
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<td>6. Moral leadership</td>
<td>3.3941</td>
<td>.62542</td>
<td>.209(**)</td>
<td>.232(**)</td>
<td>.300(**)</td>
<td>.243(**)</td>
<td>.495(**)</td>
<td>1</td>
<td></td>
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<td>7. Authoritarian leadership</td>
<td>2.9414</td>
<td>.71241</td>
<td>-.103(*)</td>
<td>-.085</td>
<td>-.091(*)</td>
<td>-.055</td>
<td>-.097(*)</td>
<td>.209(**)</td>
<td>1</td>
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<tr>
<td>8. Gender (entrepreneur)</td>
<td>1.14</td>
<td>.349</td>
<td>-.124(**)</td>
<td>-.065</td>
<td>-.013</td>
<td>-.070</td>
<td>-.047</td>
<td>.011</td>
<td>-.103(*)</td>
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<td>9. Age (entrepreneur)</td>
<td>3.19</td>
<td>.393</td>
<td>.003</td>
<td>.008</td>
<td>.026</td>
<td>.018</td>
<td>.000</td>
<td>.002</td>
<td>-.006</td>
<td>-.197(**)</td>
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<td>10. Educational experience (entrepreneur)</td>
<td>4.67</td>
<td>.613</td>
<td>-.153(**)</td>
<td>-.162(**)</td>
<td>-.139(**)</td>
<td>-.056</td>
<td>-.117(**)</td>
<td>.023</td>
<td>.096(*)</td>
<td>.171(**)</td>
<td>-.210(**)</td>
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</tr>
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</table>

** p<0.01.  
* p<0.05.
From Table 2, the F values of model 1, 2 and 3 are significant at the level of 0.01 (P<0.01). So we can claim that the regression models are rational at the significant level of 0.01.

Table 2. ANOVA (N =515)

<table>
<thead>
<tr>
<th>Model</th>
<th>F</th>
<th>Sig.</th>
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<tr>
<td>1</td>
<td>48.574</td>
<td>.000(a)</td>
</tr>
<tr>
<td>2</td>
<td>13.426</td>
<td>.000(a)</td>
</tr>
<tr>
<td>3</td>
<td>3.049</td>
<td>.006(a)</td>
</tr>
</tbody>
</table>

Model 1 a Predictors: (Constant), Group culture, Developmental culture, Hierarchical culture, Rational culture    Dependent Variable: Benevolent leadership
Model 2 a Predictors: (Constant), Group culture, Developmental culture, Hierarchical culture, Rational culture    Dependent Variable: Moral leadership
Model 3 a Predictors: (Constant), Group culture, Developmental culture, Hierarchical culture, Rational culture    Dependent Variable: Authoritarian leadership

Results for the regression analysis are presented in Table 3. According to Table 3, the impact of the four types of organizational culture on benevolent leadership is shown in Model 1. The results indicate that group, developmental, hierarchical and rational culture are positively related to benevolent leadership with standardized coefficients (β) of 0.157, 0.127, 0.231 and 0.142 at the significant level of 0.01 and 0.05. Therefore, Hypotheses 1, 4, 7 and 10 are fully supported. Meanwhile, educational experience is not significantly related to benevolent leadership.

Model 2 represents the impact of four types of organizational culture on moral leadership. Based on the results from Table 3, only hierarchical culture has positive impact on moral leadership (β=0.253, p<0.01). The impact of group, developmental and rational culture on moral leadership is not significant. Hence, Hypothesis 8 is supported whereas Hypotheses 2, 5 and 11 are not confirmed.

Model 3 shows that the influence of group, developmental, hierarchical and rational culture on authoritarian leadership is not significant. Therefore, Hypotheses 3, 6, 9 and 12 are not confirmed. In addition, entrepreneurs’ gender is negatively related to authoritarian leadership, while educational experience is positively related to authoritarian leadership.
Table 3. Results of regression analysis for the impact relationship (N =515)

<table>
<thead>
<tr>
<th>Independent variable</th>
<th>Model 1</th>
<th></th>
<th></th>
<th></th>
<th>Model 2</th>
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<th>Model 3</th>
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<tbody>
<tr>
<td></td>
<td>Beta</td>
<td>t</td>
<td>Sig.</td>
<td>Beta</td>
<td>t</td>
<td>Sig.</td>
<td>Beta</td>
<td>t</td>
<td>Sig.</td>
<td>Beta</td>
<td>t</td>
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<tr>
<td>Group culture</td>
<td>.157</td>
<td>3.184</td>
<td>.002</td>
<td>.053</td>
<td>.928</td>
<td>.354</td>
<td>-.089</td>
<td>-1.499</td>
<td>.134</td>
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<td>Developmental culture</td>
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<td>1.985</td>
<td>.048</td>
<td>-.049</td>
<td>-.670</td>
<td>.503</td>
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<td>.016</td>
<td>.987</td>
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<td>Hierarchical culture</td>
<td>.231</td>
<td>3.779</td>
<td>.000</td>
<td>.253</td>
<td>3.587</td>
<td>.000</td>
<td>-.029</td>
<td>-3.965</td>
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<td>Rational culture</td>
<td>.142</td>
<td>2.786</td>
<td>.006</td>
<td>.082</td>
<td>1.394</td>
<td>.164</td>
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<td>.053</td>
<td>.958</td>
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<tr>
<td>Gender (entrepreneur)</td>
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<td>-1.311</td>
<td>-2.937</td>
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<td>Age (entrepreneur)</td>
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<tr>
<td>Educational experience</td>
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<td>-.878</td>
<td>.381</td>
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<td>--</td>
<td>.101</td>
<td>2.253</td>
<td>.025</td>
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Model 1  Dependent Variable: Benevolent leadership  
Model 2  Dependent Variable: Moral leadership  
Model 3  Dependent Variable: Authoritarian leadership

5. Discussion

The purpose of this research is to explore the way and extent that the four types of organizational culture impact on the three dimensions of paternalistic leadership in Chinese SMEs. The analytic approach first examined the correlation of the inner part of organizational culture types and correlation of dimensions of paternalistic leadership internally. Correlation between culture types and leadership dimensions was also tested in the research. The regression analysis was taken to measure the extent that organizational culture types influence paternalistic leadership. According to the results of data analysis, some useful findings can be determined.

**Influence of organizational culture types on paternalistic leadership dimensions.**

According to statistical results, five out of the 12 hypotheses on the relationship between organizational culture and paternalistic leadership are supported by the data, while over half of them are not supported according to statistical results. H1, H4, H7 and H10 around the impact of culture types on benevolent leadership have passed the hypotheses test. This may demonstrate that under the four types of cultural context, most leaders of Chinese SMEs are willing to act benevolently in their daily work. In other words, benevolent leadership is a kind of leading form with great adaptability and flexibility to any types of organizational culture introduced in this research. Moreover, H8 on the relationship between hierarchical culture and moral and leadership has also passed the
hypotheses test. We may conclude that in SMEs of hierarchical culture, entrepreneurs tend to adopt moral leadership, because hierarchical culture context refers to stable structure and strict rules.

According to statistic results, group culture and rational culture have positive impact on moral leadership, while developmental culture negatively impacts moral leadership. But all the three relationships are not significant. So H2, H5 and H11 have not passed the hypotheses test. The basic reason underlying the results might be that leaders of Chinese SMEs are gradually paying less attention on their virtue and morality in the severe market competition. In detail, during the last three decades, Chinese SMEs have experienced high speed development and achieved huge success in volume and strength in the process of economic transition. The fast growth of Chinese SMEs can be attributed to taking profit, productivity and resource integration as their prime goal. Especially during the period of economic crisis in recent years, Chinese SMEs have to do their best to chase profit, productivity and resource for survival and development. In the organizations of developmental and rational culture, the phenomenon, which entrepreneurs are crazy for profit will be serious. Entrepreneurs of Chinese SMEs who are striving for profit will lower their attention on virtue and morality. The negative impact of this phenomenon on the future development of Chinese SMEs is worthy of exploring in the future.

Furthermore, H3, H6, H9 and H12 have not passed the hypotheses test as well. As shown in statistic results, developmental culture and rational culture impact on authoritarian leadership positively, while group and hierarchical culture have the negative influence on authoritarianism. All the impact relationship is totally insignificant. Reasons might be: with the immigration of modern management, especially the improvement of performance assessment in Chinese SMEs, organizations with developmental and rational culture have quantified their profit, productivity and resources and decentralized them to subordinates. This kind of quantitative management and standardization of rules and institutions in Chinese SMEs are gradually replacing the role of authoritarianism. Group culture which emphasizes the effect of employees and teams will neglect the impact of authoritarianism. The positive influence of hierarchical culture on authoritarian leadership is not statistically supported in the research. This result is similar to the conclusion that was argued by Farh and Cheng (2000). They claimed that authoritarianism is often interfered and rebelled by employees in stable and hierarchical organizations with strict rules and system.

**Organizational culture types do not exist in an organization solely.**

Based on the correlation analysis results in Table 1, the correlative relationship between each types of organizational culture is significant, though multicollinearity among them does not exist statistically. We can claim that all of the four culture types coexist in Chinese SMEs simultaneously. This conclusion is quite coherent with an important assumption of CVF, that each culture type is an ideal condition. Although one culture type is more dominant than the others sometimes, the combination of diverse culture orientations in an organization can not
be denied. For instance, “A high rating on one dimension, e.g. internal orientation, does not exclude high rating at the other end, e.g. external orientation” (McDermott and Stock, 1999, p. 525). Further, Denison and Spreitzer (1991) argued that overemphasizing any culture type may become dysfunctional and the strength of the quadrant may even become a weakness.

**The three dimensions of paternalistic leadership are individual and dividable.**

The results of correlation between each dimensions of paternalistic leadership can also be seen from Table 1. According to the statistical results, benevolent leadership has clearly positive relationship with moral leadership significantly, while it negatively correlates with authoritarian leadership. Though the correlation between moral and authoritarian leadership is positive and significant statistically, it is difficult to explain their real relationship from a theoretical perspective. In addition, the most visible phenomenon is that benevolence and authoritarianism can not coexist in one entrepreneur at the same time in managerial practice. This conclusion had been examined and supported by Farh and Cheng (2000) as well. They argued that the three dimensions of paternalistic leadership can also be regarded as three forms of leadership and they are individual and dividable (Farh and Cheng, 2000). All of them can not coexist in one entrepreneur of Chinese SMEs but can coexist in a group of entrepreneurs.

6. **Conclusion**

6.1 **Implications**

This study responds an important question of what impact on the choice of leadership behaviors by introducing organizational culture categorized by CVF. In other words, this contributes a lot to a theoretical extension of the research on antecedents of leadership behaviors. In prior research, respect for social hierarchy, organizational structure and leader-member exchange were sufficiently studied as antecedents of paternalistic leadership (Martinez, 2003; Pellegrini and Scandura, 2006), while cultural context has not been investigated as predictor variable or source of paternalistic leadership. Exploring the impact of organizational culture on paternalistic leadership in Chinese SMEs is the innovative point of this research.

Furthermore, though paternalistic leadership originally stem from oriental culture background, it is not well explored in SMEs of Chinese mainland in the past. Therefore, the findings of this research can draw some useful conclusion about the regularity of how organizational culture impacts on paternalistic leadership in Chinese SMEs. Meanwhile, the findings can also enrich the theoretical research on the generalizability and applicability of organizational culture and paternalistic leadership in SMEs in the Chinese mainland.

From the perspective of practical implications, the findings of this study can guide
entrepreneurs to adjust their leadership in order to match properly with the cultural context and performance improvement in SMEs. The results of this research have proven that benevolent leadership is greatly adaptable to the four styles of organizational culture and moral leadership matches properly with hierarchical culture. Authoritarian leadership is not adaptable to all of the four organizational cultures. That means entrepreneurs of Chinese SMEs should act benevolent but not authoritarian in their daily management. They can also show their morality if their organizations present the characteristics of hierarchical culture.

In addition, since organizational culture has significant influence on individual behaviors and all types of organizational culture can not solely exist in an organization on the basis of findings of this research, entrepreneurs should establish multicultural environment and adjust their behaviors according to cultural context.

6.2 Future research directions

Though the impact of organizational culture on paternalistic leadership behavior in Chinese SMEs has been examined in this study, there is also much space for research extension of paternalistic leadership.

First, there is a need to pay attention to the antecedents of paternalistic leadership, for it is a relatively new area in the field of management. Based on the research reviewing, the only variable that has been empirically examined as an antecedent is leader-member exchange (Pellegrini and Scandura, 2008). Although this study has taken organizational culture as antecedent to testify the impact of different culture style on paternalistic leadership, entrepreneurs’ personal value, psychological characteristics etc. can also be introduced as antecedents of paternalistic leadership in the future.

Second, the outcomes of paternalistic leadership also need to be explored for improvement on the theoretical front of paternalistic leadership. Outcomes at the level of both the individual and organization need to be focused on. For instance, there is a need to examine the relationships of paternalistic leadership to job satisfaction, turnover intention, work effort, organizational citizenship behavior, organizational commitment and job performance which are of the individual level. The relationships of paternalistic leadership to outcomes of organizational level, like organizational performance, organizational profit, also need to be focused on.

Third, the measure instruments which are used in this research are from the perspective of employees. In other words, this study examined the perceptions of paternalistic leadership and organizational culture from the angle of employees. It would be theoretically meaningful to explore the perception of paternalistic leadership and organizational culture from both the vantage points of entrepreneurs and subordinates. In addition, the interaction effect of the three dimensions of paternalistic leadership also needs to be investigated in the future.
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