

DIMENSIONS OF PATERNALISTIC LEADERSHIP AND EMPLOYEE OUTCOMES IN SMALL THAI FIRMS

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Abstract: *The purpose of this study is to examine the effect of paternalistic leadership dimensions (authoritarian, benevolent, and moral) on employee outcomes in small Thai firms. Outcomes examined include two intermediate outcomes (organizational commitment and job satisfaction) and one further outcome, resulting from organizational commitment and job satisfaction, which was self-reported in-role job performance. Paternalistic leadership was studied because of its cultural consonance in Thailand and its status as a frequently observed leadership approach. Data was collected from a sample of small firm employees in Thailand (n = 218). The study used a structural equation modelling (SEM)-based approach to examine the proposed relationships. The results showed that while benevolent and moral leadership had positive effects on employee organizational commitment and job satisfaction, authoritarian leadership had a weak negative effect on these two outcomes. Organizational commitment and job satisfaction had positive effects on job performance, with a stronger effect seen for organizational commitment. The implication of these findings is that some aspects of paternalistic leadership are effective for small firms in a Thai cultural context, but that authoritarian models of paternalistic leadership should not take precedence. This is useful information for small firm leaders as well as policymakers focusing on SME development.*

Keywords: *Paternalistic leadership, firm organizational commitment, job satisfaction, in-role performance, small firms, Thailand*

1. INTRODUCTION

The bulk of modern academic scholarship is focused on the dichotomy of transactional and transformational leadership, but there are other leadership styles that play a role in the leadership of small firms. One of these leadership styles is paternalistic leadership, a style with combined traits of authoritarianism and benevolence (Pellegrini & Scandura, 2008). In this context, “authoritarianism refers to leader behaviors that assert authority and control, whereas benevolence refers to individualized concern for subordinates’ well-being (Pellegrini & Scandura, 2008, p. 567).” Paternalistic leadership is strongly associated in the Western academic literature with Asian cultural roots, and is sometimes viewed negatively in part because of this association (Liden, 2012; Pellegrini & Scandura, 2008). Despite this negative viewpoint, paternalistic leadership styles have been observed to be in use and effective across different regions (Pellegrini & Scandura, 2008). Furthermore, seemingly ‘neutral’ styles of leadership (such as transactional and transformational leadership) are also culturally linked (Jogulu, 2010). Thus, the question surrounding paternalistic leadership is not whether it is appropriate, but whether or not it helps the firm and individuals meet their internal goals.

This research focuses on the use of paternalistic leadership in small firms in Thailand. A survey of Thai employees has shown that paternalistic leadership is commonly used in Thai firms, although employees have a stronger preference for consultative and participative leadership (Yukongdi, 2010). In part, this may be traced to Confucian philosophies and management ideals, implemented by Thailand’s large ethnic Chinese population, who play a leading role in business and management (Ruangkanjanases, Posinsomwong, & Chen, 2014). Here, we are more concerned with small firms, defined by the Thai

government has firms with assets of up to 30 to 50 million baht and up to 15 to 50 employees (depending on the industry) (Nagai, 2008). Small firms dominate the Thai business landscape, with about 2.5 million small enterprises contributing 29.1% of Thailand's GDP in 2015 (OSMEP, 2016). Thus, while there is strong evidence for the success of paternalistic management in large Thai firms (Ruangkanjanases, et al., 2014), the use of paternalistic management in small Thai firms is as or more important.

2. RESEARCH AIM AND OBJECTIVES

The aim of this research is to examine the evidence for paternalistic leadership in small firms in Thailand and its effect on the firm's non-financial performance, specifically focusing on employee performance. The objectives of the study include:

1. Examining the theoretical basis for paternalistic leadership in Thailand;
2. Conducting a survey of small firm employees and owners to assess firm performance and use of paternalistic leadership; and
3. Determining the extent to which paternalistic leadership contributes to employee perceptions of firm performance, including organizational commitment, job satisfaction, and perceptions of firm success.
- 4.

3. LITERATURE REVIEW

3.1 Paternalistic leadership

Paternalistic leadership approaches are commonly viewed as having either two dimensions (authoritarianism and benevolence), although other authors do add a third dimension of morality, and some break this model down further and include subordinate responses (Cheng, Chou, & Wu, 2004; Fang, Cheng, & Chou, 2000; Niu, Wang, & Cheng, 2009; Pellegrini & Scandura, 2008). Under paternalistic leadership, which is often defined as a familial leadership model, the leader makes all decisions within the firm. However, this is balanced against care for followers and attention to their needs and provision of a strong moral example and direction. Paternalistic leadership is commonly studied in the context of Asian firms, although it is routinely observed in other cultural contexts as well (Liden, 2012; Pellegrini & Scandura, 2008). Paternalistic leadership can be viewed as an expansion of leader-member exchange (LMX) or the formation of individual, personal and affective relationships between leaders and their followers (Pellegrini, Scandura, & Jayaraman, 2010). Pellegrini, et al.'s (2010) study of Indian and US employees showed that although US employees did not respond in the same way in terms of job satisfaction, it was viewed positively in both groups. Paternalistic leadership is not one of the most preferred leadership models of Thai employees, although it is one that they commonly report in their workplaces (Yukongdi, 2010).

3.2 Paternalistic leadership and organizational commitment

Within an organization driven by Confucian values and utilizing paternalistic leadership, the relationship of the employee to the organization is viewed as lifelong, assuming a high level of organizational commitment (Ruangkanjanases, et al., 2014). There is strong evidence for a positive association of paternalistic leadership and employee commitment. For example, a cross-cultural study of Indian and US employees showed that paternalistic leadership had a significant, positive effect on organizational commitment in both India and the US, although the effect was higher in India (Pellegrini, et al., 2010). A study in Malaysian small and medium enterprises (SMEs) showed that paternalistic leadership was positively associated with affective and normative commitment (Hakimian, Farid, Ismail, & Ismail, 2014). This study also showed that this commitment was personal; in the case of a leader leaving the organization, this commitment could disappear (Hakimian, et al. 2014). Another study also found a positive association between paternalistic leadership (benevolence) and affective and normative commitment, moderated by the perceived ethical climate of the firm (Erben & Güneser, 2008). However, as other authors point out, all dimensions of paternalistic leadership may not act the same; a high level of authoritarianism for example could reduce affective commitment due to the fear and lack of trust of the

supervisor (Chen, Eberly, Chiang, Fahr, & Cheng, 2014). Based on this evidence, the following hypotheses are stated:

Hypothesis 1a: Benevolent leadership has a positive effect on organizational commitment in small Thai firms.

Hypothesis 1b: Moral leadership has a positive effect on organizational commitment in small Thai firms.

Hypothesis 1c: Authoritarian leadership has a positive effect on organizational commitment in small Thai firms.

3.3 Paternalistic leadership and job satisfaction

Evidence for a connection between paternalistic leadership and job satisfaction is more mixed than evidence for paternalistic leadership and organizational commitment, potentially because it has been studied less frequently. Pelligrini, et al. (2010) found a significant weak association in India, but not in the US. A study in Taiwan showed that benevolent and moral leadership dimensions had a significant positive effect on intrinsic and extrinsic job satisfaction, mediated by regulatory focus (Chou, 2012). The same study showed that authoritarian leadership had a negative effect on intrinsic job satisfaction, although it did not have a significant effect in extrinsic job satisfaction (Chou, 2012). A study in Turkey showed that paternalistic leadership, rather than LMX or delegation, had a significant positive effect on job satisfaction (Pellegrini & Scandura, 2006). The authors noted that this contrasted to Western cultures, where there was a strong preference for delegation and autonomy that reduced the effectiveness of paternalism in job satisfaction (Pellegrini & Scandura, 2006). A general review on the literature has also identified a positive relationship of benevolent and moral leadership, and a negative relationship of authoritarian leadership, in previous studies (Pellegrini & Scandura, 2008). On the basis of this evidence, we propose three sub-hypotheses related to the dimensions of moral leadership.

Hypothesis 2a: Benevolent leadership has a positive effect on job satisfaction in small Thai firms.

Hypothesis 2b: Moral leadership has a positive effect on job satisfaction in small Thai firms.

Hypothesis 2c: Authoritarian leadership has a negative effect on job satisfaction in small Thai firms.

3.4 Paternalistic leadership and employee performance

Finally we come to the question of paternalistic leadership and employee performance. This relationship is proposed to be indirect, through organizational commitment and job satisfaction.

A study in China showed that affective commitment influenced both in-role performance and organizational citizenship behavior (OCB), while normative commitment acted as a moderating variable (Chen & Francesco, 2003). A study of the Belgian civil service showed a positive effect of affective and normative commitment on self-reported performance, with a much weaker negative effect of continuance commitment (Vandenabeele, 2009). A study of Pakistani employees showed that there was a strong positive relationship between organizational commitment and in-role performance (Ahmad, Ahmad, & Shah, 2010). Following this research, the third hypothesis is stated:

Hypothesis 3: Organizational commitment has a positive effect on job performance in small Thai firms.

Many of the studies that reviewed organizational commitment also addressed job satisfaction. Vandenabeele (2009) identified a strong positive effect of job satisfaction on self-reported job performance in Belgian firms. Ahmad, et al. (2010) determined that there was a positive relationship between job satisfaction and in-role performance, although this relationship was much weaker than the relationship proposed for organizational commitment and job satisfaction. Organizational commitment

also had a strong effect on job satisfaction, suggesting a mediating relationship (though the authors did not test this relationship) (Ahmad, et al., 2010). This evidence allows us to state the fourth hypothesis: *Hypothesis 4: Job satisfaction has a positive effect on job performance in small Thai firms.*

3.5 Theoretical framework

The theoretical framework of the study is shown in Figure 1.

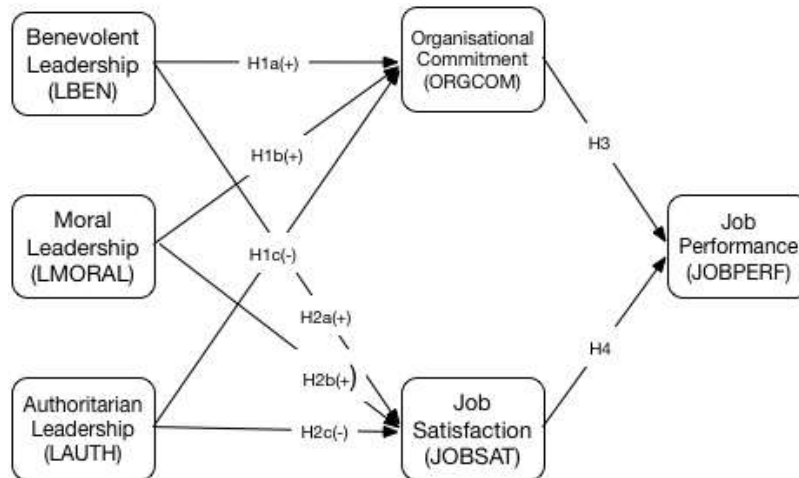


Figure 1 Theoretical framework of the study

4. METHODOLOGY

4.1 Population and sampling

The population of interest was employees in small Thai firms. Given that the population of these firms is in the millions (OSMEP, 2016), a rule of thumb for SEM-based analysis was used to determine the minimum sample size of $n = 200$ (Iacobucci, 2010). The sample was collected using convenience sampling, with paper surveys distributed to small businesses in and around the Bangkok area.

The final sample size was $n = 218$ employees. The sample consisted of 182 employees (83.5%) and 36 managers (16.5%). A total of 121 participants (55.5%) were female, while 97 participants (44.5%) were male. A chi-square test showed that this was not statistically different from the expected equal distribution ($\chi^2(1) = 2.642, p = .104$). Using the four industry categories of SME (Nagai, 2008), the distribution was as follows: manufacturing 37 participants (17%); retail and service 149 participants (68.3%); wholesale 32 participants (14.7%). Participants earned a mean of 28,779.8 baht/month (S.D. = 3,552.95 baht).

4.2 Research instruments

The research instrument was adapted from several previous instruments. Leadership dimensions are measured using Chen, et al.'s (2014) instruments, while Organizational commitment follows Erben and Güneser (2008). The job satisfaction and job performance (self-reported) measures are adapted from Ahmed, et al. (2010) (Table 1).

Table 1 Research instrument items and sources

Construct	Number of Items	Source
Authoritarian Leadership (LAUTH)	9 items	Chen, et al. (2014)
Benevolent Leadership (LBEN)	10 items	Chen, et al. (2014)
Moral Leadership (LMORAL)	6 items	Chen, et al. (2014)
Organizational Commitment (ORGCOM)	12 items	Erben & Güneser (2008)
Job Satisfaction (JOBSAT)	3 items	Ahmad, et al. (2010)

Job Performance (JOBPERF)	3 items	Ahmad, et al. (2010)
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4.3 Analysis

A structural equation modelling (SEM) based approach was used for this study, because of its superiority at representing complex relationships and full models rather than individual paths (Byrne, 2016; Schumacker & Lomax, 2010). The analysis was conducted using confirmatory factor analysis (CFA) and path analysis in SPSS AMOS. Analysis began with Cronbach's alpha for each of the scales, then examined goodness of fit of the structural model. Acceptance of the hypotheses is based on the regression coefficients and significance for the outcomes ($p < 0.05$), following standard practice for hypothesis testing using SEM (Byrne, 2016; Schumacker & Lomax, 2010).

5. RESULTS AND DISCUSSION

5.1 Scale reliability and model fit

Cronbach's alpha (Table 1) showed a suitable level of internal consistency based on a standard level of $\alpha \geq 0.8$. Analysis therefore proceeded to model fit (Table 2). Goodness of fit indicators included χ^2 , RMSEA, SRMR and CFI, which were assessed using standard thresholds (Byrne, 2016). All goodness of fit indicators met or exceeded the threshold level for indication of good fit, and the model was not adjusted further.

Table 2 Cronbach's alpha outcomes

Variable	α
LAUTH	0.870
LBEN	0.801
LMORAL	0.829
ORGCOM	0.835
JOBSAT	0.882
JOBPERF	0.857

Table 3 Model fit for structural model

Model Fit	Criterion	Value
χ^2	$p > 0.05$	0.687
RMSEA	≤ 0.06	0.05
SRMR	≤ 0.08	0.05
CFI	≥ 0.95	0.97

5.2 Regression results and effects

The final structural model with effects sizes is shown in Figure 2. The model effects shown within the outcomes were mostly small to medium effects (.100 to .300). The regression model (Table 4) shows the standardized coefficients and significance of each of the paths identified. This shows that each of the paths tested was significant, with most relationships (except for those related to LAUTH) being positive.

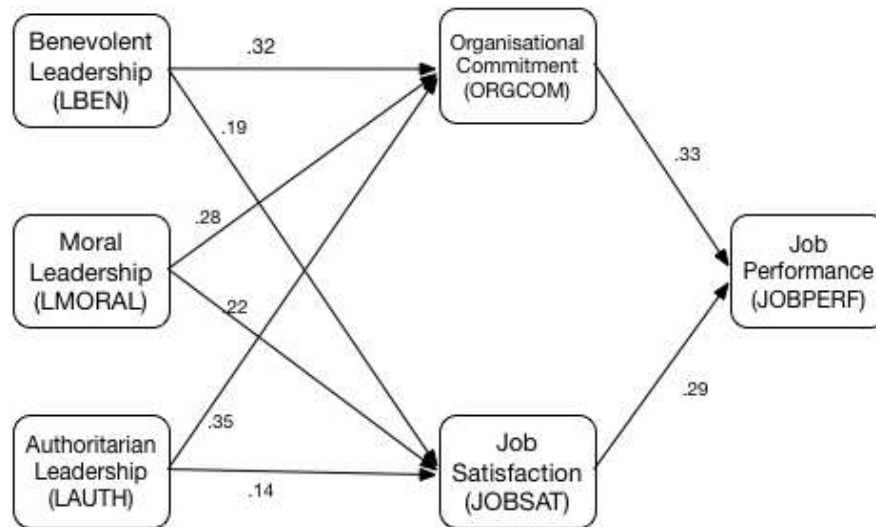


Figure 2 Final structural model and effects

Table 4 Regression results

Path	Standardized Coefficient
ORGCOM ↔ LBEN	0.215**
ORGCOM ↔ LMORAL	0.182**
ORGCOM ↔ LAUTH	-0.147**
JOBSAT ↔ LBEN	0.233*
JOBSAT ↔ LMORAL	0.322**
JOBSAT ↔ LAUTH	-0.168**
JOBPERF ↔ ORGCOM	0.304***
JOBPERF ↔ JOBSAT	0.291***

Note: * $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$

These results allow for the acceptance of all hypotheses proposed in the study. Benevolent leadership (H1a) and moral leadership (H1b) had a positive, significant effect on organizational commitment, with a somewhat stronger impact of benevolent leadership. Similarly, benevolent leadership (H2a) and moral leadership (H2b) had a significant effect on job satisfaction. Authoritarian leadership had a negative effect on both organizational commitment (H1c) and job satisfaction (H2c). Finally, both organizational commitment (H3) and job satisfaction (H4) had a positive effect on job performance.

5.3 Discussion

The results showed a situation in Thailand's small businesses that is broadly consistent with the existing literature on paternalistic leadership and its positive and negative effects on the organization and on employee performance. For example, consistent with many previous studies, benevolent and moral dimensions of paternalistic leadership were positively associated with organizational commitment (Pelligrini, et al., 2010; Hakimian, et al., 2014; Erben & Güneser, 2008). Similarly, as Chen, et al. (2014) discussed, authoritarian leadership had a negative effect on organizational commitment. As these authors explained, high levels of authoritarian leadership are associated with a high fear of the leader, which could negative the effects of more positive paternalistic leadership traits and reduce personal loyalty and

commitment (Chen, et al., 2014). A similar consistency was seen with job satisfaction, with benevolent and moral leadership having a positive effect on job satisfaction, although this effect was not as strong as the effect on organizational commitment (Chou, 2012; Pellegrini & Scandura, 2006; Pellegrini & Scandura, 2008). Chou (2012) also showed a negative effect of authoritarian leadership on job satisfaction, which was also found in the study here. Finally, the relationships of organizational commitment (Ahmad, et al., 2010; Chen & Francesco, 2003; Vandenabeele, 2009) and job satisfaction (Ahmad, et al., 2010; Vandenabeele, 2009) to the employee's self-reported job performance were also supported, with the results showing a slightly stronger effect of organizational commitment than job satisfaction. (However, as this effect is not very large, it may not be practically important.)

These relationships were not as strong as those shown in a study of India (though they were stronger than those in the US) (Pellegrini, et al., 2010), which could suggest that paternalistic leadership is not as consistent with cultural values of Thailand as with India. This is consistent with what is known about variation in cultural preferences for autonomy and delegation (Jogulu, 2010; Pellegrini & Scandura, 2006). It is also consistent with what is known about Asian leadership, which is that cultural preferences vary widely even in seemingly similar cultures (such as Thailand and China) (Liden, 2012). The main implication of this study for managers in SMEs is that benevolent and moral leadership, rather than authoritarian leadership, will have a better effect on employee attitudes and work performance. This is consistent with earlier studies, which have shown that paternalistic (authoritarian) leadership is not preferred by Thai workers (Yukongdi, 2010).

6. CONCLUSION

This research has shown that paternalistic leadership is commonly used in small Thai firms, and that it does contribute to the firm's employee performance indicators. Simply, workers in small firms where paternalistic leadership is practiced have higher levels of organizational commitment and job satisfaction, which in turn are associated with a higher perception of organizational success. This suggests that paternalistic leadership is useful for firms where employee commitment and job satisfaction are critical for retaining employees, as they are in small firms where human resources are limited.

Although paternalistic leadership has drawn a lot of attention in recent years, there are still ample opportunities for development and further research. Some of the areas that are underexplored include the gendered implications of paternalistic leadership (for example, does the gender of the employee-manager dyad influence the effectiveness of paternalistic leadership styles) and the effects of family ownership and paternalistic leadership on family and non-family employees. There is also the opportunity to extend the study of paternalistic leadership outside its 'traditional' cultural bounds of Asia and the Middle East, focusing on the use and permutations of paternalistic leadership in Europe and North America. This work could help to break down cultural barriers in leadership styles.

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