# Delegation, Job Satisfaction and Subordinate Performance: The Mediating Effect of Leader-Member Exchange

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## ABSTRACT

Delegation is widely accepted as an essential element of effective management in North American organizations; however, delegation may not be effective in other countries where employees hold different cultural values. We suggest that Chinese cultural values are inconsistent with delegation, and as such we develop a model in which leader-member exchange (LMX) mediates the relationship between delegation and, subordinate job satisfaction and performance in the Chinese context. Our sample comprised 186 Chinese subordinates working in a large transport company in Hong Kong. Our results show that LMX partially mediates between delegation and job satisfaction and fully mediates between delegation are discussed, particularly in the context of employees' national cultural differences.

*Keywords: Delegation, leader-member exchange, job satisfaction performance, Chinese subordinates* 

## **INTRODUCTION**

Delegation is widely accepted as an essential element of effective management; however our understanding of delegation has been largely restricted to North Americans organizations. (Yukl, 1994; Pellegrini and Scandura, 2006). There is certainly ample evidence to support the view that cultural values influence the way managers behave, and cultural differences evoke subtle yet powerfully different managerial behaviours and management styles (Michael, 1997; Hempel, 2001; Hong and Engestrom, 2004). Thus, delegation may be effective in some cultures and not others. As noted by Pellegrini and Scandura, (2006), there is a paucity of research that examines how cultural issues might affect leadership practices, such as delegation. We argue that delegation is unlikely to be effective among Chinese subordinates who are culturally more comfortable with a paternalistic management style where the boss directs subordinates on work tasks. Moreover, subordinates are accustomed to taking orders and delegation is not sought nor desired (Hui, Law and Chen, 1999).

A related construct is leader-member exchange (LMX), which refers to the quality of the relationship between superior and subordinate (Graen and Uhl-Bien, 1995). Leader-member exchange, unlike delegation, has been examined across a range of cultural contexts, other than North America (e.g., Netherlands, Australia, Japan, Middle East, Colombia, India and

mainland China), and this research is universally supportive of a positive relationship between quality LMX relationships and job outcomes, such as performance and job satisfaction (Wakabayashi, Graen and Graen, 1988; Graen and Wakabayashi, 1994; Bhal and Ansari, 1996; Hui et al., 1999; Pillai, Scandura and Williams, 1999; Jannssen and Van Yperen, 2004; Varma, Srinivas and Stroh, 2005; Wang et al., 2005; Pellegrini and Scandura, 2006).

We attempt to integrate these two important managerial constructs by suggesting that delegation requires some sort of relationship between superior and subordinate, and the nature of that relationship differs across cultures. Further, we argue that the nature and quality of the superior-subordinate relationship are fundamental to linking delegation to subordinate work responses, particularly in the Chinese context. Restated, it is the quality of the LMX relationship through which delegation influences Chinese subordinate work outcomes. Consistent with this reasoning, we develop and test a path-analytic model in which LMX mediates the relationship between delegation and Chinese subordinate performance and job satisfaction.

## THEORY AND HYPOTHESES.

#### **Delegation in the Chinese Context**

Delegation is a process that involves assigning important tasks to subordinates, giving subordinates responsibility for decisions formally made by the manager, and increasing the amount of work-related discretion allowed to subordinates, including the authority to make decisions without seeking prior approval from the manger (Yukl and Fu, 1999). Leanna (1986) emphasizes that delegation differs from other decision making processes, such as participation (or consultation) in two main ways: (1) delegation involves decision making by an *individual subordinate* rather than by a group of subordinates or by a supervisor-subordinate dyad; and (2) delegation emphasizes subordinates *autonomy* in making decisions (Locke and Schweiger, 1979; Leanna, 1986).

Within the Western (primarily North American and British) theoretical and empirical literature, delegation is widely recognized as an essential element of effective management. Four main benefits of delegation can be identified from the literature: (1) delegation satisfies managers' need for achievement and autonomy, thereby providing a stimulus for motivation and more entrepreneurial behaviour (Mintzberg, 1979); (2) delegation reduces work overload of upper managers (Yukl and Fu, 1999); (3) delegation provides a training ground for the more complex strategic decisions that managers are likely to encounter in senior managerial positions (Yukl and Fu, 1999); and (4) delegation places decisions at levels where there may be greater expertise about particular issues than possessed by the supervisor, providing additional information processing benefits to the organisation which may result in more efficient and better quality decisions (Galbraith, 1973, Ito and Person, 1986). Thus, the Western organization behaviour and organization theory literatures have long acknowledged the positive relationship between delegation and job related outcomes, such as subordinate performance and job satisfaction (e.g., Argyris, 1964; Leanna, 1986, Schriesheim, Neider and Scandura, 1998; Yukl and Fu, 1999; Johnstone, 2000).

Whether the foregoing Western theoretical and empirical research outcomes with respect to delegation can be applied to Chinese subordinates is debatable. Chinese cultural values are quite different from Western cultural values (e.g., North America, Britain, or Australia). The influence of Chinese Confucian values results in a society that could be viewed as a hierarchical pyramid of roles which entail fairly well established norms governing how people should act and behave in relation to people in other roles (Redding, 1990; Xing, 1995; Tjosvold, Yu and Liu, 2003). The Five Cardinal Relations (*wu lun*) and the Rules of Correct Behavior (*li*) are fundamental elements of the Confucian tradition which emphasize respect for hierarchical order and age (Bond and Hwang, 1986). The Confucian principles of interpersonal relationships reinforce the subservience of subordinates and their dependence on superiors. As such, Chinese influenced organisations are characterised by vertical

relationships that promote a top down hierarchy featuring work situations that are highly structured where subordinates are told what to do (Redding, 1990). Thus, delegation - the process of assigning responsibilities to subordinates and giving them the discretion and authority to carry them out without supervision – seems inconsistent with Confucian Chinese values.

Further, it has been argued that managers in high power distance cultures (Hofstede, 1980), such as China and Hong Kong, engage in less delegating behaviour compared with low power distance cultures (e.g., North American, Britain, Australia, Canada) (Kirkbride and Tang, 1992; Hwang 1995; Redding 1990; Michael, 1997). High power distance cultures are generally characterised by the acceptance of human inequality and individuals show deep respect for authority that results in a paternalistic work relationship between superior and subordinate. Involvement in the decision making process is generally not sought by subordinates nor encouraged by superiors (Hofstede, 1980). High power distance cultural values, as well as Confucian principles of social hierarchy outlined above, appear to contravene the principles associated with effective delegation - autonomous decision making, risk taking and individual responsibility. In the Chinese context, therefore, delegation may not be associated with increased performance, nor increased work satisfaction of managers.

An additional feature of the Chinese culture that may influence the effectiveness of the delegation process is the collectivistic nature of Chinese people. In collectivistic societies, individuals are socialized into groups (e.g., family, work place) such that they find their own identities with reference to others around them and adopt group goals and opinions in exchange for reciprocal care and loyalty (Hofstede, 1980; Hwang, 1995). As such, group decision making may be viewed as superior to individual decision making (Hofstede, 1980); however, delegation (as conceived by Leanna [1986]) is about devolving decision making authority and responsibility to lower level *individual* managers who would be held personally accountable for decision outcomes. In collectivistic societies where the network of social

relations tends to rank higher than autonomy needs (Xing, 1995) delegating decision making autonomy to individual Chinese subordinate managers may not be associated with increased performance and satisfaction with work. Given the foregoing, we propose the following hypothesis:

H1: Delegation will not be associated with subordinate job satisfaction or job performance in the Chinese context

## Leader-Member Exchange.

Leader-member exchange (LMX), derived primarily from social exchange theory (Sparrowe and Liden, 1997), suggest that over time an interpersonal relationship develops between superior and subordinate within the context of the formal organization (Graen and Cashman, 1975). Where high quality interpersonal exchanges between superior and subordinate occur, subordinates enjoy a relationship based on mutual contribution, loyalty, trust and liking (Graen and Uhl-Bien, 1995; Pillai, et al., 1999).

Previous research consistently supports a positive relationship between LMX and organizational outcomes such as performance, job satisfaction, organization commitment and citizenship behaviours (Gerdtner and Day, 1997; Liden et al., 1997; Pillai et al., 1999; Scandura, 1999; Hackett et al., 2003; Wang et al., 2005) across a range of cultures including high power distance, collectivist countries such as India, Colombia, Middle East and China (Pillai et al., 1999 and Wang et al., 2005). Clearly, subordinates experiencing mutual respect and trust from their superior are likely to reciprocate with increased effort and thus higher performance. As stated by Wang et al. (2005), task performance may be viewed as a form of currency in the social exchange between superior and subordinate and a means of fulfilling obligations of reciprocity. Further, subordinates experiencing quality LMX relationships may perform better and find their job more satisfying because they experience greater praise and recognition from their superior and may have access to special private privileges such as access to important information and resources or special work assignments (Feldman, 1986).

Consistent with the foregoing, we propose,

H2: Leader-member exchange will be positively associated with subordinate job satisfaction and job performance in the Chinese context

## **Delegation and LMX**

Managers that delegate are likely to foster the formation of high quality relationship with their subordinates characterised by mutual trust, respect and loyalty; in turn subordinates experiencing trust and respect are likely to reciprocate by strengthening and encouraging the superior (Deluga, 1994; Graen and Uhl-Bien, 1995). As such, delegation can be viewed as a mechanism that builds and nourishes superior-subordinate relationships. Delegated responsibility sends signals of trust and competence (Leanna, 1986) to the subordinate contributing to the social bonding within the dyad.

Prior empirical studies have shown a positive association between delegation and LMX quality (Scandura et al., 1986; Graen and Scandura, 1987; Sparrowe, 1994; Liden et al., 1997 Schriesheim et al., 1998; Yukl and Fu, 1999) and this association has also been found in a high power distance, collectivist culture (Pellegrini and Scandura, 2006). Following previous theory and research findings we also expect to find a positive relationship between delegation and quality LMX.

# H3: Delegation will be positively associated with leader-member exchange in the Chinese context

Notwithstanding the direct relationships outlined above, we also hypothesize an indirect path between delegation and job satisfaction, and delegation and performance via LMX. That is, we expect that higher levels of delegated responsibility to subordinates provide an opportunity for mutual trust, respect and ongoing social reciprocal exchanges within the superiorsubordinate dyad. Delegation is a vehicle that encourages high quality LMX, where subordinates accept delegated responsibilities in exchange for added support, feedback, resources and special privileges and opportunities. In turn, high quality LMX is likely to be associated with enhanced performance and job satisfaction because of the positive benefits that accrue to them, such as support, recognition and privileges. The intervening effect of LMX in the relationship between delegation and job outcomes can be expressed as follows:

H4: Leader-member exchange will mediate the relationship between delegation and subordinate job satisfaction and performance in the Chinese context

## **RESEARCH METHODS**

#### **Sample and Procedures**

The relationship between delegation, leader-member exchange, job satisfaction and subordinate performance were examined in a field study conducted in a large transport organization in Hong Kong. Participants were employees of the company who had upward and downward lines of reporting to their immediate superiors and their subordinates (89% were first line managers and the remainder were middle managers). The survey questions, however, focussed on their role as a 'subordinate', and perceptions of the relationship with their immediate superior. The participants were mainly engaged in the operation of railway services which included the operations of stations and train services providing mass transit to millions of people every day in Hong Kong. Although all participants were of Chinese origin, English is one of the official languages of Hong Kong and following advice from the company, participants completed the questionnaire in English.

Copies of questionnaires were sent to the participants through the internal mailing system of the organisation. Self-addressed and prepaid envelops were provided to participants to guarantee their anonymity. A cover sheet which outlined the aims of this study and the voluntary nature of participation in this research project was attached to every copy of the questionnaire. Of the 260 questionnaires distributed to the organisation, 186 respondents returned the questionnaires representing a response rate of approximately 71.5%. The sample

consisted of 98% males, average age of 47 years, all participants had completed secondary school with 25% having completed a University degree, 93% of participants had worked at the organization for longer than 10 years and respondents cultural origins were mainland Chinese (38%) and Hong Kong Chinese (62%).

#### Measures

Delegation was measured using Schriesheim et al.'s, (1998) five-item scale. A samples item is "My supervisor lets me make decisions by myself, without consulting him/her". The job satisfaction measure was a four item measure adapted from Kim (2002) and Zhou and George (2001). A sample item is "Overall, compared to other places I could work, my unit is excellent" Subordinate performance was measured with a self-rating measure developed by Heilman, et al., (1992), and a sample item is "I am a very competent worker." The above three measures employed a seven-point Likert-scale, ranging from 'strongly disagree' to 'strongly agree'.

Despite the criticisms on the use of subjective measures in empirical studies, self-rating measures of performance still have their place in empirical research. Empirical evidence suggests that the associated halo effect is overrated and that self-rating provides a more accurate measure of performance than superior ratings (Heneman, 1974; Viswesvaran, Schmidt and Ones, 2005). It can be argued that superior managers may only have fragmented knowledge of the job behaviours of their subordinates because superiors have limited personal contact with subordinates and that limited personal contact is restricted to particular situations. Thus, self-rating measures serve the purpose of obtaining first hand and direct information about one's experience. Perceptual measures enable respondents to reflect on their individual perception of reality about how they perform (Link & Oldendick, 2000). In our research project, individual performance was related to the

personal experience of the consequential outcomes of delegation based on a dyadic interaction between a manager and a subordinate. Therefore, it was sensibly appropriate to adapt a selfrating type of scale for measuring individual performance in this study.

Leader-Member Exchange was measured with scale developed by Schriesheim, et al., (1998) which is based on the conceptual work of Dienesch and Liden (1986). A sample item is "The way my supervisor sees me, he or she would probably say that my ability to do my job well is (Exceptional =5, Good to Very good =4, Average =3, Below average =2, and Poor =1)". Demographic variables included in the study were age, level of education, length of tenure, position in management hierarchy, gender, functional area of work and country of origin.

Given the possibility of common methods variance due to the use of self-report measures, a Harman's one factor test was performed (Podsakoff and Organ, 1986). All variables were entered into a principal components factor analysis with varimax rotation. The results of the analysis revealed four factors with eigen values greater than one, and no one factor accounting for more that 28.7 percent of the variance. These results are consistent with the absence of common method variance.

The descriptive statistics and Cronbach alpha reliability measures for the relevant variables are contained in Table 1 and a correlation matrix for all relevant variables is presented in Table 2, on the next page.

## RESULTS

Ordinary least-squares regression-based path analysis was adopted to test the studies hypotheses. This technique allows a dependent variable in one equation to become an independent variable in another equation, and it is often employed to test relatively simple relationships (Grapentine, 2000). Thus, this technique was used to show the relation between

delegation and LMX, the relation between LMX and job satisfaction and performance, and the indirect relation between delegation and job satisfaction and performance via LMX. The regression results presented in Table 3 were used to compute the magnitudes (standardised beta coefficients) of the direct effects in the path model (see Figure 1). Model 1 regression in Table 3 reports a positive relation between Delegation and LMX [P<sub>21</sub>] (beta = 0.57, p < .01). This result supports H3 since an increase in delegation is associated with a reported increase in perceived LMX on behalf of Chinese subordinate employees. Regression Model 2 shows a positive relation between both LMX and Delegation with Job Satisfaction [P<sub>32</sub>] (beta = 0.43, p < .01 and [P<sub>31</sub>] (beta = 0.37, p < .01), respectively. That is, quality superior-subordinate relationships and delegation of decision making authority has a positive influence on job satisfaction in the Chinese context, providing support for H2 (a positive association between LMX and job satisfaction) but not H1 (where a negative association between delegation and job satisfaction was hypothesized.

	•		Actual range	Cronbach
Variable	Mean	S.D.		Alpha
Subordinate performance	15.36	2.29	10.00-21.00	0.91
Job satisfaction	21.92	5.38	5.00-33.00	0.90
Delegation	23.10	5.29	5.00-33-00	0.84
Leader-member exchange	21.30	3.34	8.00-29.00	0.85

 Table 1: Descriptive Statistics

Table 2: Correlation matrix for independent and dependent varia	ables	
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	1	2	3	4
1 Subordinate performance	1.00			
2 Job satisfaction	0.43**	1.00		
3 Delegation	0.34**	0.62**	1.00	
4 Leader-member exchange	0.43**	0.64**	$0.57^{**}$	1.00

\* correlation is significant at the 0.05 level (2-tailed)

\*\* correlation is significant at the 0.01 level (2-tailed)

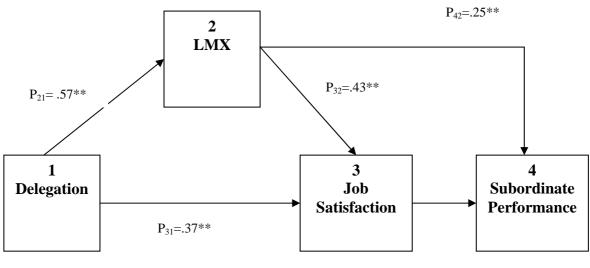
Model 1: Dependent variable – L	eader-Member Excl	nange
Variable	Path coefficient	Standardized coefficient value
Delegation	P <sub>21</sub>	0.57***
Adjusted $R^2 = 0.32$ ; F = 93.75 ***		•
Model 2: Dependent variable – Je	ob Satisfaction	
Variable	Path coefficient	Standardized coefficient value
LMX	P <sub>32</sub>	0.43**
Delegation	P <sub>31</sub>	0.37**
Adjusted $R^2 = 0.51$ ; $F = 100.27^{**}$		
Model 3: Dependent variable – S	ubordinate Perform	ance
Variable	Path coefficient	Standardized coefficient value
Job Satisfaction	P <sub>43</sub>	0.23**
LMX	P <sub>42</sub>	0.25**
Delegation	P <sub>41</sub>	0.06
Adjusted $R^2 = 0.21$ ; $F = 18.77^{**}$	•	
05(2  tailed)		

## Table 3: Results of regression<sup>a</sup>

\* p < 0.05 (2-tailed) \*\* p < 0.01 (2-tailed)

<sup>a</sup>Tests on the adequacy of the regression models indicate that the assumptions of the models were satisfied by the data. Tests of normality indicate that the results of each model are fairly normally distributed. To diagnose multicollinearity, we examined the variance inflation factors (VIFs) for the predictors. The VIFs ranged from a low value of 1 to a high value of 1.87.

## Figure 1: Path Coefficients of Model



P<sub>43</sub>=.23\*\*

Model 3 in Table 3 shows that both Job Satisfaction and LMX are positively associated with Subordinate Performance  $[P_{43}]$  (beta = 0.23, p < .01) and  $[P_{42}]$  (beta = 0.25, p < .01), respectively. The positive relationship between LMX and subordinate performance supports H3. The positive path between job satisfaction and subordinate performance was not hypothesised but was included in the final model above. Finally, the non-significant path between Delegation and Subordinate Performance in Model 4 is supportive of Hypothesis 4. That is, there is a direct path between Delegation and Subordinate Performance; however, these two variables are related via LMX, and via LMX and Job Satisfaction.

In summary, the results presented in Table 3 and Figure 1 indicate the following statistically significant findings: (1) a positive association between delegation and LMX, (2) a positive association between LMX and job satisfaction and subordinate performance, and (3) an indirect path between delegation and subordinate performance via LMX, and via job satisfaction and LMX.

## **DISCUSSION AND CONCLUSION**

This study provides insight into the delegation process in a country that has different cultural values to that of the U.S., where most of the research on delegation has been conducted. For some time, delegation has been assumed to be an essential element of effective management, yet this study shows its effectiveness may be contingent on national culture. Contra to U.S. findings, but consistent with our theoretical development, we found that there was no direct relationship between delegation and subordinate performance. As argued in the paper, the management practice of delegation, the process of devolving decision making authority and responsibility to individual subordinate managers, was culturally inconsistent with Chinese cultural values of social hierarchy, paternalism and order. Clearly, this is an important finding for future research and managerial practice because it may be inappropriate or even

counter productive to apply delegation as an effective management tool without taking into account the surrounding cultural context.

Further, our results show that delegation was positively associated with subordinate perceived quality LMX relationships. This result is consistent with recent studies (e.g., Yukl and Fu, 1999; Pellegrini and Scandura., 2006; Schriesheim et al., 1998) which suggest that delegated responsibility to subordinates sends a message of trust and competence which nourishes the LMX relationship. Such a finding adds to the existing research that increasingly demonstrates generalized support for a positive delegation-LMX relationship across a range of cultures (Pellegrini and Scandura, 2006; Wang et al., 2005; Pillai et al., 1999).

The data also demonstrates that quality LMX relationships are positively associated with favourable organizational outcomes; in this case job satisfaction and subordinate performance. Quality leader-member relationships are characterized by mutual respect, trust and liking. Within this favourable social exchange context, subordinates are often willing to make contributions that go beyond their formal job duties contributing to performance (Liden and Graen, 1980), in addition subordinates experience more support, resources and opportunities (Feldman, 1986) which is also likely to contribute to higher performance and enhanced job satisfaction.

Another interesting, yet unexpected, finding was the positive association between delegation and job satisfaction. It is possible that in the context of this company, transport (e.g., railway operations), delegation offers subordinates with more challenging, interesting and enriched tasks that might ordinarily be formalised and monotonous operational duties. The change in the nature of the tasks may lead to greater intrinsic satisfaction. Qualitative data may be required to understand this finding. The results taken together show that for this sample of Chinese managers, there was not *direct* association between delegation and subordinate performance. Importantly, delegation and performance are positively linked *indirectly* via LMX, and via LMX and job satisfaction. That is, although delegation may not be culturally appropriate such that Chinese managers prefer clear direction from their superior, quality LMX relationships can link delegation and performance. Delegated responsibilities signal trust and respect, important values in the Chinese context; in turn, the enhanced social exchange relationship contributes to performance.

Aside from the theoretical contribution to the delegation and LMX literature, these results also have practical implications. As stated above, we often assume that delegation is an essential element of effective management; however, effectiveness may depend on the cultural context. Where cultural contexts seem inconsistent with effective delegation (such as the Chinese context), the development of quality leader-member relationships become vital since it provides the link between delegation and performance. Managers may need to spend time with their subordinates to build and nurture this important relationship such that genuine loyalty, trust, and respect emerge. Training programs that promote skills such as listening, allowing subordinates to voice their concerns in a safe environment, offering training in areas of technical weaknesses to raise competence levels, encouraging informal social occasions that promote sharing of ideas and values, and trust building workshops may be very useful in such contexts.

Several limitations of the study should be noted. First, the sample comprises one industry; the transport industry. Generalising our results to other industries should be done so with caution. Second, the use of a self-rating scale to measure performance is likely to have higher mean values (higher leniency error) and a restricted range (lower variability error) in the score (Thornton, 1968). The possibility of common methods bias must be acknowledged, although this has been addressed in the methods section. Finally, the path model *implies* causality. We

are unable to assess the possibility of alternative causal directions among some of the For example, managerial performance may affect LMX such that higher variables. performing managers may be viewed as more competent, reliable and trustworthy and therefore are afforded a closer working relationship with their boss. Further, we have argued that delegation provides an opportunity where a closer bond between superior and subordinate can develop while others have argued that quality superior-subordinate relationships is likely to promote higher levels of delegated responsibility (e.g., Pellegrini and Scandura, 2006). In reality, probably both causal directions interact in an iterative dynamic process: high quality exchanges characterized by mutual trust and respect create a favourable environment for the superior manager to delegate significant responsibilities (Schriesheim, et al., 1998), and delegation sends signals of trust and responsibility (Leanna, 1986) further enhancing the LMX relationship. Thus, the survey research methodology allows for examination of statistical association at one point in time, and the statement about the direction of relationships can only be made in terms of consistency of results with the effects proposed in the theoretical development. Future research could employ longitudinal research methods to systematically investigate the theoretical links proposed in our study. Qualitative research in this field would also add to a better understanding of how delegation and leader-member relationships affect organizational outcomes in different cultural contexts.

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