

**Understanding Employees' Organizational Citizenship Behaviors through
the Mediating Role of Corporate Social Responsibility**

Yenhui Ouyang

Assistant Professor

Department of Finance and Banking, Kun Shan University

Tainan, Taiwan

ouyang@mail.ksu.edu.tw

Abstract

Leader-member exchange (LMX) and employer-employee guanxi (personal connections) have received increasing amounts of attention in the workings of Chinese management and organization. The purpose of this study seeks to examine the impacts of LMX and employer-employee personal guanxi on organizational citizenship behaviors (OCBs), and test empirically whether this relationship is mediated by the emerging field of corporate social responsibility (CSR) in financial service personnel. Using a sample of two hundred and twenty-eight financial service employees, we tested several causal hypotheses pertaining to the antecedents and impacts of organizational citizenship behaviors by means of structural equation modeling to measure the relationship among these constructs. Research findings indicate that LMX and employer-employee guanxi positively affect organizational citizenship behaviors (OCBs), mediated by corporate social responsibility (CSR). The empirical results and managerial implications of the findings are discussed and directions for future research are suggested.

Keywords: Leader-member exchange (LMX), Employer-employee guanxi, Corporate social responsibility (CSR), Organizational citizenship behaviors (OCBs).

Jel classification: C12 ; M12 ; M14

1. INTRODUCTION

The quality of leadership is one of the primary areas of study, research, and practice in organizational behavior. Leader-member exchange theory (LMX) describes how leaders in groups maintain their position through a series of implicit exchange agreements with each member of the group that they lead, and explains how those relationships with various members can develop in particular ways. These relationships can be characterized as high (good) or low (bad) in quality and help to embed employees within organizations. Guanxi is a Chinese word and regarded as a key determinant to business success in modern Chinese

society (Luo, 2000; Leung, Wong & Wong, 1996). In recent decades, guanxi has increasingly been widely studied, such as ethics (Tan and Snell, 2002) and organizational behavior (Chen and Tjosvold, 2007). Employer-employee guanxi means the personal relationship between an employer and an employee that is developed largely from non-work related social interactions both inside and outside office hours (Cheung et al., 2009). Recently, many scholars have highlighted that employer-employee guanxi is directly and indirectly associated with work outcomes. However, no papers refer to the mediating effect of corporate social responsibility (CSR) in the relationships between LMX and employer-employee personal guanxi related to employees' organizational citizenship behaviors.

Corporate social responsibility (CSR) is a managerial framework for a corporation to improve its legitimacy. Recently, CSR has emerged as a social movement. In addition, leaders play important roles in setting the standard for social responsibility in organizations. CSR is becoming a deep-rooted concept and a progressively critical issue in the financial services industry, but there are still questions about whether organizations' spent resources on corporate social responsible is significantly associated with employees' organizational citizenship behaviors.

As the financial markets confront strong and unexpected competition, the relationship of employer-employee, beyond the employment contract, is more important than before. An interaction of high quality is characterized by a relationship that goes beyond the contract, and is likely to lead to extra-role organizational citizenship behaviors (Kanika, 2007). OCBs are considered intangibly precious for organizations attempting to strengthen their capability in competitive global markets.

Although previous studies have identified how the moral development and ethical behavior of employees affect attitudes, such as satisfaction and person-organization fit (Schminke et al., 2005; Maureen et al., 2008), the causal relationships among LMX, employer-employee guanxi, CSR, and OCBs have received very little empirical attention. Thus, understanding the relationship between employers and employees would be helpful to assist them in developing the culture of employees' OCBs through favorable corporate social responsibility. We posit that CSR is one of the important mediators between LMX and employer-employee personal guanxi with employees' OCBs.

The present study therefore aims to explore the causal linkages among these constructs in this context. Finally, in this paper we will not only integrate both the Western theory of LMX as a result of work-related exchanges and the Chinese conception of personal guanxi as a result of non-work related social interactions to examine their direct effects on employees' OCBs, but will also study their indirect effects via CSR.

2. REVIEW OF THE RELATED LITERATURE AND HYPOTHESES DEVELOPMENT

2.1 THE EFFECT OF LMX ON OCBs

The quality of relationships between supervisors and subordinates is often studied via LMX theory. LMX describes the relationship between a leader and a subordinate and how they influence each other in an organization and their interdependencies (Yukl, 1998; Scandura, 1999). Due to its origins from the role theory (Kahn, Wolfe, Quinn, Snoek, & Rosenthal, 1964) and social exchange theory (Cropanzano & Mitchell, 2005), the LMX model suggests that supervisors form differential relationships with their subordinates, with qualities varying from low to high (Liden, Erdogan, Wayne, & Sparrowe, 2006). Higher-LMX subordinates received more preferential treatment, increased job-related communication, differential

allocation of formal and informal rewards, ample access to supervisors, and increased performance-related feedback than lower-LMX subordinates (Elicker, Levy, & Hall, 2006; Graen & Uhl-Bien, 1995). These advantages for high quality LMX subordinates are likely to be related to positive outcomes (Kenneth, J. H., Ranida, B. H., & David, M. E., 2007) and may be willing to do extra-role tasks to which their leaders will reciprocate (Graen & Scandura, 1987).

The LMX and OCBs have become the foundation of a new age of managing a diversified workforce in the advent of a globalized world (May, C. L. et al., 2006). Past studies have found support for an association of LMX with organizational citizenship behavior (Ansari et al., 2007; Hackett and Lapierre, 2007; Ilies et al., 2007). OCBs are behaviors that are voluntary and not part of the normal role requirements, and not directly recognized by the formal reward system. OCBs are also innately moral in that the actor chooses to perform a behavior that is beneficial to another person, generally regarded as honorable. Research from a social exchange perspective has viewed OCBs as a contribution to the organization (Organ and Paine, 1999).

Moorman (1991) found a positive and significant relationship between a subordinate's perception of his or her leader's interactional behaviors and four of the five dimensions of OCBs. He concluded that when leaders behave in ways that employees perceive to be fair, considerate, kind, and they can accurately perceive the needs and feelings of their followers, the subordinates reciprocate with increased levels of altruism, courtesy, sportsmanship, and conscientiousness. Because the leader trusts a particular subordinate and provides certain advantages to him or her in terms of greater authority, the subordinate may develop a feeling

that he (she) wishes to repay the favor to the leader. Accordingly, the favorable exchange relationship will bring about the citizenship behaviors from subordinates. This is further supported by May Chiun Lo (2006), where the positive reciprocity is influenced when subordinates receive favors from their superiors, this will cause the subordinates to feel gratitude and payback the friendly action of their superiors by performing OCBs.

Employees perceived that leadership will be positively related to their job involvement within their organizations. As a result, employees display a higher degree of OCBs to facilitate effective functionality in the organization. Bolino (1999) has pointed out that if the subordinates realized that they have limited control in-role performance, they would be more likely to rely upon extra-role behaviors to enhance their images and distinguish themselves from others (Thomas, Au, & Ravlin, 2003). OCBs can be explained based on the psychological contract between organization and employees. Therefore, the quality of the leader-subordinate relationship plays an important role in defining subordinate's overall job attitudes (Mulki et al., 2006). Consistent with the prior literature and results, we predicted that LMX has significant influence on the level of OCBs among subordinates as a high quality of LMX may motivate employees to display positive reciprocity to the leader and increased productivity beyond the formal employment contract. Accordingly, we hypothesize that:

H1: LMX has a positive association with subordinate OCBs.

2.2 THE EFFECTS OF EMPLOYER-EMPLOYEE GUANXI ON OCBs

Guanxi can be defined as a special type of relationship which contains trust, favor, dependence and adaptation (Wong, 1998; Farh et al., 1998). Guanxi networks are considered as important elements within family, work and social contexts in Chinese society (Peter and

Humphreys, 2007) to an extent unparalleled in the West. A common conception by many Westerners is that guanxi is in some way unethical (Chan et al., 2002), but Chen and Francesco (2000) have highlighted the fact that Chinese culture is quite different from that of the West in many ways, and that its relative complexity and lack of a clear legal framework make guanxi necessary for the smooth running of society.

Employer–employee guanxi is a personal tie that employees develop with their employer from social interactions both inside and outside working hours, and it is particularly important in the Chinese context (Cheung et al., 2009). Firms in Chinese society tend to be owned by the founders and run by family members, resulting in more bureaucratic control and centralized decision making (Lok et al, 2004). Thus, promotion of employees is often highly associated with the founding families and their guanxi networks. However, most Western firms tend to be owned by shareholders and run by professional managers, so promotion is often related to individual competence and merits (El Kahal, 2002). Based on the literature developed above, we come to a conclusion that through developing good guanxi with their employers, employees who feel good about their jobs will in turn make voluntary efforts at work that go beyond the stated mission and task.

H2: Employer–employee guanxi is positively associated with employee OCBs.

2.3 THE MEDIATING ROLE OF CSR

Corporate social responsibility (CSR) is about how companies manage their business in an ethical way, taking account of their impact economically, socially, environmentally, and in terms of human rights (Roger, E. K., 2009). William (2009) views corporations as having an obligation to avoid harming the environment, to contribute positively to the local community,

and to promote the well-being of their employees and treat them fairly. Jay et al. (2009) identifies a type of leadership style that can help firms get back to the subject of corporate social responsibility and remind business firms that they do have obligations to fulfill their social duty and moral obligations that go beyond maximizing their profits. A number of studies have explored the issues related to leaders who play decisive roles in the attitudes and behaviors of employees (Jaramillo et al., 2006; Mulki et al., 2007). Maureen et al. (2008) suggested that the actual fits between individual and organizational ethical values are important predictors of employee attitudes. Recently, Ingram et al. (2007) have explored the influence of a model of leadership style, and assess the impact on the ethical climate. Redington (2005) emphasized companies need to engage with CSR because it offers a better way of doing business. Sirota et al. (2005) also mentioned there is a strong positive relationship between employee morale and business success.

Hence, based on these prior findings, we can conclude leaders have significant influences on employee social responsibility, and employees in turn would offer extra-role contribution to their organization, which would lead to higher levels of organizational citizenship behaviors. In other words, CSR would mediate the relationship between employers and OCBs of employees. Taken together, we formulate the following hypotheses:

H3: LMX is positively associated with subordinate corporate social responsibility (CSR).

H3-1: CSR is a Mediator of the LMX and OCBs relationship such that the direct effect of LMX-OCBs becomes insignificant (or weakens) after CSR is considered.

H4: Employer–employee guanxi is positively associated with subordinate CSR.

H4-1: CSR is a Mediator of the employer–employee guanxi and OCBs relationship such that the direct effect of employer–employee-OCBs becomes insignificant (or weakens) after CSR is considered.

3. METHODOLOGY

According to the needs of each research construct and hypothesis, SPSS 15.0 for Windows and Amos 7.0 were used to analyze the data. The instrument was administered as a questionnaire survey to 500 employees drawing from twenty-five financial institutions in southern Taiwan. After deleting the incomplete ones, a sample size of 228 responses was received, yielding a response rate of 45.6%. Based on interviews with experts and the review of the relevant literature, this study measured LMX, personal guanxi, CSR, and OCBs, via a seven-point Likert scale, which range from “Strongly Disagree” (weighted 1) to “Strongly Agree” (weighted 7). Respondents were asked to answer questions on the five constructs. The survey period was from June, 2009 to October, 2009, with financial service employees used as the sample. The statistical procedures and measures used in this paper are methodologies recommended by Khong and Richardson (2003). These methodologies aim to find the causal relationships among these constructs and determine their significance, as well as estimating the predictive power of the model.

4. ANALYTICAL PROCEDURES AND RESULTS

4.1 RELIABILITY AND VALIDITY

Before the testing of hypotheses, we analyzed the convergent validity, discriminant validity, and reliability of all the multiple-item scales, following the guidelines from previous research

(Fornell and Larcker, 1981; Gefen and Straub, 2005). The measurement properties are reported in Tables 1 and 2.

Reliability was assessed in terms of composite reliability, which measured the degree to which items are free from random error and therefore yield consistent results. Composite reliabilities in our measurement model ranged from 0.9038 to 0.9537 (see Table 1), which is above the recommended cutoff of 0.70 (Fornell and Larcker, 1981; Nunnally and Bernstein, 1994). Convergent validity was assessed in terms of factor loadings and average variance extracted. According to the prior study, convergent validity requires a factor loading greater than 0.70 and an average variance extracted of no less than 0.50. As shown in Table 1, all items had significant factor loadings higher than 0.7. Average variances extracted ranged from 0.7671 to 0.8376, suggesting adequate convergent validity. Thus, all factors in the measurement model had adequate reliability and convergent validity.

Table 1 Reliability and factor loadings

Constructs/Measurement Items	Standardized loadings	CR	AVE
Leader-member exchange (LMX) LMX1: Our leader encourages us to make great efforts toward the perspective of our company. LMX2: Our leader is very friendly and always takes very good care his subordinates.	0.900*** 0.916***	0.9038	0.8245
Employer-employee guanxi (GX) GX1: I have good guanxi with my employer, so my work goes more smoothly. GX2: By establishing a good interaction with my employer out of the working hours, I can get more business resources. GX3: I am very confident in my work because I have good guanxi with my supervisor.	0.942*** 0.822*** 0.895***	0.9175	0.788
Corporate Social Responsibility (CSR) CSR1: Our company aggressively innovates the technique to promote performance.	0.904***	0.9537	0.8376

CSR2: Our company cares considerably about the benefits of our customers and is responsible in advertising.	0.955***		
	0.923***		
CSR3: The service attitude of financial service personnel is pretty good, and voluntarily helps customers to increase financial knowledge.	0.877***		
CSR4: Our company makes efforts in various CSR issues involving women, ethnic minorities, and disabled minorities.			
Organizational Citizenship Behaviors (OCBs)		0.9292	0.7671
OCB1: I always spend time listening to the unhappiness of other coworkers.	0.810***		
OCB2: The coworkers believe in the commitment that I give to him (her).	0.921***		
OCB3: I always inform the message of my job to my coworkers.	0.940***		
OCB4: In treating newcomers, I will not use a different attitude.	0.825***		

Note : *** means the values are significant at the 0.001 level.

Discriminate validity was assessed via comparisons of the square roots of the AVE values with the correlations between the latent constructs (Table 2). Fornell and Larcker (1981) assert that average variance shared between a construct and its measures (square root of the AVE) should be greater than the variance shared between the constructs and other constructs in the model. Table 2 shows the inter-construct correlations of the diagonal of the matrix. This showed that the shared variance between factors were lower than the average variance extracted from the individual factors, confirming strong discriminate validity (Fornell and Larcker, 1981). In summary, the psychometric properties of the scales are very good.

Correlation analysis focuses on the measurement of the degree of affinity between constructs and determines if the parent bodies are correlated. The Pearson coefficient of correlation was used to test if there were any significant correlations between the aspects of the degree of LMX, employer-employee guanxi, CSR and OCBs, and to find the degree of affinity between

the aspects of constructs before we used SEM analysis to explore the causality of each aspect. In summary, the results showed that there were significant positive correlations between these constructs.

Table 2 Correlation matrix of latent constructs

Construct	(1)	(2)	(3)	(4)
(1) LMX	(.9080)			
(2) Employer-employee guanxi	.836(**)	(.8877)		
(3) CSR	.585(**)	.565(**)	(.9152)	
(4) OCBs	.625(**)	.540(**)	.719(**)	(.8758)

Note : All correlations are significant at the 0.01 level (2-tailed).

The square root of average variance extracted for observed constructs are in parenthesis in the diagonal.

4.2 THE RESULTS OF THE STRUCTURAL MODEL

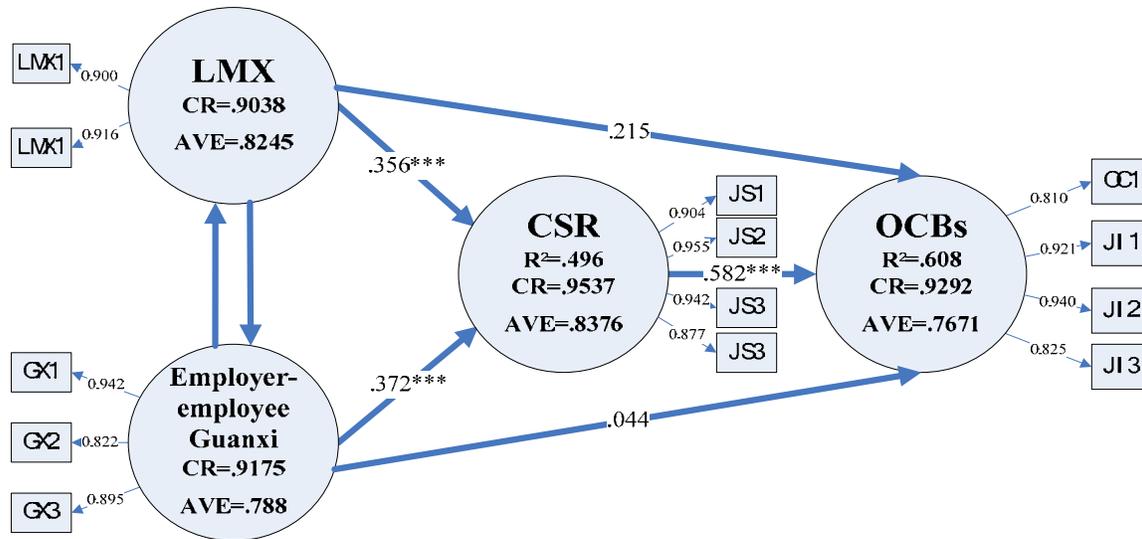
Structural relationships in the conceptual model were tested with AMOS 7.0. The maximum likelihood fitting function was used to estimated parameters and test hypotheses. Therefore, SEM is the most suitable analysis to estimate the strength of the causal relationships among these constructs. Bagozzi and Yi (1988) suggested a similar set of fit indices to examine the structural model (see Table 3). Overall, the model fits the data reasonably well ($\chi^2 / d.f.$ = 2.34, 60 degrees of freedom, GFI= 0.914, AGFI= 0.870, CFI = 0.974, NFI= 0.956, IFI=0.974, RFI=0.943, PNFI=0.735, PGFI=0.603 and RMSEA 0.077). Thus, we could proceed to examine the path coefficients of the structural model.

Table 3 Results of the best fitting model

Fit Indices	Benchmark	Value
Absolute fit measures		
CMIN (χ^2)		140.289
DF		60
CMIN (χ^2)/DF	3	2.34
GFI (Goodness of Fit Index)	0.9	0.914
RMSEA (Root Mean Square Error of Approximation)	0.08	0.077
Incremental fit measures		
AGFI (Adjusted Goodness of Fit Index)	0.80	0.870
NFI (Normed Fit Index)	0.90	0.956
CFI (Comparative Fit Index)	0.90	0.974
IFI (Incremental Fit Index)	0.90	0.974
RFI (Relative Fit Index)	0.90	0.943
Parsimonious fit measures		
PGFI (Parsimonious Goodness of Fit Index)	0.50	0.603
PNFI (Parsimonious Normed Fit Index)	0.50	0.735

4.3 PATH COEFFICIENTS AND PREDICTIVE ABILITY

Properties of the causal paths (standardized path coefficients) and t-values are shown in Fig 1. The effect of CSR on OCBs was significant ($\beta= 0.582$, $p<0.001$). As expected, LMX had a strong positive and highly significant influence on CSR ($\gamma= 0.775$). Employer-employee guanxi was found to be a significant factor in determining CSR ($\gamma= 0.372$, $p<0.001$). Altogether, LMX, employer-employee guanxi, and CSR accounted for 60.8% of the variance in OCBs of subordinates, with CSR exerting a stronger direct effect on OCBs of subordinates than LMX and employer-employee guanxi. About 50% of the variance in CSR was explained by LMX and employer-employee guanxi.



Note : *** means the values are significant at the 0.001 level.

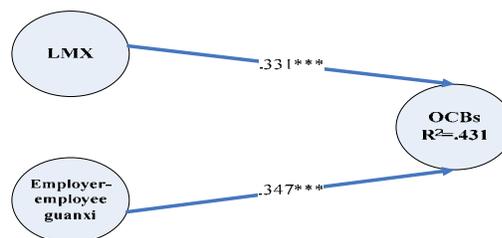
Figure 1 The relationship between LMX, Personal guanxi, CSR, and OCB

We tested two versions of our model. In the first model (Figure 1) we included all constructs, testing direct and indirect (via CSR) relationships between the two forms of LMX and employer-employee guanxi on OCBs. With the exception of two paths (LMX=>OCBs and employer-employee guanxi=>OCBs), all paths were significant. The direct and total effect of CSR on OCBs was 0.582. However, the total effect of LMX on OCBs was 0.421. LMX, despite showing a weaker direct effect than CSR on OCBs, exhibited a stronger total effect on OCBs than that of CSR. The direct, indirect, and total effects of LMX, employer-employee guanxi, and CSR on OCBs of subordinates are summarized in Table 4.

Table 4 The effects of LMX, employer-employee guanxi and CSR on OCBs of subordinates

	Direct effect	Indirect effect	Total effect
LMX	0.215	0.207	0.421
Employer-employee guanxi	0.044	0.216	0.261
CSR	0.582	N.A.	0.582

Baron and Kenny's (1986) logic states that a variable functioning as a mediator tests the mediating effect of corporate social responsibility. Figure 2 shows that the direct paths of LMX-OCBs and employer-employee guanxi-OCBs were significant at $p < 0.001$. After introducing CSR as a mediator of the path between LMX with employer-employee guanxi and OCBs relationships, the direct path from LMX to OCBs (from $\gamma = 0.331^{***}$ to $\gamma = 0.215$) and from personal guanxi to OCBs (from $\gamma = 0.347^{***}$ to $\gamma = 0.044$), became insignificant, indicating a full mediating effect of CSR on the LMX-OCBs and employer-employee guanxi-OCBs relationships.



Note : *** means the values are significant at the 0.001 level.

Figure 2 Direct effect model

5. CONCLUSIONS

This study aimed to find what plausible factors have impacts on financial service personnel's corporate responsibility, which in turn affect their OCBs. Firstly, we demonstrated that there is a strong and positive relationship between LMX, employer-employee guanxi and OCBs. Secondly, we identified that LMX and employer-employee guanxi are the important antecedents of OCBs. Thirdly, we hypothesized and demonstrated empirically that LMX and employer-employee guanxi are also related to OCBs via CSR, whereas the path between LMX-OCBs and employer-employee guanxi-OCBs was fully mediated by CSR. Thus, CSR

contributes to a better explanation of employees' OCBs in the context of LMX and employer-employee guanxi.

6. MANAGERIAL IMPLICATION

One obvious implication of the present study is that LMX and employer-employee guanxi have a significant impact on employees' organizational citizenship behaviors via corporate social responsibility. Our empirical evidence suggests that the relationships between LMX-OCBs and employer-employee guanxi-OCBs are better explained when CSR is taken into account. LMX and employer-employee guanxi appeared to be the important determinants of CSR and employees' OCBs. LMX and employer-employee guanxi directly, and via CSR indirectly, explained 60.8 percent of the variance in employees' OCBs. Moreover, we could understand that there are significant positive correlations between LMX, employer-employee guanxi, corporate social responsibility, and organizational citizenship behaviors. In other words, if employees perceive a higher degree of CSR from their employers or within their organizations, they will naturally display a higher degree of OCBs to facilitate effective functionality in the organization. Our empirical results have provided reliable and valid measures of the constructs, allowing the supervisors of financial institutions to fulfill their CSR. In turn, employees are more aggressive on their extra-job or organizational citizenship behaviors.

In the wake of recent immoral scandals around the financial sectors, such as the event of structured notes, financial institutions face growing pressure from their customers and stakeholders. The initiative of corporate social responsibility becomes more important than before. Many well-known domestic and international periodicals such as Common Wealth,

Forbes, and Fortunes also measure corporate social performance for readers to appraise the moral and ethical behaviors of enterprises. Engaging in the promotion of corporate social responsibility, the employers must work together with their employees to set the rules of corporate social responsibility. The Economist (2008) reported that practitioners believe that CSR behaviors result in subordinates feeling proud to identify with work organizations that have a favorable reputation, and contributes to long-term benefits for the firm. Thus, organizational employers need to recognize the importance of development and implementation of CSR. Through this recognition, the employees will be positively influenced by their association with an esteemed work organization and improve their organizational citizenship behaviors.

7. LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

There are several limitations in this study. First, it has relied primarily on samples drawn from financial institutions in southern Taiwan, thus the findings cannot be generalized to other firms in Taiwan. We also suggest that follow-up research improve the sampling method or choose employees of other service industries as the object and further test the exterior validity of the structural model. It would also be worthwhile to identify the importance of LMX and employer-employee guanxi under different economic conditions (e.g. during or after the worldwide “financial tsunami”).

Second, future studies should examine the influence of LMX and employer-employee guanxi in other Asian contexts, particularly where Chinese culture has a strong influence. Additionally, future research could put more effort into exploring other plausible moderators which have moderating effects between LMX-OCBs and personal guanxi-OCBs. Finally,

longitudinal studies should be expanded to understand the development of LMX and employer-employee guanxi more thoroughly and provide more conclusive findings on the direction of causality between LMX-employee OCBs, and employer-employee guanxi OCBs in different contexts.

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