Cross-Cultural Leadership: Goal Interdependence and Leader-Member Relations in Foreign Ventures in China

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Abstract

Cross-cultural leadership may be particularly challenging, as there are significant barriers to developing an effective relationship between managers and employees. Two hundred and thirty Chinese employees from various industries in Chinese Mainland were surveyed on their relationship with their American, Asian, and Chinese managers. Results, including structural equation analyses, support the hypotheses that cooperative, but not competitive or independent, goals help employees and their foreign managers develop a quality leader-member exchange relationship, which in turn improve leader effectiveness, employee commitment, and future collaboration. Cooperative goals may be an important way to overcome obstacles and develop an effective leader relationship within and across cultural boundaries.
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China has become the largest receiver of foreign direct investment (FDI) during the first years of the twenty-first century (UNCTAD, 2002). Many companies are developing subsidiaries and joint ventures in China to lower costs and participate in the global marketplace. Long-term success in China depends on the recruitment and retention of a local workforce (National Foreign Trade Council and Towers Perrin, 1998). To make these organizations effective, multi-national managers must successfully lead local employees. The relationship between managers and employees has been considered critical for effective leadership, especially in collectivist Asia (Brower, Schoorman, and Tan, 2000; Graen and Uhl-Bien, 1995; House, Wright, and Aditya, 1997; Hui and Law, 1999; Setton, Bennett, and Liden, 1996; Schriesheim, Neider, and Scandura, 1998; Uhl-Bien and Maslyn, 2000).

However, researchers have found that a manager’s culture strongly influences his/her attitude and behavior (Mason and Spich, 1987). Developing an effective relationship between managers and employees is difficult, especially when they have diverse cultures. An action that appears very reasonable to the manager can appear biased, illogical, and unfair when viewed from the perspective of an employee from another culture (Adler, 2002). Cross-culture researchers have recently argued for the need to develop frameworks that can help diverse people overcome obstacles and work together effectively (Bond, 2003; Smith, 2003). However, few studies have documented ways to promote effective cross-cultural leadership.

To fill this gap, this study investigates the proposition that cooperative, rather than competitive and independent, goals promote a high quality leader-member
exchange (LMX) between foreign managers and Chinese employees. This relationship, in turn, facilitates leader effectiveness, employee commitment, and future collaboration between foreign managers and Chinese employees.

In addition to exploring ways to promote effective cross-cultural leadership in Chinese contexts, this study contributes to the existing literature by empirically documenting the utility of universal theories (namely the theory of cooperation and competition and the theory of leader-member exchange), to our understanding of cross-cultural leadership. It is a cross-cultural study of American managers and Chinese employees as well as a study of LMX relationships between managers and employees in a Chinese context.

Theory of Leader-Member Exchange

The leader-member exchange theory proposes that the quality of the relationship between a leader and individual employees determines leader effectiveness (Graen and Uhl-Bien, 1995). Graen and his colleagues (e.g. Dansereau, et al., 1975; Graen and Schiemann, 1987; Liden and Graen, 1980) suggest that because of constraints of limited time and energy, leaders develop close relationships with a few subordinates and share their personal and positional resources to help these employees perform. Leaders tend to develop and maintain LMXs with their subordinates that vary in quality, ranging from in-group to out-group. In-group exchange is a high quality relationship characterized by high levels of information, communication, mutual support, informal influence, trust and negotiating latitude. On the other hand, out-group exchange is a low quality relationship characterized by mistrust, formal supervision, little support and attention.
Research also indicates that LMX very much affects discourse patterns (Fairhurst, 1993; Fairhurst, et al., 1987), persuasion strategies (Krone, 1992), conversational resources, i.e., interpretive and conversational procedures, (Fairhurst and Chandler, 1989), and relational maintenance (Waldron, 1991). Studies suggest that high quality LMX relationships contribute to organizational citizenship behavior where employees perform useful tasks even though they are not prescribed by their roles (Bauer and Green, 1996; Boyd and Taylor, 1998; Deluga, 1998; Duarte, et al., 1994; Gerstner and Day, 1997; Graen and Uhl-Bien, 1995; Howell and Hall-merenda, 1999; Setton, et al., 1996).

In addition to research in the West documenting the value of quality LMX relationships (Boyd and Taylor, 1998; Deluga, 1998; Gerstner and Day, 1997; Gersick, Bartunek and Dutton, 2000; Howell and Hall-Merenda, 1999), quality relationships have been found useful in collectivist China (Hui and Law, 1999). Wakabayashi and Graen (1984,1988) also argued that recently hired Japanese employees who had developed high quality LMX with their immediate supervisors were positioned as in-group members that made them central to the management system. In contrast, those who had failed to develop high quality LMX were positioned as out-group members and outside the core of the management system. The quality of the vertical dyad exchange was found to have a major impact on motivating newcomers to work, mentoring their behavior toward the attainment of career goals, and contributing to their promotion and bonus.

These studies suggest that LMX theory is useful both in Western and Eastern contexts. However, evidence is needed in such settings as joint ventures in China to
test its usefulness directly in the situation where managers and employees have different cultures.

**Cross-Culture Leadership**

In highlighting the human resource implications of cultural differences, researchers have argued that the most common cross-culture management challenge is to facilitate how culturally diverse people work together (Adler, 1983; Adler et al., 1986; Child, 1994; Shaw and Meier, 1993; Cox and Blake, 1991). Managing culturally diverse people so that they work as a team requires special skills and sensitivities (Abrahamson and Lane, 1990; Earley, 1987; Shenkar and Zeira, 1987, 1990). Effective management of culturally diverse labor forces and maintaining good relationships very much contribute to the success of joint ventures.

Following the seminal work of Hofstede (1980, 1991), researchers have argued that individualism and collectivism cultural values distinguish societies (Earley and Gibson, 1998; Erez and Earley, 1993; Hofstede, 1980, 1991, 1994; Triandis, 1989, 1990, 1994, 1995, 1998, 2000). Individualism and collectivism are social patterns that define cultural syndromes (Earley and Gibson, 1998; Hofstede, 1980, 1991; Triandis, 1994, 1995, 1998), which are shared patterns of beliefs, attitudes, norms, and values organized as one theme. Some countries are clearly more individualistic than other countries. As defined by Chatman and Flynn (2001), individualism is a social pattern that individuals view themselves as independent and motivated by their own preferences, needs, rights, and contracts. In contrast, collectivism is a social pattern in which individuals regard themselves as belonging to one or more collectives (e.g., family, coworkers, groups, organizations, tribe) and motivated by norms, duties, and obligations that are imposed by collectives. These
differences have been found to interfere with collaboration across cultures (Wang, et al., 2000).

When people from collectivist and individualistic cultures work together, they are likely to experience misunderstandings and frustrations and have different logical reasoning and preferences for how they should discuss issues (Adler, 1986; Hofstede, 1980; Swierczek and Hirsch, 1994; Herbig and Gulbro, 1997). In particular, the collectivist Chinese are often thought to be conforming and submissive in that they want to avoid face-to-face confrontation, while individualistic Westerners are characterized as favoring direct give-and-take collaboration (Tang and Kirkbridge, 1986). Chinese seem to have at least somewhat more negative attitudes and orientation toward conflict than Westerners (Tjosvold and Wong, 1992) and tend to avoid face-to-face confrontation (Bond, et al., 1985), evade conflicts with strangers, and short-circuit or smooth over open conflicts (Chiao, 1981). In the failure of Beijing Jeep, Western managers criticized their Chinese partners but the Chinese managers could not regard these complaints reasonable (Mann, 1989).

However, there might be fewer difficulties when Chinese employees collaborate with other Asian leaders who share similar cultural orientations. A previous study found that despite the history of rivalry and hostility, when Japanese leaders and Chinese employees developed collectivist values in their relationships, they were able to collaborate open-mindedly and build a trusting relationship (Liu, Tjosvold, and Wang, 2004).

In spite of the confirmation of the difficulties and challenges in cross-culture management, few studies suggest how to facilitate cross-cultural interaction (Smith,
Our present study explores how to enhance effective interaction between foreign managers and their Chinese employees. It proposes that the theory of cooperation and competition suggests major conditions that affect whether foreign managers and local employees develop quality LMX relationships.

**Theory of Cooperation and Competition**

Deutsch (1949, 1973) theorized that how people believe their goals to be related greatly affects the dynamics and consequences of their relationship. The basic premise of the theory of cooperation and competition is that the way goals are structured determines how individuals interact, and their interaction determines the outcome (Deutsch, 1949, 1973; Johnson and Johnson, 1989).

In cooperation, goals are considered positively related. People pursue a common vision and shared rewards, so that the success of one helps others succeed. They believe when others move toward goal attainment, they also move toward their goals; others’ goal attainment promotes their success. In belief that their goals are compatible, people discuss opposing positions open-mindedly, and try to integrate their ideas, and work for a mutually acceptable solution, that in turn results in high-quality solutions to problems and productive work (Deutsch, 1973; Tjosvold, 1989).

In competition, goals are believed to be negatively related. People pursue win-lose rewards, believing others’ goal attainment interferes with their success. People believe that the more others achieve, the less likely they can get what they want. In the belief that their goals are incompatible, they try to mislead and hold others back as they want to “win”.
In independence, goals are considered unrelated. People conclude that whether they can succeed depends on their own effort. As the goal attainments of others have no impact on their achievement, they pursue their goals individually.

Studies have specifically documented that managers with considerable ability to assist employees do so especially when they had cooperative goals (Liu et al., 2004). Managers with cooperative goals provided support and assistance and developed trusting and friendly attitudes (Tjosvold, 1991). By promoting an open-minded discussion of views, cooperative goals have been found to result in mutual solutions to problems (especially complex ones), and confidence in working together (Alper, et al., 1998; Johnson and Johnson, 1989). On the other hand, competitive goals have been found to be associated with frustration, and result in fragmented relationships and low performance, except on some simple tasks (Stanne, Johnson and Johnson, 1999).

However, only a few studies to date have explored how cooperative goals affect LMX relationships between people from different countries in a Chinese context. This research suggests that developing a high quality LMX relationship based on cooperative goals between managers and employees with different cultural backgrounds promotes successful interaction and contributes to organizations.

Overall, this study tests the role of cooperative goals on LMX relationships between foreign managers and Chinese employees. Cooperative goals between Chinese employees and their American managers are expected to strengthen their LMX relationship and contribute to leader effectiveness, employee commitment to the
organization, and future collaboration. Competitive and independent goals are expected to weaken their LMX relationship.

Hypothesis 1: The goal interdependence between American managers and Chinese employees affects the quality of their LMX relationships.

H1a: American managers and Chinese employees with cooperative goals have a high quality LMX relationship.

H1b: American managers and Chinese employees with competitive goals have a low quality LMX relationship.

H1c: American managers and Chinese employees with independent goals have a low quality LMX relationship.

Hypothesis 2: Chinese employees with a high quality LMX relationship with their American managers view their manager as effective leaders.

Hypothesis 3: Chinese employees with a high quality LMX relationship with their American managers are committed and want to collaborate with their American managers in the future.

Culture Differences

Chinese people, as collectivists, might value interdependence among their in-group members, and might generally find it easier to work cooperatively and
constructively with Asian managers who are also collectivists and generally share their cultural background and relationships (Ohbuchi, et al, 2001). Although no hypotheses are proposed, the design of this study allows exploring differences between how Chinese employees regard their relationships with Chinese, Asian, and American managers.

It was hypothesized that cooperative goals strengthen the LMX relationship between Chinese employees and Asian and Chinese managers as well as between Chinese employees and American managers. We tested the hypotheses relating goal interdependence to LMX and then LMX to employee commitment and future collaboration of Chinese employees with other Asian and Chinese managers.

The effects of goal interdependence are expected to occur with managers from different cultures. Hypotheses 4, 5 and 6 as well as Hypotheses 7, 8 and 9 are similar to Hypotheses 1, 2 and 3, except that they are for Chinese employees with Asian managers and Chinese employees with Chinese managers.

METHOD

Participants

Respondents from foreign-owned ventures, located in different provinces in Chinese Mainland, were invited to participate in the study. Each respondent had worked with their foreign managers for at least six months so that they could report on an on-going relationship. To reduce potential concern for being involved in evaluating others, participants were told that their responses would be kept totally
confidential and would be used for research only. Top and middle management of the companies supported their participation.

We distributed 350 copies of the questionnaire and 230 were completed. The participants were based in different industries: 56 were in IT and telecommunications, 51 were in manufacturing, 32 were in health care, consultant and social welfare, 31 were in education, culture, art, broadcasting, news center; 21 were in wholesale, retail and catering; 12 were in the finance sector, 11 were in social services, 9 were in transportation, storage, and 7 were in other industries. The participants had various positions in their companies: 63 were engineers, 36 of the participants were managers at a beginning level, 24 were executive assistants, 23 were middle managers, 19 were accountants and finance specialists, 19 were consultants, 18 were secretaries and office clerks, 12 were salesmen, and 16 had other positions.

Among the questionnaires returned, 68 copies were completed by employees with American managers, 95 by employees with local Chinese managers, 43 by employees with Hong Kong and Taiwan managers, and 24 by those with Japanese managers. As Hong Kong, Taiwan and Japan are all considered to have collectivistic cultures (Hofstede, 2001), we group these 67 copies into those who had Asian, non-local managers.

Of all the respondents, 126 were male; their average age was 28.6, and 177 had worked with their managers for more than one year; 129 had a bachelor’s degree and 59 had a master’s degree or a doctorate. For the group whose managers were American, 35 were male; and 50 had worked with their managers for more than one year; 50 had a bachelor’s degree and 15 had a master’s degree or a doctorate. For the
group whose managers were non-Chinese Asian, 34 were male, and 52 had worked with their managers for more than one year; 29 had a bachelor’s degree and 16 had a master’s degree or a doctorate. For the group whose managers were Chinese, 54 were male, and 74 had worked with their managers for more than one year; 59 had a bachelor’s degree and 21 had a master’s degree or a doctorate.

**Goal Interdependence**

Scales for cooperative and competitive goal interdependence were developed from previous questionnaire studies conducted in China and North America (Tjosvold, 1995; Tjosvold, Andrews and Struthers, 1990; Liu et al., 2004). The five items for cooperation measured their common goals, common tasks and common benefits. A sample item for the cooperative goal scale is “My manager and I share common goals”. (Appendix has the items for all the scales.) The four competitive scale items measured the incompatibility of goals, tasks, and rewards. A sample item is “What helps me gets in my manager’s way”. The five independent scale items measured the independence of goals, tasks and benefits. A sample item is “Both my manager and I do our own thing”. Participants were required to rate on 5-point scales (from 1=strongly disagree to 5=strongly agree) their level of agreement to the items.

The scales demonstrated acceptable reliability, although the competitive scale was below .70. For Western managers, the coefficient alphas for the cooperative, competitive and independent goal scales were .85, .60, .82, and for Asian managers, the coefficient alphas were .74, .71, .84, and for Chinese managers, the coefficient alphas were .83, .64, .84, respectively.
**LMX relationship**

The scale on LMX relationship was taken from LMX research (Fairhurst et al., 1987; Fairhurst and Chandler, 1989). The five items measured whether or not the LMX relationship was high quality. A sample item is “My manager and I are inclined to pool our available resources to solve the problems in my work”. Respondents were required to rate on a 5-point scale (1=strongly disagree, 5=strongly agree) their level of agreement to the five items.

The scale demonstrated acceptable reliability. For American managers, the coefficient alpha was .83; for Asian managers, .75; and for Chinese managers, .84.

**Leader Effectiveness, Commitment and Future Collaboration**

Scales for the outcome measures were developed from previous research. A 3-item scale was used to measure leader effectiveness (Liu et al., 2004). A sample item is “My manager performs his leader roles appropriately”. A 3-item scale was used to measure the extent to which respondents describe their commitment to their organization (Tjosvold and Sasaki, 1998). A sample item is “I have a strong sense of belonging to my company”.

A 3-item scale measured the extent to which the partners were willing to work together in the future (Tjosvold and Andrews, 1991). A sample item is “I hope I can work with my manager in the future”. Respondents were required to rate on a 5-point scale (from 1=strongly disagree to 5=strongly agree) their level of agreement to the statements.
The scales demonstrated acceptable reliability based on coefficient alphas. For American managers, the coefficient alphas for leader effectiveness, employees’ commitment and future collaboration were .91, .87, .85. For Asian managers, the coefficient alphas were .83, .88, .83. For Chinese managers, the coefficient alphas were .89, .89, .87.

**Questionnaire Translation and Pilot Test**

Questionnaires originally written in English were translated into Chinese, then checked by being translated back into English to ensure conceptual consistency. The translation and back-translation were undertaken by bilingual researchers who had studied in both Chinese and English, thus sufficiently educated in both languages as recommended by Bracken and Barona (1991).

The original questionnaire was first translated into Chinese by one researcher and translated back into English by another independent researcher as described by Brislin (1970) and Chapman and Carter (1979). The translator and back-translator met with the English speaking, monolingual researchers to examine the differences found in the back-translation. After considering their suggestions, some necessary modifications were made, completing the Chinese version of the questionnaire.

The first version of the questionnaire was pre-tested to make sure that every question was stated appropriately so that respondents could clearly understand every concept and question. The pilot-test was conducted among 40 employees (20 male and 20 female) in a multinational company in Shanghai. Based on their feedback, a few questions were rephrased for clarity, then, the final version was ready for data collection. All the items for the seven scales are shown in the appendix.
Factor Analysis and Confirmatory Factor Analysis of the Constructs

Although the scales were taken from previous studies, they were developed in the West where organizational forms and work values might not be very similar to those in China. Therefore, factor analyses were conducted. We first conducted a factor analysis to test whether all the items under the same scale loaded on a “single” factor. Most of the items loadings are higher than .7, with the lowest being .67, suggesting that the measures are uni-dimensional. Then, we conducted a series of confirmatory factor analyses (CFA) to examine whether the employees’ ratings would load on seven distinct factors: cooperative, competitive, independent goals, LMX, leader effectiveness, employee commitment and future collaboration.

The CFA were conducted using EQS for Windows 5.7 b, following the common approach in the literature using structural equation analysis (Mathieu and Farr, 1991; Mathieu, Hofmann and Farr, 1993). We combined two constructs in a series of CFA and compared the reduced model to the baseline model. The two constructs were combined when they were found to be highly correlated. A significant difference in chi-square would indicate that the reduced model is significantly worse, meaning that respondents could distinguish these two constructs.

Table 2 shows the results of these series of CFA. For Chinese employees with Western managers, Model M0 in Table 2 shows that our proposed 7-factor model fits the data extremely well with the CFI of .89 and the NFI of .93. This 7-factor model was then tested against the three different 6-factor models. Merging two of the seven factors into one aggregate factor formed each of these 6-factor models. Degree of freedom decreased but model chi-square increased when we moved from the 7-factor model to any of the six 6-factor models. CFI and NFI of the
original 7-factor model are .89 and .93, while CFI and NFI of the 6-factor models had marginal fits < .70. For Chinese employees with Asian managers and Chinese employees with Chinese managers, similar results existed when we compared the 7-factor models with the 6-factor models. Given the support from the series of CFA, we concluded that the 7-factors are distinct measures of the constructs in our study.

Hypotheses Testing

We first used within-and-between group analysis to test whether the different industries that participants were from had effects on the results. We divided all the participants into six sub-groups according to their industries. Results showed that there were no significant differences between participants from different industries on the study’s measures.

Correlation analysis was used to test the hypotheses linking goal independence, LMX relationship, and outcomes. To probe the theory more vigorously, structural equation analysis was used to explore the underlying relationship among goal independence, LMX relationship and outcomes. The covariance structure analysis among these constructs was analyzed using EQS for Windows (Bentler and Wu, 1995).

Following the hypotheses, the interdependent goals--cooperation, competition and independence--were specified as exogenous variables. These three goals would affect LMX which in turn might affect leader effectiveness, commitment, and future collaboration. The proposed Mediating Effects model was compared to the Direct Effects model. The Direct Effects model posited that goal interdependence impacts
outcomes directly whereas the Mediating Effects model proposes that the LMX relationship mediates between goal interdependence and outcomes.

RESULTS

We used correlation analysis on the seven variables of cooperative, competitive, and independent goals, LMX relationship, leader effectiveness, commitment, and future collaboration. Correlations among the scales support the overall framework that how the goals of leaders and Chinese employees are structured affects the LMX relationship and outcomes. (Table 1)

Results support H1 in that Chinese employees indicated that they and their American managers had a good LMX relationship to the extent that they had cooperative goals ($r = .46$, $p < .01$). In contrast, employees with competitive goals as well as independent goals with their American managers reported low levels of LMX relationship ($r = -.34$, $p < .01$; $r = -.40$, $p < .01$). Results support H2 and H3 in that Chinese employees who reported a high LMX relationship also rated their American managers effective ($r = .70$, $p < .01$), their own commitment to the organization high ($r = .41$, $p < .01$), and they looked forward to future collaboration ($r = .56$, $p < .01$).

Similar relationships among variables were expected for Chinese employees and their Asian managers, and Chinese employees and their Chinese managers. Results largely support these propositions. Consistent with H4, Chinese employees with cooperative goals indicated that they had a quality LMX relationship with their Asian managers ($r = .27$, $p < .01$), whereas those with competitive ($r = -.15$, $p < .05$) and independent ($r = -.35$, $p < .01$) goals indicated low levels of LMX relationships. Consistent with H7, Chinese employees with cooperative goals indicated that they had
a high LMX relationship with their Chinese managers \( (r = .51, p < .01) \), whereas those with competitive \( (r = -.37, p < .01) \) and independent \( (r = -.48, p < .01) \) goals indicated low levels of LMX relationships.

Results provide support for H5 and H8 in that Chinese employees with a high LMX viewed their Asian managers as effective leaders \( (r = .71, p < .01) \) and also viewed their Chinese managers as effective leaders \( (r = .51, p < .01) \). Results also support H6 and H9 in that Chinese employees with high LMX with their Asian managers were committed \( (r = .59, p < .01) \), and desired future collaboration \( (r = .53, p < .01) \); employees were committed \( (r = .50, p < .01) \) and wanted future collaboration \( (r = .48, p < .01) \) when they had high LMX with their Chinese managers.

Structural equation analyses through EQS were used to explore the relationship between goal independence, LMX relationship, and the outcomes of effectiveness, commitment to the organization and future collaboration. Tables 3, 4 and 5 show the path estimates for the models tested in the study.

The fit statistics indicate that the hypothesized model statistics fits the data well (Table 2, 3, 4). We compared the Mediating model--our hypothesized model--to the saturated models and the Direct Effects models. The \( \chi^2 \) of the Mediating Effects model was \( \chi^2 = 22.03 \) (d.f.=9, \( p < .01 \)) for American managers and \( \chi^2 = 24.23 \) (d.f.=9, \( p < .01 \)) for Asian managers, and \( \chi^2 = 30.13 \) (d.f.=9, \( p < .01 \)) for Chinese managers. The difference of \( \chi^2 \) between the Mediating Effect model and the Direct Effects model were significant (\( \chi^2 \) difference = 31.51, 68.48 and 144.66 for American managers, Asian managers and Chinese managers respectively), indicating that omission of the
mediating effects of LMX significantly deteriorated the Mediating Effects model. Results of the causal model comparison suggest that the Mediating Effects model be accepted for American, Asian and Chinese managers’ data.

The path coefficients of the theorized model help to explore the findings more specifically (Tables 3, 4 and 5). Regardless of the manager’s culture, results indicate that cooperative goals (for American managers $\beta = .36, p < .01$, for Asian managers $\beta = .18, p < .05$, and for Chinese managers $\beta = .43, p < .01$) had positive and significant effects on LMX relationships. However, competitive (for American managers $\beta = -.13, p = ns$, for Asian managers $\beta = -.19, p = ns$, and for Chinese managers $\beta = -.06, p < ns$) and independent (for American managers $\beta = -.22, p = ns$, for Asian managers $\beta = -.43, p < .05$, and for Chinese managers $\beta = -.27, p < .05$) goals did not always have statistically significant negative effects on LMX. On the other hand, LMX relationships had significant positive effects on leader effectiveness (for American managers $\beta = .67, p < .01$, for Asian managers $\beta = .71, p < .01$, and for Chinese managers $\beta = .51, p < .01$), employee commitment (for American managers $\beta = .41, p < .01$, for Asian managers $\beta = .59, p < .01$, and for Chinese managers $\beta = .50, p < .01$), and future collaboration (for American managers $\beta = .56, p < .01$, for Asian managers $\beta = .53, p < .01$, and for Chinese managers $\beta = .48, p < .01$). These findings on path coefficients provide generally good support for the study’s hypotheses.

In regards to model fit, the Mediating Effects model had a model chi-square of 22.03 and degree of freedom was 9 for the American managers’ data, 24.23 and 9 for the Asian managers’ data, and 30.13 and 9 for the Chinese managers’ data. The NFI and CFI for the model were .89 and .93 for the American managers’ data, .89 and .92
for the Asian managers’ data, and .92 and .94 for the Chinese managers’ data. Both fit indices were considered to indicate good model fit for all these three group data.

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Cultural Differences

We also conducted $t$ test analyses regarding Chinese employees’ reporting of goal interdependence with managers from different countries. Results (Table 6) indicated that there were no significant differences among employees’ rating of their goals and LMX relationships with managers from different countries.

Analyses did, however, reveal differences in the outcome measures. Findings suggested that Chinese employees considered their Asian managers more effective than American managers (American managers, $M= 2.45$, Asian managers, $M=3.06$, $t=-3.45$, $p<.01$). They also considered their Asian managers more effective than Chinese ones (Asian managers, $M= 3.06$, Chinese managers, $M=2.74$, $t=2.61$, $p<.01$) and Chinese managers more effective than American managers (American managers, $M= 2.54$, Chinese managers, $M=2.74$, $t=1.52$, $p<.01$)

Results also indicated that Chinese employees had, in comparison to American managers, more commitment to Asian managers (American managers, $M=3.41$, Asian managers, $M=3.85$, $t=-3.31$, $p<.01$) and to Chinese managers (American managers, $M= 3.41$, Chinese managers, $M=3.67$, $t=-1.96$, $p<.01$). However, there is no significant difference in their commitment when they work with non-Chinese Asian managers than with Chinese managers (Asian managers, $M= 3.85$, Chinese managers, $M=3.67$, $t=2.61$, $p=ns$).
Results of t-tests also suggested that in comparison to American managers, Chinese employees looked forward to future collaboration with Asian managers (American managers, M=3.31, Asian managers, M=3.78, t=-3.45, p<.01) and with Chinese managers (American managers, M=3.41, Chinese managers, M=3.52, t=-1.96, p<.01). They also wanted to work with non-Chinese Asian managers more than Chinese managers (Asian managers, M=3.78, Chinese managers, M=3.52, t=2.15, p<.01).

DISCUSSION

Previous research has emphasized the value of relationships between managers and employees for leadership and the difficulties of forming such relationships, especially across cultural boundaries (Brower, et al., 2000; Graen and Uhl-Bien, 1995; House, Wright and Aditya, 1997; Hui and Law, 1999). Results of our study support the theorizing that the quality of the relationships between managers and employees affects employee performance and leadership effectiveness, and extend this theorizing to cross-cultural settings. Findings emphasize that quality LMX relationships between managers and employees are a foundation for effective leadership and employee commitment to the organization in foreign ventures operating in China.

In addition to supporting the theorizing that cooperative goals can enhance LMX relationships and extend it to cross-cultural settings, results directly contribute to international organizational behavior knowledge and practice. Cooperative but not competitive or independent goals were strongly predictive of quality relations
between Chinese employees and their foreign managers. When Chinese employees believed that their goals with foreign managers were cooperative, but not competitive or independent, they were much more likely to develop quality LMX relationships with their managers. These quality LMX relationships appear to be constructive because they foster interaction that helps employees feel committed and motivated to contribute to the organization.

Our findings overall provide the empirical support for using the theory of cooperation and competition and the theory of LMX to guide the development of leadership that crosses cultural boundaries. This study draws upon previous research but extends this research by applying the theory in cross-cultural leadership settings. The theory of cooperation and competition develops a framework for understanding how goal interdependence affects interaction dynamics and how these dynamics affect outcomes.

Our support for the theory of cooperation and competition helps to clarify the popular assertion of the value of “common goals”. The theory indicates what is critical about “common goals” is not that people have the same goal, but believe that their goals are positively related, that one succeeds as the other succeeds. Leaders may have the goal to please an important customer and the employee has the goal to demonstrate his or her competence; but if they believe that their goals are compatible, our results suggest that this experience enhances their relationship. However, if they believe these goals are incompatible—for example, the employee believes he has to demonstrate his competence by documenting that he was right and the customer wrong—then these incompatible goals disrupt a high quality relationship.
Although results overall support the general theorizing that cooperative goals promote LMX relationships and competitive and independent goals frustrate these relationships, findings unexpectedly and tentatively suggest that independent goals might induce a lower LMX relationship than competitive goals. Perhaps having a connection, although competitive, contributes to the leader relationship more than the indifference and lack of connection of independent goals. Independence may communicate an aggressive rejection of the interdependence imposed upon them by the organization. As these results are only suggestive, much more research is needed to explore the role of independent goals in leader relationships.

Recently, researchers have argued that culturally diverse people need theoretical frameworks for how to deal with barriers and obstacles and interact effectively (Bond, 2003; Smith, 2003). Results suggest that Chinese employees, despite their different cultures and unequal status, can develop cooperative goals with their American managers. These goals are a foundation upon which Chinese employees can overcome their cultural distance and develop a strong LMX relationship with American managers.

Results also confirm the difficulties of working across cultures. Chinese employees concluded that their managers with similar Asian cultural values--Hong Kong, Taiwan and Japanese managers as well as Chinese managers--were more effective than American managers and wanted to collaborate with them more in the future. These findings occurred, although generally American managers have a higher organizational status than Asian and Chinese managers in China.
Results also tentatively suggest that Chinese employees rated their Asian managers higher than Chinese managers on leader effectiveness and future collaboration. It may be that Chinese employees considered their Asian managers culturally similar, but also interesting to work with. They may have been more tolerant and understanding of Asian managers where they expected Chinese managers to be more knowledgeable of how to work with them. Research is needed to investigate these and other possible reasons for why Chinese employees appear to want to collaborate with managers with similar cultural values, but appreciate their Asian managers more than Chinese managers.

Although theories based on North American data cannot be assumed to apply in other cultural settings (Adler, 1983), results of this study suggest the usefulness of the theory of cooperation and competition in China and the theory of LMX. Although developed in the West, the theories proved useful for understanding leadership dynamics in East Asia (Deutsch, 1973). Goal interdependence was found to affect leader effectiveness and employee commitment to the organization. The research approach of identifying conditions that impact organizational dynamics and outcomes in China with a theory that has universal aspirations may be a viable addition to the traditional alternatives of comparing samples from different cultures and exploring a culture variable with an indigenous theory (Bass, 1997; Leung, 1997). The research approach used in this study can both probe general theories and improve understanding of cooperative dynamics in non-Western cultures.

Limitations

The operations and sample, of course, limit the validity of the findings. The results of many tests, though statistically significant, do not suggest the variables
account for a great deal of variance. The data are self-reported and subject to biases, and may not be accurate, although recent research suggests that self-reported data are not as limited as commonly expected (Spector, 1992). The study is also limited by common method problems, but recent studies suggest that common method variance may not be as much of an artifact as commonly assumed (Avolio, Yammarino and Bass, 1991; Spector, 1987). It would be useful to assess directly and compare the perspective of foreign managers as well as Chinese employees. The samples are not representative of all Chinese employees with American, Asian and Chinese managers. The lack of significant effects due to competition could have been because of limitations of the competition scale as suggested by its low alpha for two of the three groups. Results on comparisons between Chinese employees reactions to culturally diverse managers across these respondents should be considered tentatively, as the samples are not representative.

Research using different methods, larger and more representative samples is needed to test and refine the propositions argued here (Spector and Brannick, 1995). It would be desirable to provide direct experimental verification of the role of cooperative goals on leader effectiveness between foreign managers and Chinese employees.

**Practical Implications**

Foreign managers’ effective leadership of local employees may be quite useful for facilitating the adaptation and application of multi-national expertise to local conditions. However, developing quality relationships between managers and employees who are also culturally diverse may be particularly difficult. In addition to
developing theoretical understanding, continued support for the hypotheses can have important practical implications for strengthening leadership.

Results suggest that foreign managers and their employees can use the theory of cooperation and competition to develop a high quality relationship that helps them be effective. As cross-cultural interaction is a process of learning to live with changes and differences (Anderson, 1994), managers and employees working for international organizations can structure cooperative goals so that they can have quality relationship and work effectively. In diagnosis, cooperative, competitive and independent goal measures can help managers and employees identify their barriers to a quality LMX relationship. Training for managers and employees who rate low on cooperative goals can be provided to socialize them to form cooperative goals and to develop key skills (Tjosvold and Tjosvold, 1995). They can be trained to reinforce cooperative goals through shared goals, integrated roles, compatible task, team identity, personal relationships, and shared reward distributions (Hambrick, 1994; Hanlon, et al., 1994; Li, et al., 1999; Pearce, 1997).

Foreign managers and local employees can also be trained in important cooperation skills, namely, how to express their own positions and views fully, and at the same time, put themselves into other’s shoes and see the problem from other person’s perspectives. They can also to learn to integrate their opinions to find mutually benefit solutions. Realizing that they have cooperative goals, they try to help each other achieve what they really need and value and avoid trying to win or outdo each other.
Researchers have long argued for the value of relationships for organizational work in China (Leung, 1987). Similarly, LMX research has indicated that the relationship between manager and employee very much effects leadership success (Brower et al., 2000; Graen and Uhl-Bien, 1995). Research has also indicated that cooperative goals facilitate effective relationships (Deutsch, 1973). This study has linked this theorizing on Chinese management, the idea of leader-member exchange, and the theory of cooperation and competition.

Working with foreign managers offers opportunities for local employees, but also presents challenges for developing an effective leader relationship; employees and their managers need a framework for how they can overcome barriers and interact effectively (Bond, 2003; Smith, 2003). Forming cooperative goals allowed Chinese employees to develop strong, quality relationships, even with culturally diverse managers. With cooperative goals, Chinese employees and their foreign managers were able to overcome obstacles and cultural differences so that the leaders were effective and employees were committed and wanted to work together in the future.
References


years: Applying a multi-level multi-domain perspective. Leadership Quarterly, 6, 219-247


Figure 1

LMX Relationship

Cooperation

Competition

Independence

Leader Effectiveness

Commitment to Organization

Future Collaboration
Table 1  
Correlations among Variables

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Note:

a Values in bracket are reliability (coefficient alpha) estimates.

b **p<.01; *p<.05.
Table 2  Results of the Confirmatory Factor Analysis of the Measurement Models

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Note: LE is Leader effectiveness
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**Results of SEM Analyses**  
*(Chinese Employees with American Managers)*

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***p<.001; **p<.01; *p<.05
### Table 4
Results of SEM Analyses
(Chinese Employees with Asian Managers)

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**p<.001; ***p<.01; *p<.05
Table 5
Results of SEM Analyses
(Chinese Employees with Chinese Managers)

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***p<.001; **p<.01; *p<.05
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* * p<.01; * p<.05
APPENDIX
Scales and Items

Goal Interdependence

Cooperation
1. My manager and I share common goals.
2. I take interest in the things my manager wants to accomplish.
3. My manager and I want each other to succeed.
4. I am pleased when my manager succeeds.
5. My manager’s goal attainment contributes to my achievement.

Competition
1. What helps me gets in my manager’s way.
2. My manager and I have a win-lose relationship.
3. I structure things in ways that benefit my goals rather than my manager’s.
4. I care about my goal attainment, not my manager’s accomplishment.

Independence
1. My manager does not know what I want to accomplish.
2. Both my manager and I do our own thing.
3. I do best when I work alone rather than with my manager.
4. My manager and I work for our own separate interests.
5. My manager’s success is unrelated to my success.

Mediator

LMX Relationship
1. My manager and I care about each other’s work problems and needs.
2. My manager and I recognize each other’s potential.
3. My manager and I are inclined to pool our available resources to solve the problems in my work.
4. My manager and I have confidence in each other’s capability.
5. My manager and I are satisfied with each other’s work.

Outcomes

Leader Effectiveness
1. My manager performs his leader roles appropriately.
2. My manager exercises his responsibilities well as a leader.
3. I am satisfied with my manager’s overall effectiveness as a leader.
4. The way my manager manages the work inspires me to a better job performance.
5. I can work effectively under the leadership of my manager.

Commitment to Organization
1. I have a strong sense of belonging to my company.
2. This firm has a great deal of personal meaning to me.
3. I feel “emotionally attached” to this firm.
4. I am highly committed to the goals of my company.
5. In general, I am highly pleased and satisfied working for my company.

Future Collaboration
1. I hope I can work with my manager in the future.
2. I hope my manager can help me to recognize and correct my mistakes in the future.
3. I will try to seek opportunities to work with my manager in the future.
4. I would be very pleased if my manager continued to be my manager in the future.