

**Ethical organizational culture and (ethical) leadership: what values strengthen organizational innovativeness? Cross-cultural findings**

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*Impact of organizational ethics on transformation of organizational innovativeness to sustainable innovations*

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## Aim of the presentation

- To compare the relationships between ethical organizational culture (CEV), (ethical) leadership and organizational innovativeness as an outcome in different socio-cultural contexts.

## Remark about LMX

- Although LMX is not generally considered as manifestation of ethical leadership, considering the definition of ethical leadership as the demonstration of normatively appropriate conduct through personal actions and **interpersonal relationships**, and the promotion of such conduct to **followers** through **two-way communication**, reinforcement, and decision-making (Brown et al., 2005), this association is not too far-fetched.
- This is supported by Hansen (2011) who argues that LMX can be regarded as a **type of ethical leadership** (Hansen, 2011) because of characteristics of high LMX such as reciprocity, respect, and empowering followers.

## Innovativeness in culturally different contexts

- **Global innovation index:** Finland rated 6, China and Lithuania ranked 35 and 40 in 2013. In 2014, Finland ranks 4, China 29, Lithuania 39.
- Effect of leadership on employee outcomes such as organizational citizenship behaviour or employee satisfaction are very different in Western and Eastern societies (Rockstuhl et al., 2012).
- Assumingly, Lithuania and Finland may be more similar to each other, and China constitutes a contrasting context.
- Public organizations in all three socio-cultural contexts are regulated by a number of rules, clearly defined roles of managers and employees, which constitutes the ground for comparison of the organizations in the study.

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## LMX and organizational innovativeness in Chinese context

- The importance of Chinese guanxi (interpersonal relationship).
- A structure of hierarchy and a culture of obedience.
- The special importance of LMX relationship magnifies managers' role-modeling effect.
- A high-quality relationship with managers generates a sense of satisfaction in employees, and this is more likely to lead to more positive attitude towards their risk-related jobs

## LMX and organizational innovativeness in Lithuanian context

- Post-soviet society with hierarchical structures.
- Historical lessons of "silence is gold" and obedience to the higher in hierarchies, at least, at surface.
- Perceptions of patronage and "blind fortune" as sources of success.
- Control is still perceived as an important function of managers.
- Low investment in employee training (Pučėtaitė and Lämä, 2008).

## LMX and organizational innovativeness in Finnish context

- Importance of equality in the society.
- Participative principles broadly applied in organizations and employees expect to be given autonomy and evaluated on the ground of performance criteria (House et al., 2004).
- Openness, transparency and honesty as important values in organizations (Kujala, 2004).

## Ethical virtues and socio-cultural context

- **Finns:** honesty, openness and integrity in private and business life, high-trust inclusive society.
- People management: expectations of inclusion in decision-making, autonomy and evaluation on the ground of performance criteria (House et al., 2004).
- **Lithuanians:** individuals reserved in expressing their sincere intentions, socially fragmented society lacking tolerance (Pilinkaitė-Sotirovič and Žibas, 2011; Žilukaitė et al., 2006).
- People management: expectations of leader's assertiveness, conformism with the leader's opinion.
- **Chinese:** affected by Confucian values, guanxi, face saving.
- People management: expectations of inclusion in decision-making, autonomy and evaluation on the ground of performance criteria (House et al., 2004).

## LMX AND INN

### Research setting (public organizations)

Public organizations in Lithuania (1), Finland (1) and China (1)			
Measurement instruments:			
➤ LMX (Graen and Uhl-Bien, 1995): 7 items, 1-5 Likert scale;			
➤ Organizational innovativeness (Wang and Ahmed, 2008): 20 items, 1-7 Likert scale			
	Lithuania	Finland	China
Method	Electronic survey	Electronic and paper survey	Paper survey
Year	2013	2011	2012
Sample	N=1221, n = 757	N=715, n=477	N=306, n=150
Response rate, %	62	67	49
Females/males, %	85/15	60/40	36/64
Education	Higher, 98%	Higher, 78%	Higher, 75%
Position	Specialists, 86%	Specialists, 83%	
Age	51+ - 45%, 45-50 - 29%	Mean = 48 (SD=11)	Mean = 33 (SD=8.5)
Years in company	14 (SD = 8)	13 (SD = 10)	

### Findings: regressions, LMX on INN (public organizations)

Country	Adj. R2	Stand. coefficient, β
<b>CN</b>	<b>0.120</b>	<b>,355***</b>
Stepwise	0,227	
LMX04		,201*
LMX01		,298***
LMX05		,308***
LMX02		-,221**
<b>LT</b>	<b>0.289</b>	<b>,538***</b>
Stepwise	0,294	
LMX06		,179***
LMX03		,171***
LMX05		,195***
LMX01		,168***
<b>FIN</b>	<b>0.191</b>	<b>,439***</b>
Stepwise	0,183	
LMX07		,116*
LMX01		,171***
LMX05		,125*
LMX02		,126*

Findings: regressions, CN (public organizations)

Dependent variables:		Standardized Coefficients
Forms of innovation		Beta
Product R <sup>2</sup> <sub>Adj</sub> = 0.231	LMX04	,496***
Market R <sup>2</sup> <sub>Adj</sub> = 0.330	LMX05	,431**
	LMX06	-,660***
	LMX04	,445**
Strategy R <sup>2</sup> <sub>Adj</sub> = 0.129	LMX07	,382**
Process R <sup>2</sup> <sub>Adj</sub> = 0.146	LMX01	,403**
Behaviour R <sup>2</sup> <sub>Adj</sub> = 0.082	LMX01	,317*

Comment: LMX02 and LMX03 do not play a role

\*\*\* p<0.001, \*\* p<0.01, \* p<0.05

Findings: regressions, LT (public organizations)

Dependent variables:		Standardized Coefficients
Forms of innovativeness		Beta
Product R <sup>2</sup> <sub>Adj</sub> = 0.169	LMX02	,259**
	LMX06	,180*
Market R <sup>2</sup> <sub>Adj</sub> = 0.183	LMX02	,284***
	LMX05	,176*
Strategy R <sup>2</sup> <sub>Adj</sub> = 0.214	LMX07	,287***
	LMX03	,218**
Process R <sup>2</sup> <sub>Adj</sub> = 0.158	LMX02	,242***
	LMX01	,198**
Behaviour R <sup>2</sup> <sub>Adj</sub> = 0.319	LMX04	,220***
	LMX01	,226***
	LMX05	,215**

\*\*\* p<0.001, \*\* p<0.01, \* p<0.05

Findings: regressions, FIN (public organizations)

Dependent variables:		Standardized Coefficients
Forms of innovativeness		Beta
Product R <sup>2</sup> <sub>Adj</sub> = 0.029	LMX02	,175***
Market	---	---
Strategy R <sup>2</sup> <sub>Adj</sub> = 0.089	LMX06	,183***
	LMX01	,170***
Process R <sup>2</sup> <sub>Adj</sub> = 0.186	LMX07	,170**
	LMX01	,164**
	LMX06	,178**
Behaviour R <sup>2</sup> <sub>Adj</sub> = 0.275	LMX07	,229***
	LMX05	,227***
	LMX01	,187***

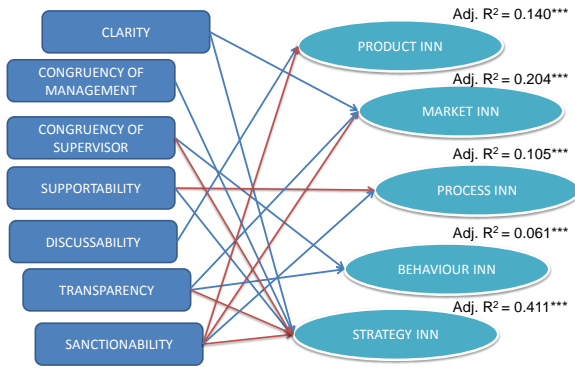
Comment: LMX03 and LMX04 do not play a role

\*\*\* p<0.001, \*\* p<0.01, \* p<0.05

CEV AND INN

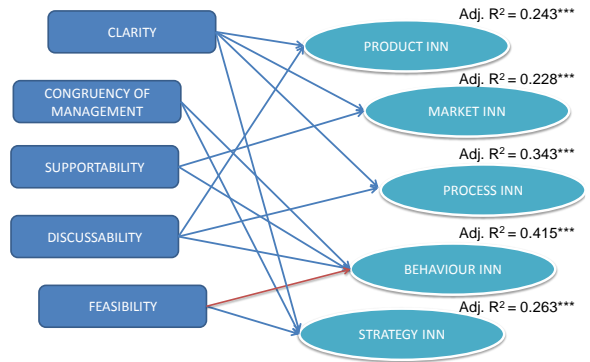
Findings: regressions, CZ (public organizations)

Note: vectors in red have negative  $\beta$ s

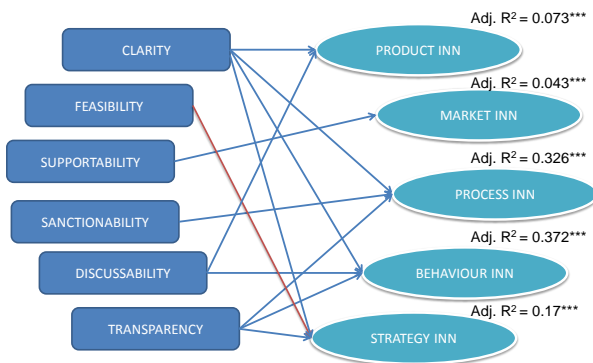


Findings: regressions, LT (public organizations)

Note: vectors in red have negative  $\beta$ s



Findings: regressions, FIN (public organizations)



Research setting (private organizations)

Private organizations in Lithuania (1), Finland (1) and China (1)

**Measurement instruments:**

- > CEV (Kaptein, 2008): 58 items, 1-6 Likert scale;
- > LMX (Graen and Uhl-Bien, 1995): 7 items, 1-5 Likert scale;
- > Organizational innovativeness (Wang and Ahmed, 2008): 20 items, 1-7 Likert scale

	Lithuania	Finland	China
Method	Electronic and paper survey	Electronic survey	Paper survey
Year	2013-2014	2011	2012
Sample	N=984, n=313	N=680, n=242	N=192, n=168
Response rate, %	32	36	87,5
Females/males, %	64/36	22/78	53/47
Education	Higher, 53%	Higher, 58%	College, 45%
Position	Technical/administrators workers, 15%	Specialists, 82%	
Age	21-30 – 35%		21-30 – 38%; 31-40 – 36%
Years in company	5,9 (SD = 6,3)	9,3 (SD = 7,5)	

Findings: regressions, LMX on INN (private organizations)

Country	Adj. R2	Stand. coefficient, B
<b>CN</b>	<b>0.125</b>	<b>,361***</b>
Stepwise	0,112	
LMX03		,228*
LMX07		,198***
<b>LT</b>	<b>0.243</b>	<b>,496***</b>
Stepwise	0.286	
LMX07		,278***
LMX04		,194***
LMX01		,167***
<b>FIN</b>	<b>0.306</b>	<b>,556***</b>
Stepwise	0.325	
LMX06		,236*
LMX03		,260***
LMX04		,172*

**LMX AND INN**

Findings: regressions, CN (private sector)

Dependent variables:		Standardized Coefficients
Forms of innovation		Beta
Product	LMX03	,213***
R <sup>2</sup> <sub>Adj</sub> = 0.083	LMX05	,178***
Market	LMX03	,309**
R <sup>2</sup> <sub>Adj</sub> = 0.090		
Strategy	LMX07	,259**
R <sup>2</sup> <sub>Adj</sub> = 0.061		
Process	LMX07	,214**
R <sup>2</sup> <sub>Adj</sub> = 0.093	LMX04	,185**
Behaviour	LMX03	,203*
R <sup>2</sup> <sub>Adj</sub> = 0.035		

Comment: LMX02 and LMX03 do not play a role

\*\*\* p<0.001, \*\* p<0.01, \* p<0.05

Findings: regressions, LT (private sector)

Dependent variables:		Standardized Coefficients
Forms of innovativeness		Beta
Product	LMX04	,272**
R <sup>2</sup> <sub>Adj</sub> = 0.148	LMX01	,181*
Market	LMX04	,321***
R <sup>2</sup> <sub>Adj</sub> = 0.099		
Strategy	LMX07	,159***
R <sup>2</sup> <sub>Adj</sub> = 0.136	LMX01	,148***
	LMX04	,148***
Process	LMX07	,261***
R <sup>2</sup> <sub>Adj</sub> = 0.164	LMX01	,197***
Behaviour	LMX07	,389***
R <sup>2</sup> <sub>Adj</sub> = 0.149		

\*\*\* p<0.001, \*\* p<0.01, \* p<0.05

Findings: regressions, FIN (private sector)

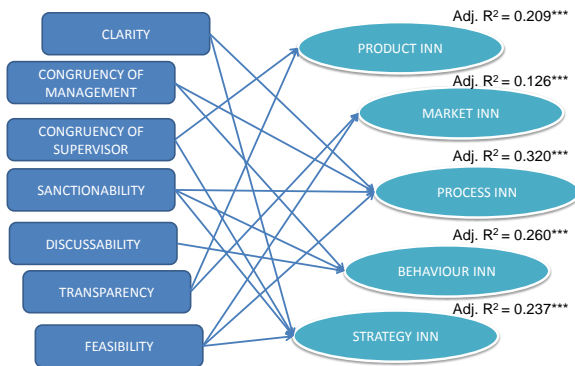
Dependent variables:		Standardized Coefficients
Forms of innovativeness		Beta
Product $R^2_{Adj} = 0.177$	LMX06	,309***
	LMX03	,169**
Market $R^2_{Adj} = 0.095$	LMX03	,305***
	LMX02	-,422***
	LMX04	,266***
Strategy $R^2_{Adj} = 0.159$	LMX03	,232***
	LMX04	,220***
Process $R^2_{Adj} = 0.278$	LMX06	,362**
	LMX03	,236**
Behaviour $R^2_{Adj} = 0.342$	LMX07	,189***
	LMX05	,263***
	LMX03	,230***

Comment: LMX03 and LMX04 do not play a role

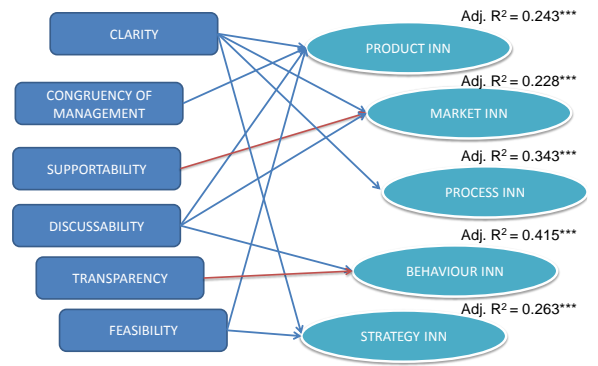
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CEV AND INN

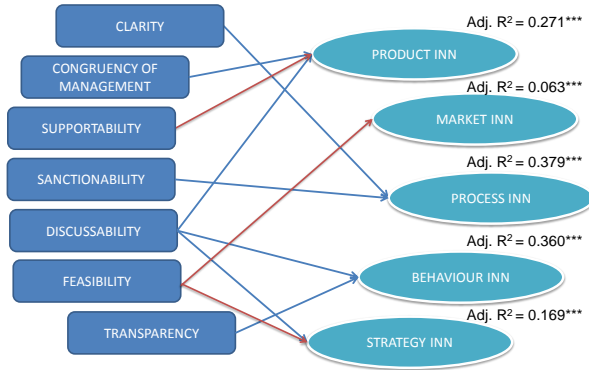
Findings: regressions, CZ



Findings: regressions, LT



## Findings: regressions, FIN



## Conclusions

- LMX has a weak impact on INN in all socio-cultural contexts.
- Although with limitations, the results demonstrate that the relationships between LMX and CEV with INN are predicted by similar ethical virtues in Finland and Lithuania as compared to China. European vs Asian contexts.
- In particular, the role of clarity in FIN and LT contexts is obvious while in CZ context sanctionability, congruency of supervisor and transparency have discussable (negative) effects on INN in public sector.
- The reasons for the negative effect of these virtues (the research question how and why) would be worth explorations in all socio-cultural and organizational contexts where they have been found.

**THANK YOU FOR YOUR ATTENTION!**