

Why Employee Turnover? The influence of Chinese Management and Organizational Justice

Feng-Hsia Kao

National Taiwan University, Taiwan

Min-Ping Huang

Yuan Ze University, Taiwan

Bor-Shiuan Cheng

National Taiwan University, Taiwan

Abstract

Employee turnover is an important topic in organizational behavior research. Understanding how to address turnover in Chinese organizations is also a practice problem. The aim of this paper is to explore the impact of paternalistic leadership (authoritarianism, benevolence, and morality) on employee turnover and examine the moderating effect of organizational justice (distributive justice, interactional justice, and procedural justice). Data were collected from 207 supervisor and subordinate dyads of 51 stores in a Chinese food and beverage company. Paternalistic leadership and organizational justice were initially collected from subordinates. After six months, employee turnover was collected from supervisors. The results indicate that benevolent and moral leadership were both negatively related to employee turnover. Authoritarianism failed to predict employee turnover. Furthermore, the relationship between authoritarianism and employee turnover is moderated by distributive justice and procedural justice. Finally, the theoretical and practical implications of these findings are discussed.

Introduction

Presently, employee turnover is still an important topic in organizational behavior research. Why do researchers try to understand employee turnover? Because a high turnover rate will increase the operating costs of the organization. According to the Regus 2012 report, the turnover rate for Chinese employees is up to 20% to 30%. Especially in the service industry in China, the high employee turnover rate has not been solved by researchers and practice experts. Basically, previous studies have shown that employees' decision to leave was usually initiated by job dissatisfaction (Mobley, 1977; Griffeth, Hom, & Gaertner, 2000). However, employee turnover was not only because of job dissatisfaction; meta-analysis research suggested that leadership was also one of the important antecedents of employee turnover (Griffeth et al., 2000). Thus, there is a need for Chinese managers to clarify the best ways to influence employee turnover.

Undoubtedly, paternalistic leadership is one important and dominant leadership style in the Chinese context (Cheng et al., 2014; Far & Cheng, 2000). Research on paternalistic leadership has flourished recently (Chen, Eberly, Chiang, Farh, & Cheng, 2014; Cheng, Chou, Wu, Huang, & Farh, 2004; Wu, Huang, & Liu, 2012). But until now, no

longitudinal research on paternalistic leadership has been conducted. It is an obvious research gap that should be conducted as proposed by previous studies. For this study, our aim is to close this research gap by adopting longitudinal research. More precisely, we examined whether paternalistic leadership predicted employee turnover after six months. This study aims to contribute to examining the causal relationship between paternalist leadership and employee behavior.

Relationalism is an important character in Chinese culture, which refers to the principle of favoring intimates, advocating that individuals with close relationships are expected to exchange favors beyond instrumental purposes (Hwang, 2000). Chinese managers usually have the tendency of personalism and favoritism (Redding, 1980). However, what is fair is a universal question. The impact of justice or fairness has been the most frequently researched topic in organizational behavior (Colquitt, Conlon, Wesson, Porter, & Ng, 2001). When examining the effect of Chinese management, organizational justice is an important issue that should be included. Thus, we research organizational justice to determine whether it moderates the relationship between paternalistic leadership and turnover.

The Triad Model of Paternalistic Leadership

Paternalistic leadership is a prevalent leadership style in the Chinese context. The conceptualization is rooted in the Chinese cultural context. According to Far and Cheng (2000), paternalistic leadership is a leadership style that combines strong discipline and authority with fatherly benevolence and moral integrity. That is, paternalistic leadership includes three characteristics: authoritarianism, benevolence, and morality. The following will introduce the three dimensions of paternalistic leadership.

Authoritarian leadership is characterized by a leader's behavior of asserting strong authority and control over subordinates and demanding subordinates' unquestioned obedience, compliance, and respect (Niu, Wang, & Cheng, 2009). Following the Chinese patriarchal tradition and Confucian ethics of hierarchical order, leaders are given authority, control, and responsibility to manage their subordinates, and leaders are expected to display *li-wei* behaviors over subordinates (Cheng et al., 2014; Erben & Guneser, 2012; Farh & Cheng, 2000).

Benevolent leadership is characterized by a leader's demonstration of individualized, holistic concern for subordinates' job-related and personal well-being (Niu et al., 2009). Following the principles of Chinese reciprocity, leaders provide individualized and holistic concern toward their subordinates, and they display *shi-en* behaviors of caring for individualized subordinates and understanding each person's needs (Cheng et al., 2014; Erben & Guneser, 2012; Farh & Cheng, 2000). It is seen as a leader's obligation to take care of subordinates.

Moral leadership is characterized by behavior from a leader that demonstrates su-

perior moral character and integrity through acting unselfishly and leading by example (Niu et al., 2009). Following the Confucian ideology, leaders are expected to be the moral role model, and behave according to high moral standards. They display shuh-der behaviors to lead subordinates, such as enhancing virtue and integrity and leading by example (Cheng et al., 2014; Erben & Guneser, 2012; Farh & Cheng, 2000). It is even more important in the Chinese context because of the history of feudalism and authoritarian rule.

Paternalistic Leadership and Employee Turnover

The withdrawal decision process suggests that once employees experience dissatisfaction, the next step is intention to leave, and the last step is actually quitting (Mobley, 1977). Employee turnover is defined as employees leaving an organization (Coomber & Barriball, 2007), and it is a kind of permanent withdrawal behavior (Spector et al., 2006). Following the meta-analysis of turnover antecedents by Griffeth et al. (2000), they proposed that leadership is one of the most important antecedents of employee turnover. Thus, in this study, we try to figure out whether paternalistic leadership influences employee turnover.

One important mechanism underlying the relationship between paternalistic leadership and employee turnover is social exchange. According to the leader-member exchange theory, if leaders and subordinates develop mutual trust, respect, and an obligation to maintain a high-quality relationship, then the leaders will be effective (Graen & Uhl-Bien, 1995). The exchange relationship is based on the reciprocal degree between leaders and followers. In high leader-member relations, leaders provide subordinates with assistance and followers rely on their leaders for support. The high quality exchanges between leader and subordinate is related to positive influence (Pellegrini, Scandura, & Jayaraman, 2010).

Authoritarian leadership proposes absolute authority and control over subordinates. If leaders display authoritarian leadership, it causes negative social exchanges between supervisors and subordinates because of the one-way demand and control, and it reduces subordinates' motivation for work. Subordinates might ultimately intend to leave. Leaders who follow benevolent leadership act like a kind father with long-term care and concern for the followers' job and personal problems. Leaders who display benevolent leadership can enhance reciprocity by helping subordinates, and then subordinates might increase their motivation for retention. Finally, moral leaders are viewed as ideal leaders by Chinese employees. Leaders who display moral leadership demonstrate integrity and are concerned with the collective good rather than self-interest. They treat subordinates like ends rather than means and do not take advantage of subordinates, so based on the norm of reciprocity, subordinates will identify with their leaders, and might not choose to turnover. Thus, we expect a negative relationship between authoritarian leadership and turnover. Benevolent leadership and moral leadership will be positively related to

turnover. Accordingly, we make the following hypotheses.

Hypothesis 1: *Authoritarian leadership is positively related to turnover.*

Hypothesis 2: *Benevolent leadership is negatively related to turnover.*

Hypothesis 3: *Moral leadership is negatively related to turnover.*

The Moderating Effect of Organizational Justice

Organizational justice is defined as an individual's perception of fairness or appropriateness of processes and outcomes in an organization, including three dimensions: distribution, procedure, and interaction (Moorman, 1991). Distributive justice refers to outcome-related justice, which implies that employees perceive that the outcomes are consistent with implicit fair norms for allocation. Procedural justice refers to process-related justice, which is that employees perceive the processes that lead to decision outcomes as fair. Interactional justice refers to person-related justice, which is that decision makers treat employees with respect and sensitivity and explain the rationale for decisions (Colquitt, 2001).

Basically, if the condition is favorable, such as the justice perception, employees will respond less negatively to negative leadership. From the social exchange and stress buffering perspective, the higher turnover resulting from negative leadership is buffered when organizational justice is present (Harris, Andrews, & Kacmar, 2007). Specifically, organizational justice is one kind of favorable condition, and employees know the leader-member exchange follows fair rules. Even if they are controlled by their leaders, employees know that their leaders will still maintain fair norms in their treatment of subordinates. Subordinates could ensure deserved reward. Thus, we proposed that organizational justice will weaken the positive relationship between negative leadership (authoritarian leadership) and turnover, and strengthen the negative relationship between positive leadership (benevolent leadership and moral leadership) and turnover. Thus, we propose the following hypothesis.

Hypothesis 4: *Organizational Justice will moderate the relationship between paternalistic leadership and turnover.*

Method

Participants and Procedure

In this study, we only include employees who had worked together with their managers for more than three months. After excluding invalid questionnaires, we collected complete data from 51 store managers and 207 subordinates in a food chain store in China. A total of 207 supervisor-subordinate dyadic surveys were used for further analyzing. Our sample were mostly female (65.2%) and under the age of 30 years (74.8%). Fifty-six percent graduated from junior school and 30% graduated from high school. Fifty-one percent had achieved tenure of less than one year and 31% had achieved tenure of one to three years.

For the survey procedure, paternalistic leadership, organizational justice, and demographic variables were initially collected from subordinates. The completed questionnaires could be given back to the researchers directly. After six months, employee turnover was collected from store managers. Before proceeding with statistical analyses, the researchers excluded employees who had worked with their manager for less than three months and invalid questionnaires with response biases or too many missing responses.

Measures

Paternalistic leadership. Paternalistic leadership was measured using Cheng and his colleagues' scale (2014). The subordinates rated their manager's leadership behaviors on this measure. Items were rated on a 6-point scale, ranging from 1 (not at all) to 6 (frequently). The internal reliability coefficients were from .70 to .89.

Organizational justice. We measured organizational justice based on a scale developed by Moorman (1991). The subordinates provided their self-report on this measure. Items were rated on a 6-point scale, ranging from 1 (totally disagree) to 6 (totally agree). The internal reliability coefficients were from .78 to .94.

Turnover. The variable was reported from the store managers. We coded "0" as employee retention and "1" as employee turnover as the indicator.

Control variables. We controlled gender, age, education, and tenure. Those variables were included because they are not only proxies of human capital and power, but may also influence a person's reactions to a leader (Cheng et al., 2004).

Results

The Correlation of Study Variables

Table 1 presents means, standard deviations, and correlations for all variables in the study. Authoritarian leadership was not significantly related to Turnover ($r = -.07$, $p > .05$). Benevolent leadership and moral leadership were both negatively and significantly related to turnover ($r = -.30$, $p < .01$; $r = .32$, $p < .01$). This indicates that if subordinates perceived that their manager displayed higher benevolent leadership and moral leadership, they would not turnover.

Table 1
Means, standard deviations, and correlations for study variables

| Variables | M | SD | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|-----------------------------|------|------|------|-------|-------|-------|------|-------|--------|-------|-------|------|
| 1. Gender | 0.67 | 0.49 | | | | | | | | | | |
| 2. Age | 2.81 | 1.62 | .06 | | | | | | | | | |
| 3. Education | 1.52 | 0.75 | -.09 | -.11 | | | | | | | | |
| 4. Tenure | 1.65 | 0.98 | -.11 | .34** | -.01 | | | | | | | |
| 5. Authoritarian leadership | 3.80 | 0.98 | -.08 | .07 | -.15* | .02 | | | | | | |
| 6. Benevolent leadership | 5.14 | 0.77 | .08 | .04 | -.05 | -.10 | .09 | | | | | |
| 7. Moral leadership | 5.02 | 0.83 | -.02 | .10 | .06 | -.07 | .08 | .60** | | | | |
| 8. Distributive justice | 4.33 | 0.93 | -.04 | -.01 | .05 | -.11 | .05 | .30** | .28** | | | |
| 9. Procedural justice | 4.65 | 0.81 | -.05 | -.04 | .11 | -.17* | .04 | .41** | .40** | .53** | | |
| 10. Interactional justice | 4.80 | 0.74 | -.03 | .02 | .12 | -.14* | -.02 | .46** | .44** | .53** | .79** | |
| 11. Turnover | 0.40 | 0.49 | .10 | -.06 | .01 | -.01 | -.07 | -.30* | -.32** | -.08 | -.10 | -.10 |

Note. * $P < .05$; ** $p < .01$. $n = 207$. Gender was dummy coded with male was 0 and female was 1. Age, education and tenure are ordinal variables. Age 1: under 20 year; 2: 21-25 year; 3: 26-30 year; 4: 31-35 year; 5: 36-40 year; 6: 46-50 year; 7: above 51 year. Education 1: under junior school; 2: high school; 3: college; 4: bachelor degree; 5: above master degree. Tenure 1: under 1 year; 2: 1-3 years; 3: 3-5 years; 4: 5-7 years; 5: 7-9 years; 6: above 7 years. Tenure 1: under 1 year; 2: 1-3 years; 3: 3-5 years; 4: 5-7 years; 5: above 7 years.

Note. * $P < .05$; ** $p < .01$. $n = 207$. Gender was dummy coded with male was 0 and female was 1. Age, education and tenure are ordinal variables. Age 1: under 20 year; 2: 21-25 year; 3: 26-30 year; 4: 31-35 year; 5: 36-40 year; 6: 46-50 year; 7: above 51 year. Education 1: under junior school; 2: high school; 3: college; 4: bachelor degree; 5: above master degree. Tenure 1: under 1 year; 2: 1-3 years; 3: 3-5 years; 4: 5-7 years; 5: 7-9 years; 6: above 7 years. Tenure 1: under 1 year; 2: 1-3 years; 3: 3-5 years; 4: 5-7 years; 5: above 7 years.

Regression Analysis Results

Based on dyadic perspective, this study explored the effects of paternalistic leadership on employee turnover, and the interaction effects of paternalistic leadership and organization justice. We conducted a multiple regression analysis to examine our hypotheses. The results are displayed in Table 2. First, control variables had little effect on research variables. We controlled the demographic variables and according to M1, authoritarian leadership did not positively predict turnover $\beta = .03$, $p > .05$; H1 was not supported. Benevolent leadership negatively predicted turnover $\beta = -.18$, $p < .05$; H2 was supported, suggesting that when managers display higher benevolent leadership, subordinates would not leave the organization. Moral leadership negatively predicted turnover $\beta = -.21$, $p < .05$; H3 was supported, suggesting that when managers displayed higher moral leadership, subordinates would not leave the organization.

Table 2
Regression analysis for hypothesis testing

Table 2. Regression analysis for hypothesis testing.

| variables | Turnover | |
|--|----------|--------|
| | M1 | M2 |
| Control variables | | |
| Gender | .11 | .06 |
| Age | -.02 | -.01 |
| Education | .01 | -.02 |
| Tenure | -.02 | -.07 |
| Paternalistic leadership | | |
| Authoritarian leadership | -.03 | .03 |
| Benevolent leadership | -.18* | -.20* |
| Moral leadership | -.21* | -.29** |
| ΔR^2 | (.12**) | |
| Organizational justice | | |
| Distributive justice | | -.02 |
| Procedural justice | | .08 |
| Interactional justice | | .02 |
| Moderating effect | | |
| Authoritarian leadership* Distributive justice | | -.17* |
| Authoritarian leadership*Procedural justice | | -.27* |
| Authoritarian leadership*Interactional justice | | -.07 |
| Benevolent leadership *Distributive justice | | -.13 |
| Benevolent leadership *Procedural justice | | .03 |
| Benevolent leadership *Interactional justice | | .13 |
| Moral leadership *Distributive justice | | .04 |
| Moral leadership *Procedural justice | | .04 |
| Moral leadership *Interactional justice | | -.06 |
| ΔR^2 | (.19**) | |
| Adjusted R² | .11 | .26 |
| F | 4.46** | 4.88** |
| df1 | 7 | 19 |
| df2 | 199 | 187 |

*p<.05 **p<.01

Second, for examining the moderating effect, and according to M2, distributive justice moderated the relationship between authoritarian leadership and turnover ($\beta = -.17$, $p < .05$) and procedural justice moderated the relationship between authoritarian leadership and turnover ($\beta = -.27$, $p < .05$); H4 was partially supported. Furthermore, as Figure 1 illustrates, distributive justice moderated the relationship between authoritarian leadership and turnover. Lower distributive justice strengthened the positive relationship between authoritarian leadership and turnover, such that the relationship would be weakened for higher distributive justice. As shown in Figure 2, procedural justice moderated the relationship between authoritarian leadership and turnover. Higher procedural justice weakened the positive relationship between authoritarian leadership and turnover.

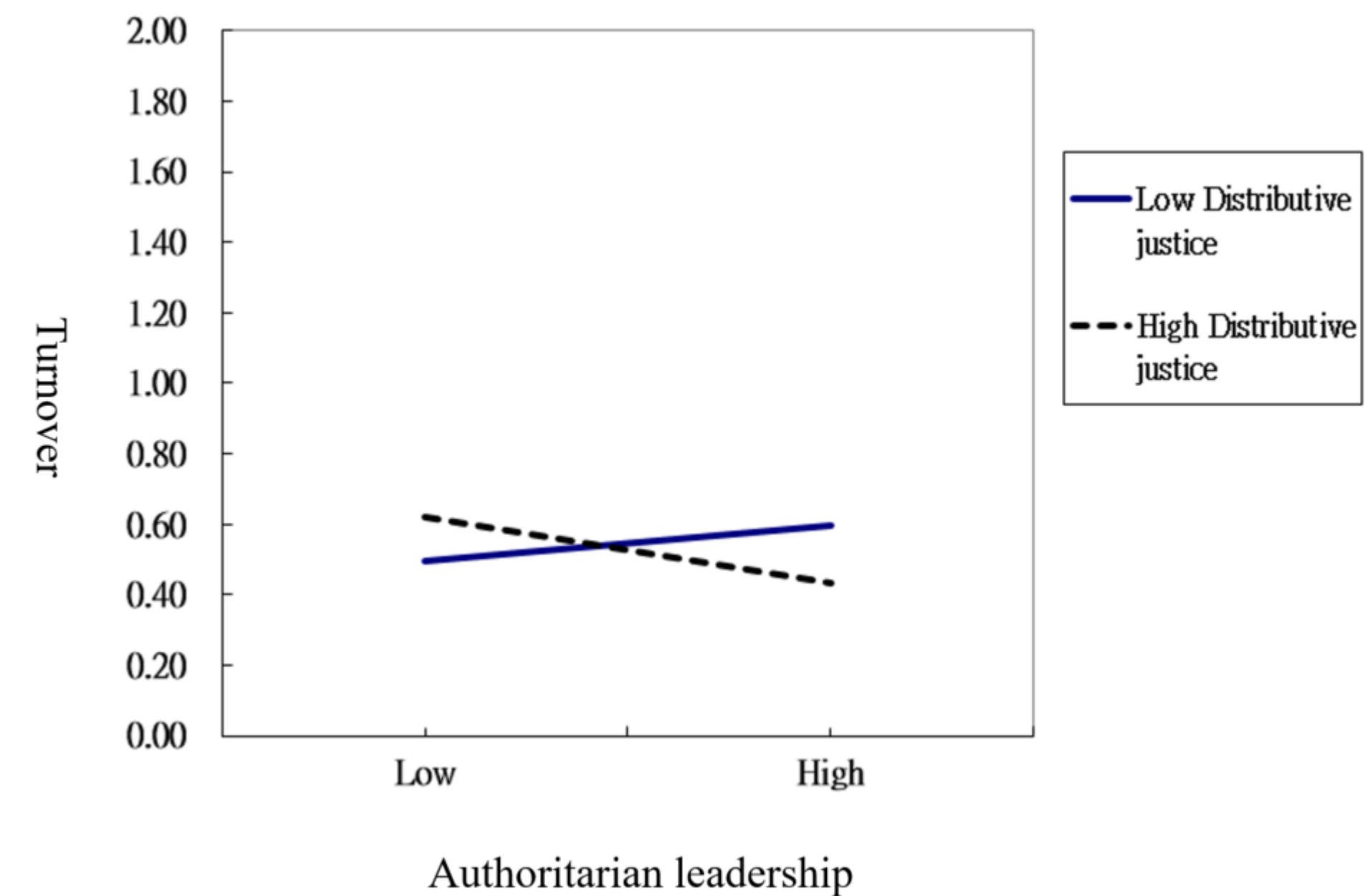


Figure 1
The interaction effect of distributive justice and authoritarian leadership on turnover

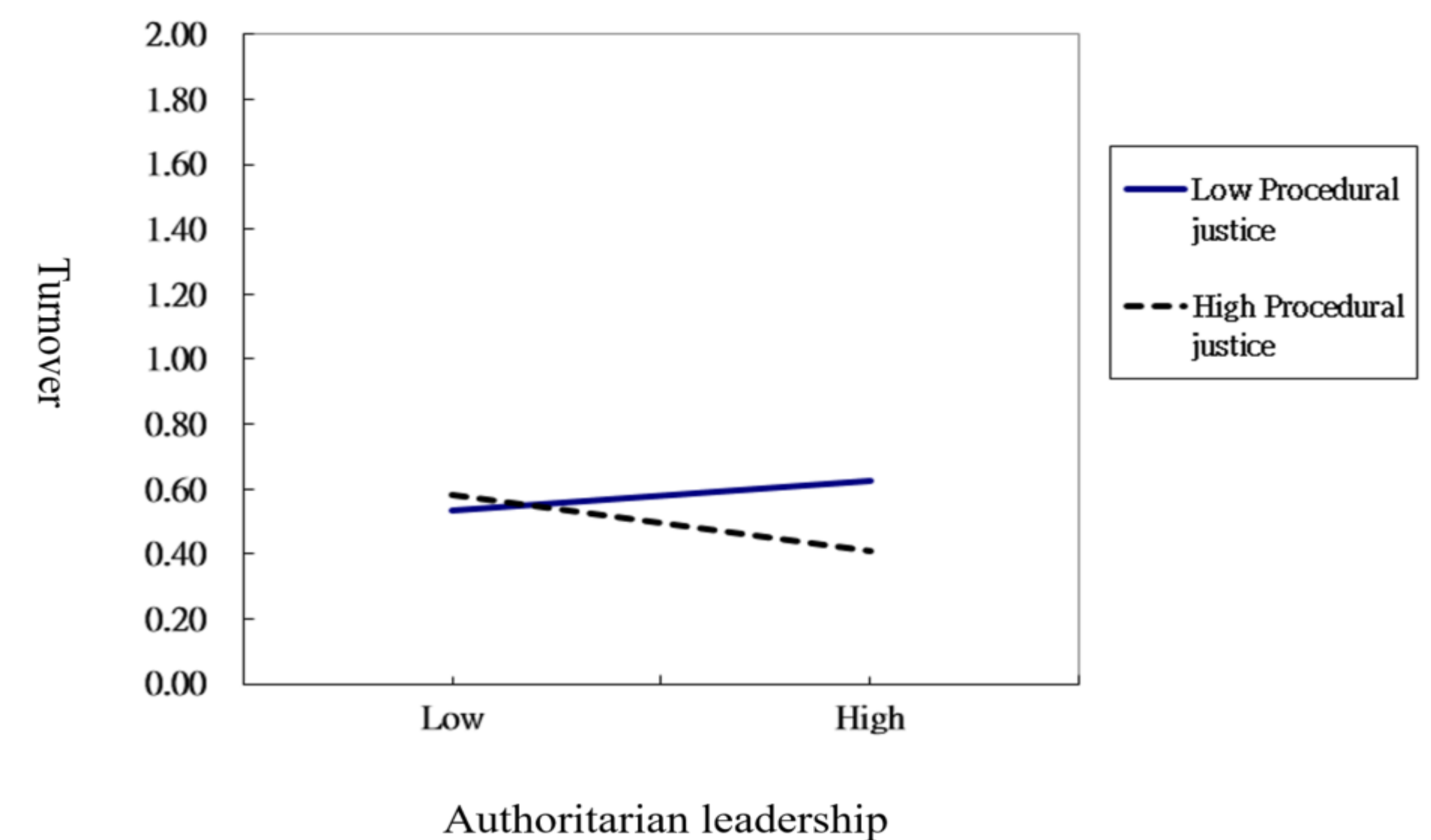


Figure 2. The interaction effect of procedural justice and authoritarian leadership on turnover.

Figure 2
The interaction effect of procedural justice and authoritarian leadership on turnover

Discussion

Our findings have theoretical implications for paternalistic leadership. First, this study extended the findings of prior research, and this is the first study to examine the

relationship between paternalistic leadership and actual employee turnover. We provided concrete causal evidence, and found that benevolent and moral leadership have positive effects on reducing actual employee turnover. Second, Justice is also important in contemporary Chinese organizations. The results suggest that whether the interpersonal relations between the authoritarian supervisor and the subordinate can be guided into turnover depends on a fair economic exchange environment. Therefore, organizations should try to be sensitive in treating their employees by following justice rules (Hon & Lu, 2013).

The results also showed practical implications for Chinese management. First, we suggest managers should display benevolent and moral leadership to manage Chinese employees. This could decrease employee turnover. Accordingly, leaders should be taught to display these kinds of leadership styles. Second, Chinese employees basically do not favor authoritarian leadership. Our findings suggest that organizational justice would weaken the negative effect of authoritarian leadership on employee turnover. Even if managers often display authoritarian leadership to manage Chinese employees, if they maintain distributive justice and procedural justice rules, this will facilitate employees to stay in the company. Overall, Chinese organizations should try to promote positive leadership behaviors and implement managerial practices consistent with justice.

However, this study still has a few limitations. First, we focused on one food chain store in China to minimize the influence of different organizational characteristics. Further research in other enterprises should be conducted to increase the external validity. Second, the measurement of justice presents a high correlation. Future studies should duplicate this to offer a more stable effect. Furthermore, we recommend future studies should investigate the influence of higher level variables, such as justice climate, to provide new insights. Finally, there is a need to conduct cross-cultural research to examine the generalizability of these findings to other diverse cultures.

In summary, this current study extended the research of paternalistic leadership by examining the causal relationship through a longitudinal design. Our results suggest that Chinese managers should display benevolence and moral leadership to manage employee turnover. Besides, Justice is also important in the Chinese context. Following organizational justice is an effective way to weaken the negative influence from authoritarian leadership.

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