
Organizational environment factors associated with corporate social responsibility: effects on communication and *guanxi* relationship between supervisors and subordinates in SMEs

Edward WONG SEK KHIN,
Yap Poh LIAN,
Lau Wee YEAP,
Rusnah MUHAMAD,
Faculty of Business and Accountancy,
University of Malaya, Malaysia,
E-mail: edwardwong@um.edu.my.

Abstract

Effective communication within an organization as part of CSR benchmarking factor that helps align employee expectations facilitates problem solving, builds cooperative relationships and channels employee efforts to achieve common goals. This paper seeks to determine how CSR benchmarking factors of the organizational environment (such as management style, organizational structure and workplace culture) affect the effectiveness of intra-organizational communication and to examine the moderating effect of supervisor – subordinate guanxi. Data for the study was collected using self-administered questionnaires from working respondents in Kuala Lumpur in Selangor State, Malaysia. This study found that a more participative management style, less formalized organizational structure of SMEs and a healthier workplace culture are positively related to intra-organizational communication effectiveness. It was also discovered that the supervisor – subordinate relationship known as guanxi, has a positive moderating effect on all three relationships between management style, organizational structure and workplace culture with intra-organizational communication effectiveness. This study concludes that an organization's management attitude towards employee participation, formalization of structure and healthiness of culture play important roles in encouraging effective communication and close supervisor – subordinate guanxi and further promotes communication, in addition to the mentioned environmental conditions.

Keywords: CSR Organizational environmental factors, management style, organizational structure, workplace culture, supervisor – subordinate guanxi, intra-organizational communication effectiveness.

JEL Classification: M12, M14.

To cite this article:

Wong Sek Khin, E., Lian, Y.P., Yeap, L.W. and Muhamad, R. (2016), Organizational environment factors associated with corporate social responsibility: effects on communication and *Guanxi* relationship between supervisors and subordinates in SMEs, *Audit Financiar*, vol. XIV, no. 9(141)/2016, pp. 1025-1040, DOI: 10.20869/AUDITF/2016/141/

To link to this article:

<http://dx.doi.org/10.20869/AUDITF/2016/141/1025>

Introduction

In today's highly competitive and dynamic business environment, effective communication is crucial for an organization's survival and success. It is easy to comprehend why effective intra-organizational communication is important as part of corporate social responsibility - CSR benchmarking. It allows employees to exchange opinions, learn from each other, organize tasks as well as establish and maintain productive working relationships (Robson, Skarmeas and Spyropoulou, 2006). Other studies also found that effective intra-organizational communication is positively linked to employee engagement, performance, commitment, productivity and satisfaction (Allen, 1992; De Ridder, 2004; Ng et al., 2006).

Many CSR communication factors can get in the way of effective communication. Barriers to CSR communication are generally divided into environmental and personal factors. Environmental barriers relate to the characteristics and environmental settings of an organization, while personal barriers arise from differences in individual personalities and how they interact with others (Guo and Sanchez, 2009). Such barriers hamper effective communication by hindering, disrupting or distorting the flow and content of messages from the sender to the receiver. While there are many studies focusing on how individual characteristics influence effective communication, papers dedicated to understanding how organizational environmental factors impact intra-organizational communication effectiveness are few and far between. Therefore, this study aims to investigate the relationship between the CSR benchmarking factors of the organizational environment (management style, organizational structure, and workplace culture) and intra-organizational communication effectiveness.

At the same time, there is no research on how supervisor – subordinate *guanxi* moderates the relationship between organizational environmental factors and communication effectiveness. *Guanxi* describes the informal and personal relationship between two or more individuals, built on the basis of shared institutions (Chen and Chen, 2004). *Guanxi* is important in institutions where authority is centralized and in particularistic organizations characterized by the lack of rules and enforcement of regulations through CSR benchmarking (Smith et al., 2012; Zhang, Li and Harris, 2015). In such circumstances, employees are motivated to form close relationships with their

supervisors for career advancement and protection. Given the findings from contextual studies and the impact of supervisor – subordinate *guanxi* on a number of communicative outcomes such as open-minded dialogue (Chen and Tjosvold, 2007), increased participation (Chen and Tjosvold, 2007), frequent use of informal communication channels (Bian, 2006) and collective problem solving (Hwang, 1997), this study also seeks to examine the moderating effect of supervisor – subordinate *guanxi*, which is an element of the CSR benchmarking scorecard.

Given that employees and managers spend a lot of their time communicating and considering the negative implications that ineffective communication can have on organizations, this paper seeks to answer the following questions:

- What is the relationship between management style and intra-organizational communication effectiveness?
- What is the relationship between organizational structure and intra-organizational communication effectiveness?
- What is the relationship between workplace culture and intra-organizational communication effectiveness?
- Does supervisor – subordinate *guanxi* moderate the relationship between identified organizational environmental factors and intra-organizational communication effectiveness?

The significance of this study is two-fold. Academically, this paper seeks to fill the research gap and expand the body of knowledge on CSR intra-organizational communication by investigating the relationship between organizational environmental factors (management style, organizational structure and workplace culture) and intra-organizational communication effectiveness, as well as to examine the moderating effect of supervisor – subordinate *guanxi*. From a management point-of-view, this study provides valuable insights to help managers craft environments and relationships conducive to effective communication.

1. Literature review

1.1. CSR and effective intra-organizational communication

There are numerous definitions of communication published in various communication-related literatures

by scholars interested in describing, understanding and predicting communicational phenomena. Some scholars define communication narrowly in terms of verbal exchanges (Hoben, 1954), uncertainty reduction (Barnlund, 1962), connection (Ruesch, 1957) and intention (Miller, 1966); but communication is evidently more than that. In the context of this study, communication is defined as the process of information exchange between two or more parties to transmit or receive the intended messages through the use of common languages and signs (Berelson and Steiner, 1964; Guo and Sanchez, 2009; Croucher and Cronn-Mills, 2014).

An element of CSR such as intra-organizational communication refers to the formal and informal communication within an organization that can flow upward, downward, horizontally or diagonally through various communication channels (Guo and Sanchez, 2009). The two main objectives of intra-organizational communication are to inform employees about company policies and work expectations as well as to build a close-knitted community within the firm (De Ridder, 2004). Although employees spend bulk of their time communicating, not all exchanges result in a meaningful, that is, an effective and efficient communication. Effective communication is achieved when a message from the sender is decoded and accurately understood at the receiving end (Scott, 2005; Fielding, 2006).

A growing number of studies have shown that effective intra-organizational communication produces numerous benefits for the organization. It supports social interactions and fosters relationship-building between members at different levels of the organization (Kalla, 2005), thus improving trust and rapport between subordinates and managers (Gavin and Mayer, 2005; Jo and Shim, 2005). Transparent and open communication encourages employees to share intellectual and creative ideas to create value for the organization (Quirke, 2008) and increases their sense of belongingness and self-worth (Smidts, Pruyn and Van Riel, 2001). Other studies also found effective communication positively linked to employee engagement, performance, commitment, retention, productivity and satisfaction (Allen, 1992; De Ridder, 2004; Ng et al., 2006).

1.2. CSR and environmental barriers

Factors that impede effective communication are referred to as communication barriers and are classified

into personal and environmental factors. CSR elements of environmental barriers relate to the characteristics and environmental settings of an organization, while personal barriers arise due to differences in individual personalities and how they interact with others. Both barriers hamper effective communication by blocking, disrupting, filtering or distorting the message during the process of encoding, sending and decoding (Guo and Sanchez, 2009).

Management style: Management style describes the set of values and beliefs guiding top managers in controlling operations and decision making. One of the earliest studies about management style was conducted by Lewin, Lippit și White (1939) and established three major management styles – autocratic, democratic and *laissez-faire*, depending on the management's attitude towards employee participation in decision making. Over the years, different management styles rise and fall in popularity, but Lewin, Lippit și White's theory continues to remain relevant.

Management approaches to communication manifest themselves in different forms and permeate the internal communication system of an organization in many ways (Tourish and Robson, 2006; Arklan, 2011; Whitworth, 2011). Denning (2008) found that command-and-control communication approaches are increasingly failing and are unable to obtain positive responses from employees. Autocratic leaders (low employee participation) create an environment where information is largely top-down, with delays and problems in feedbacks while leaders with democratic tendency (high employee participation) promote open communication where information flow in all directions and feedbacks from employees are duly considered, leading to significant improvements in the quality of communication (Grunig, 1992; Tourish and Robson, 2006; Arklan, 2011; Jensen, 2014).

Organizational structure: Organizational structure refers to how authority and responsibilities are allocated and work procedures carried out by organization members. There are many documented dimensions of organizational structure – specialization, centralization, formalization, complexity and configuration (Pugh et al., 1968; Hage, 1980). Wagner and Hollenback (1992) suggest that centralization and formalization have

the greatest influence on communication patterns. Since centralization is discussed under management style, this study focuses on the formalization dimension to avoid overlapping.

Formalization refers to the established rules and procedures that dictate what is considered acceptable actions to control employees' behaviours. Job codification, rules and procedures, rule observation and chain-of-command rigidity can be used to measure the extent of formalization. Hage, Aiken and Marrett (1971) published a study on how organization complexity, centralization and formalization affect communication. They found that communication was far more effective in simpler, more decentralized and less formal organizations. Multiple levels of hierarchy and rigid chain-of-command structure inhibit effective communication by creating procedural and structural blockages (Guo and Sanchez, 2009).

Workplace culture: Workplace culture refers to the system of shared beliefs, attitudes, values and assumptions governing behaviours of people in an organization (Fielding, 2006), developed overtime in response to environmental problems and brought in by internal cohesion (Zait, 2002). It is described as the foreground and background of an organization's communication system (Keyton, 2011). Communicative phenomena in organizations are manifestations of complex configurations of deeply felt attitudes, beliefs and values (Brown and Starkey, 1994). The common, unwritten understanding of what constitute acceptable and unacceptable behaviours helps condition employees' attitudes towards communication. Employees adjust their behaviours according to the norm in the organization – if the workplace culture is not conducive to constructive criticism, employees will stop providing such feedbacks over time (Carrison, 2010). While managers may not actively suppress upward communication, the absence of encouragement for employees to voice dissent or relay bad news can also keep important development under wraps (Bielaszka-DuVernay, 2007). Brown and Starkey (1994) found that communication tends to be enhanced with an internally cooperative (rather than competitive), informal, caring and participative workplace culture.

1.3. Elements of CSR in supervisor – subordinate *guanxi*

Originating from the Chinese culture, *guanxi* describes the informal and personal relationship between two or more individuals, built on the basis of shared institutions and motivated by mutual interests (Chen and Chen, 2004). Empirical studies reveal that supervisor – subordinate *guanxi* is related to important organizational outcomes. supervisor – subordinate *guanxi* is related to increased employee attachment with supervisor (Chen et al., 2009), trust in leader (Tsui and Farh, 1997), reduced turnover intention (Wong et al., 2003) and higher organizational commitment (Farh et al., 1998). In terms of communication, strong supervisor – subordinate *guanxi* is found to encourage employee participation (Chen and Tjosvold, 2007), frequent interpersonal interactions, use of informal communication channels (Bian, 2006), open-minded dialogue (Chen and Tjosvold, 2007) and problem solving (Hwang, 1997).

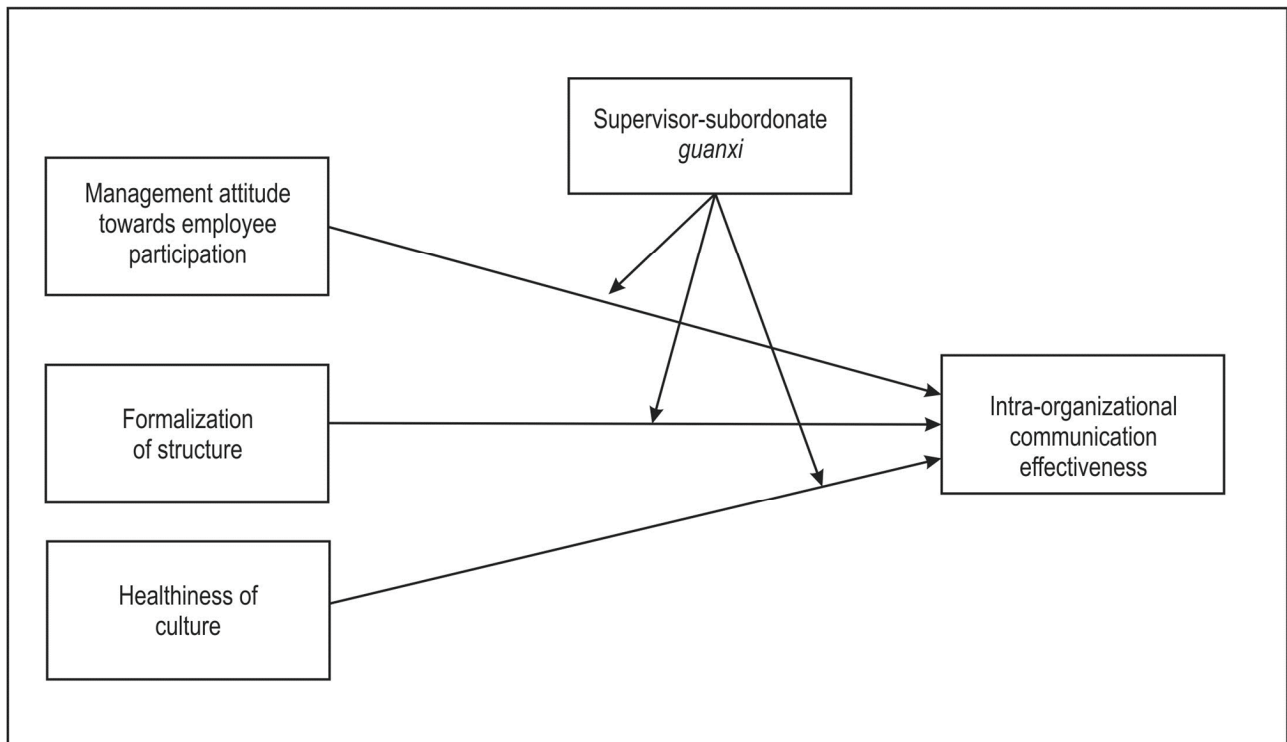
Contextual studies reveal that *guanxi* is crucial in transitional societies and institutions where decisions are made by a handful that have the power to punish and reward as they see fit (Smith et al., 2012). *Guanxi* is also found to facilitate particularistic (flexible, situational) rather than universalistic (rigid, standard) organizational practices, where managers have more latitude in making decisions due to the absence of rules and enforcement of regulations (Zhang, Li and Harris, 2015). In such situations, employees are motivated to form close relationships with those in power to seek career advancement and job security (Zhang, Li and Harris, 2015).

2. Materials and methods

2.1. Research framework and hypotheses

This paper seeks to examine how organizational environmental factors such as management style (management attitude towards employee participation in decision making), organizational structure (formalization) and workplace culture (healthiness) influence intra-organizational communication effectiveness. The moderating effect of supervisor – subordinate *guanxi* is also studied. The research framework is presented in Figure 1.

Figure 1: Research framework



Source: Authors' processing

Based on the research framework and literature review, there are six hypotheses in this study.

- H₁:** Management attitude with a higher degree of employee participation in decision making results in more effective intra-organizational communication and the relationship is significant.
- H₂:** A low degree of formalization is positively related to intra-organizational communication effectiveness and the relationship is significant.
- H₃:** The healthier the workplace culture, the higher the intra-organizational communication effectiveness and the relationship is significant.
- H₄:** Supervisor – subordinate guanxi moderates the relationship between management attitude towards employee participation in decision making and intra-organizational communication effectiveness.
- H₅:** Supervisor – subordinate guanxi moderates the relationship between formalization of structure and intra-organizational communication effectiveness.

- H₆:** Supervisor – subordinate guanxi moderates the relationship between healthiness of culture and intra-organizational communication effectiveness.

2.2. Sampling, questionnaire design and data collection

Convenience sampling is used due to the ease of execution, speed as well as cost effectiveness. To collect data, questionnaires were distributed both in hardcopies and online via Google Form. The questionnaire is divided into two sections:

- **Section A** collects information about respondents such as gender, age, ethnicity, job level, industry, company size and organization ownership using nominal and ordinal scales;
- **Section B** collects information about independent, moderator and dependent variables using interval scales where a series of statements are provided and respondents choose their answers from 5-point

Likert scales (from “1= Strongly disagree” to “5 = Strongly agree”).

Out of 200 hardcopy questionnaires distributed, 156 were completed and returned, translating to a response rate of 78%. Meanwhile, online questionnaires generated 118 completed responses, bringing the total number of completed questionnaires to 274.

2.3. Selection of measurement scales

Management attitude towards employee participation in decision making: Management attitude towards employee participation in decision making measures the degree to which managers believe employees are capable of performing independently and allow them to take part in decision making. Adapting some of the items from Bhatti et al.’s (2012) leadership style questionnaire, six items have been identified for the measurement of this variable.

Formalization of structure: Formalization of structure measures the degree of formalization in an organization. Using a scale developed by Hage and Aiken (1969) to assess formalization, six items are selected to measure the extent of job codification, rule observation and job specificity.

Healthiness of culture: This study references van Muijen’s (1999) FOCUS questionnaire to measure the healthiness of culture. Among many items, six have been selected to measure openness, organizational support and goal orientation.

Supervisor – subordinate guanxi: To measure supervisor – subordinate *guanxi*, six items are adopted from Chen et al.’s (2009) study. This scale measures the extent of affective attachment, personal-life inclusion and deference to supervisor in determining the quality of supervisor – subordinate *guanxi*.

Intra-organizational communication effectiveness: In Park, Lee and Lee’s (2014) paper, communication effectiveness is broken down into frequency, bi-directionality and quality of communication. Following this, ten items have been adopted from their study to measure intra-organizational communication effectiveness.

2.4. Data Analysis Techniques

Prior to performing the analysis, the data set has been screened and cleansed from errors. Two sets of responses were removed due to being flagged as outliers, leaving 272 sets of responses available for data

analysis. Scores for negatively worded items have also been reversed. Various data analysis techniques are used including descriptive statistics (frequency), reliability test (Cronbach’s alpha coefficient), normality test (Skewness and Kurtosis), correlation analysis (Pearson correlation coefficient) and multiple regression.

3. Results

3.1. Respondent profile

In total, there are 272 respondents for this study, out of which, as it can be noted from table 1, male respondents made up 46.7%, while female made up 53.3% of respondents. The majority of respondents (65.4%) are in the age group 26 to 35 years old, followed by 21.3% aged between 36 and 45, 5.5% aged 25 and below, 5.5% between 46 and 55 years old and the remaining 2.2% aged 56 and above. In terms of ethnicity, Chinese accounted for 59.6% of respondents, followed by Malay at 19.1%, Indian at 16.9% and others (4.4%). The two most recorded job levels are Executive (54%) and Middle Manager (26.1%).

Respondents came from diversified industries with the highest percentage from Insurance & Banking (18%), Services (15.4%), Manufacturing (12.5%) and Telecommunications & IT (12.5%). In terms of company size, most fell into the range of 101 to 500 employees (29.4%), 21 to 100 employees (24.3%) and 501 to 1000 employees (12.9%). 235 respondents (86.4%) were from private organizations while 37 (13.6%) were from public organizations.

3.2. Normality test

Assessing the normality of data is important as many statistical tests are based on the assumption of normal distribution of scores. Besides histogram and boxplot, normality can also be assessed from skewness and kurtosis values. Skewness is a measure of asymmetry while kurtosis measures the peakness or flatness of distribution (Sekaran and Bougie, 2013). Distribution of scores is normal when skewness and kurtosis values equal to zero. According to George and Mallery (2010), skewness and kurtosis values of between -2 and +2 are acceptable in order to prove normal distribution.

Table 2 displays the results of normality test for all variables. Skewness and kurtosis values for all

variables fall within -1 and +1, indicating that scores are close to normal distribution and suitable for further statistical analysis.

3.3. Reliability test

There are many dimensions to measure the reliability of an instrument – stability, test-retest reliability, parallel-form

reliability, internal consistency and so on. In this study, the Cronbach's alpha coefficient (α) is used to measure internal consistency of scales as a measure of reliability. Internal consistency indicates the extent to which items in a scale tap the same construct. As a rule of thumb, the Cronbach's alpha coefficient of a scale should be above 0.7 (DeVellis, 2012).

Table 1. Summary of respondent profile		
Characteristics	Frequency	Percentage
Gender		
Male	127	46.7
Female	145	53.3
Age		
25 and below	15	5.5
26 - 35	178	65.4
36 - 45	58	21.3
46 - 55	15	5.5
56 and above	6	2.2
Ethnicity		
Malay	52	19.1
Chinese	162	59.6
Indian	46	16.9
Others	12	4.4
Job level		
Clerical	2	.7
Executive	147	54.0
Middle Manager	71	26.1
Senior Manager	26	9.6
C-level	10	3.7
Others	16	5.9
Industry		
Insurance & Banking	49	18.0
Manufacturing	34	12.5
Telecommunication & IT	34	12.5
Automobile	7	2.6
Food & Beverage	16	5.9
Construction	19	7.0
Fast-Moving Consumer Goods (FMCG)	12	4.4
Entertainment & Media	3	1.1
Retail	21	7.7
Services	42	15.4
Others	35	12.9
Company size		
20 and below	27	9.9
21 - 100	66	24.3
101 - 500	80	29.4
501 - 1000	35	12.9
1001 - 5000	32	11.8
5001 and above	32	11.8
Organization ownership		
Private	235	86.4
Public	37	13.6

Source: Authors' processing

Table 2. Summary of normality test

Variables	Skewness	Kurtosis
Management attitude towards employee participation in decision making	-0.012	-0.771
Formalization of structure	-0.079	-0.549
Healthiness of culture	-0.371	-0.770
Supervisor – subordinate <i>guanxi</i>	-0.005	-0.850
Intra-organizational communication effectiveness	0.115	-0.691

Source: Authors' processing

Table 3 shows the results of reliability test for the scales of respective variables. All scales recorded a Cronbach's

alpha coefficient higher than 0.7, indicating good internal consistency reliability.

Table 3. Summary of reliability test

Variables	Cronbach's Alpha	N of Items
Management attitude towards employee participation in decision making	0.845	6
Formalization of structure	0.830	6
Healthiness of culture	0.752	6
Supervisor – subordinate <i>guanxi</i>	0.878	6
Intra-organizational communication effectiveness	0.932	10

Source: Authors' processing

3.4. Correlation analysis

Correlation analysis is used to study the strength and direction of association between two variables. Pearson correlation coefficient (r) is most commonly used to measure correlation and can take on values from -1 to +1. A positive sign indicates that there is a positive correlation (when one variable increases, so does the other) while a

negative sign indicates a negative correlation (when one variable increases, the other decreases). Meanwhile, the strength of relationship is indicated by the absolute size of the value. Cohen (1988) suggests the following guideline to interpret the strength of relationship: $r = 0.1$ to 0.29 (low correlation), $r = 0.3$ to 0.49 (medium correlation) and $r = 0.5$ to 0.99 (strong correlation).

Table 4. Pearson correlation (r) between independent, moderator and dependent variables

Variables	Intra-organizational communication effectiveness
Management attitude towards employee participation in decision making	$r = 0.726^{**}$
Formalization of structure	$r = 0.676^{**}$
Healthiness of culture	$r = 0.793^{**}$
Supervisor – subordinate <i>guanxi</i>	$r = 0.838^{**}$

Source: Authors' processing

** $p < 0.01$

3.5. Hypothesis testing

Multiple regression is used to investigate the relationship between independent and dependent variables, as well as to check the effect of the moderator variable. For hypothesis testing, the first step is to examine the

relationship between the individual independent and the dependent variables (H_1 , H_2 and H_3). Then, the moderator variable is added to determine if it moderates the relationship between the independent and dependent variables (H_4 , H_5 and H_6).

H₁: Management attitude with a higher degree of employee participation in decision making results in more effective intra-organizational communication and the relationship is significant.

There is a strong positive correlation between management style (management attitude towards employee participation in decision making) and intra-organizational communication effectiveness ($r = 0.726$). Table 5-1 (Model 1) shows the regression results between management style and intra-organizational communication effectiveness. With an adjusted R^2 value of 0.526, the variable explains 52.6% of variance in intra-organizational communication effectiveness. Results show that management style makes a significant contribution to the prediction of intra-organizational communication effectiveness ($\beta = 0.726$, $p = 0.000$). Therefore, hypothesis 1 is supported.

H₂: A low degree of formalization is positively related to intra-organizational communication effectiveness and the relationship is significant.

There is a strong positive correlation between organizational structure (formalization of structure) and intra-organizational communication effectiveness ($r = 0.676$). As presented in Table 5-2 (Model 1), with an adjusted R^2 value of 0.456, the variable explains 45.6% of variability in intra-organizational communication effectiveness. Results show that organizational structure makes a significant contribution in predicting intra-organizational communication effectiveness ($\beta = 0.676$, $p = 0.000$). Therefore, hypothesis 2 is supported.

H₃: The healthier the workplace culture, the higher the intra-organizational communication effectiveness and the relationship is significant.

There is a strong positive correlation between workplace culture (healthiness of culture) and intra-organizational communication effectiveness ($r = 0.793$). As presented in Table 5-3 (Model 1), with an adjusted R^2 value of 0.628, the variable predicts 62.8% of variance in intra-organizational

communication effectiveness. Workplace culture also makes a significant contribution to the prediction of intra-organizational communication effectiveness ($\beta = 0.793$, $p = 0.000$). Therefore, hypothesis 3 is supported.

H₄: Supervisor – subordinate guanxi moderates the relationship between management attitude towards employee participation in decision making and intra-organizational communication effectiveness.

As illustrated in Table 5-1, when only management style is regressed against intra-organizational communication effectiveness (Model 1), the adjusted R^2 value is 0.526 ($F = 301.420$, $p = 0.000$). However, when Supervisor – subordinate guanxi is added (Model 2), the total variance explained increased to 71.3% ($F = 337.876$, $p = 0.000$). Supervisor – subordinate guanxi explains an additional 18.7% of variance in communication effectiveness, after controlling for management style (R^2 change = 0.188, F change = 117.402, $p = 0.000$). Therefore, supervisor – subordinate guanxi has a moderating effect and hypothesis 4 is accepted. Both independent ($\beta = 0.185$, $p = 0.000$) and moderator ($\beta = 0.693$, $p = 0.000$) variables remain individually significant in predicting intra-organizational communication effectiveness.

H₅: Supervisor – subordinate guanxi moderates the relationship between formalization of structure and intra-organizational communication effectiveness.

As presented in Table 5-2, Model 1, the adjusted R^2 value is 0.456 ($F = 227.808$, $p = 0.000$). When supervisor – subordinate guanxi is added, the total variance explained increases to 71.6% ($F = 342.376$, $p = 0.000$), explaining an additional 26% of variance in communication effectiveness, after controlling for organizational structure (R^2 change = 0.260, F change = 248.294, $p = 0.000$). This shows that supervisor – subordinate guanxi has a moderating effect and hypothesis 5 is accepted.

Table 5-1. Regression results between management style and intra-organizational communication effectiveness (Model 1) and the moderating effect of supervisor – subordinate *guanxi* (Model 2)

Model	Variables	B	Beta	Adjusted R ²	F	t	Sig.
1	(Constant)	1.027		0.526	301.420	7.751	0.000
	Management style	0.738	0.726			17.361	0.000
2	(Constant)	0.750		0.713	337.876	7.131	0.000
	Management style	0.188	0.185			3.563	0.000
	Supervisor – subordinate <i>guanxi</i>	0.635	0.693			13.319	0.000

Source: Authors' processing

Dependent Variable: Intra-organizational Communication Effectiveness

Table 5-2. Regression results between organizational structure and intra-organizational communication effectiveness (Model 1) and the moderating effect of supervisor – subordinate *guanxi* (Model 2)

Model	Variables	B	Beta	Adjusted R ²	F	t	Sig.
1	(Constant)	1.358		0.456	227.808	10.402	0.000
	Organizational structure	0.694	0.676			15.093	0.000
2	(Constant)	0.763		0.716	342.376	7.509	0.000
	Organizational structure	0.182	0.178			3.921	0.000
	Supervisor – subordinate <i>guanxi</i>	0.654	0.714			15.757	0.000

Dependent variable: Intra-organizational communication effectiveness

Source: Authors' processing

Table 5-3. Regression results between workplace culture and intra-organizational communication effectiveness (Model 1) and the moderating effect of supervisor – subordinate *guanxi* (Model 2)

Model	Variables	B	Beta	Adjusted R ²	F	t	Sig.
1	(Constant)	0.136		0.628	458.654	0.917	0.360
	Workplace culture	0.923	0.793			21.416	0.000
2	(Constant)	0.237		0.759	428.414	1.982	0.048
	Workplace culture	0.434	0.373			8.166	0.000
	Supervisor – subordinate <i>guanxi</i>	0.509	0.556			12.173	0.000

Dependent variable: Intra-organizational communication effectiveness

Source: Authors' processing

Both independent ($\beta = 0.178$, $p = 0.000$) and moderator ($\beta = 0.714$, $p = 0.000$) variables remain individually significant in predicting intra-organizational communication effectiveness.

H₆: Supervisor – subordinate *guanxi* moderates the relationship between healthiness of culture and intra-organizational communication effectiveness.

Workplace culture is entered into Model 1 (Table 5-3), explaining 62.8% of variance in intra-organizational

communication effectiveness ($F = 458.754$, $p = 0.000$). Supervisor – subordinate *guanxi* is then added at the second stage (Model 2), resulting in a higher adjusted R² value of 0.759 ($F = 428.414$, $p = 0.000$). Supervisor – subordinate *guanxi* accounts for an additional 13.1% of variance in intra-organizational communication effectiveness (R^2 change = 0.132, F change = 148.171, $p = 0.000$). Therefore, hypothesis 6 is accepted. Both independent ($\beta = 0.373$, $p = 0.000$) and moderator ($\beta = 0.556$, $p = 0.000$) variables remain individually significant in predicting intra-organizational communication.

4. Discussion of results

The first research question is to examine the relationship between management style and intra-organizational communication effectiveness. Results from statistical analysis show that management style with a higher degree of employee participation in decision making is positively related to intra-organizational communication effectiveness. This is consistent with the findings of Tourish and Robson (2006), Denning (2008), Arklan (2011) and Jensen (2014). This is expected as democratic managers treat employees as capable counterparts, actively seek their inputs for important matters and incorporate employees' suggestions when making decisions. On the other hand, a non-participative approach tends to create a suppressive environment which emphasizes top-down communication, discourages employee feedbacks and restricts the sharing of timely and important information.

The second research question is to find out the relationship between organizational structure and intra-organizational communication effectiveness. In line with earlier studies, a lower degree of formalization results in higher intra-organizational communication effectiveness as the flexibility enables information to be transmitted to relevant parties more directly, minimizing information distortion and loss. This is supported by Hage, Aiken and Marrett (1971) and Guo and Sanchez (2009). Although a higher degree of formalization helps segregate tasks and responsibilities more clearly, it creates a rigid structure where departure from established chain-of-command for communication is discouraged (even during critical times) and employees are constantly monitored to ensure rule observation. Escalation and handling of issues also take a longer time in formalized organizations due to the presence of hierarchical communication blockages. As a result, information is delayed and distorted as communication is forced through more levels (impacting communication effectiveness).

The third research question is to study the relationship between workplace culture and intra-organizational communication effectiveness. A healthier workplace culture (transparent and cooperative) is found to be positively related to communication effectiveness. This is similar to the findings of Brown and Starkey (1994), Bielaszka-DuVernay (2007) and Carrison (2010). In a cooperative environment, employees view each other as

valued and trusted members of the organization and work hand-in-hand to achieve organizational goals. Communication is likely to be more frank, open and well-intended when people work well together and share trusting relationships. On the other hand, in an unhealthy working culture characterized by competition to outperform one another, lack of trust and negative reactions to constructive feedbacks; people keep important information to themselves and refrain from highlighting problems unless necessary. These behaviours impede effective communication and result in delayed problem identification and solving.

The fourth research question aims to determine whether supervisor – subordinate *guanxi* has any moderating effect on the relationship between identified organizational environmental factors and intra-organizational communication effectiveness. Results show that close supervisor – subordinate *guanxi* is found to have a positive moderating effect on all three relationships between (i) management style and communication effectiveness, (ii) organizational structure and communication effectiveness and (iii) workplace culture and communication effectiveness. The addition of supervisor – subordinate *guanxi* in all three instances results in higher explanation of variance in intra-organizational communication effectiveness compared to the independent variables alone. With close supervisor – subordinate *guanxi*, communication is reported to be of higher frequency, multi-directionality and enhanced quality. This can be explained by findings from past studies on social exchanges that higher quality supervisor – subordinate relationship is positively related to affiliation-oriented behaviours directed towards increasing smooth organization functioning, such as assisting co-workers, collective problem solving and facilitating communication (Whiting, Podsakoff and Pierce, 2008; Zhang, Li and Harris, 2015).

Conclusions

Theoretical implications

This study makes two major contributions to the existing literature. Firstly, it helps to extend the organizational communication literature by consolidating major organizational environmental factors (such as management style, organizational structure and workplace culture) and examines their impact on

intra-organizational communication effectiveness (there is no such undertaking in past studies). Findings of this study provide support that a more participative management style, less formalized organizational structure and healthier workplace culture are positively related to communication effectiveness within an organization.

Secondly, it adds to the literature on supervisor – subordinate *guanxi*, which is a relatively new field but is quickly gaining academic acceptance as more scholars recognize that LMX (leader-member exchange) is insufficient to capture the richness of supervisor – subordinate exchanges. While most studies focus on the antecedents and outcomes of supervisor – subordinate *guanxi*, this paper contributes to understanding the moderating effect of supervisor – subordinate *guanxi*. It is found that close supervisor – subordinate *guanxi* has a positive moderating effect on all three relationships between (i) management style and communication effectiveness, (ii) organizational structure and communication effectiveness and (iii) workplace culture and communication effectiveness. Strong personal relationship between supervisor and subordinate results in stronger emotional ties, support and concern; strengthening mutual interdependence and mutual obligations (Chen et al., 2009). Regardless of the environmental boundaries and rigidity, managers and employees with close supervisor – subordinate *guanxi* communicate more frequently using informal channels and share more information (Bian, 2006), are more likely to engage in open-minded dialogues (Chen and Tjosvold, 2007) and joint problem solving (Hwang, 1997); thereby improving communication effectiveness.

Practical implications

The importance of effective intra-organizational communication cannot be overemphasized. In an environment where people from different backgrounds and personalities interact daily, effective communication helps align expectations, facilitates problem solving, builds cooperative relationships and channels employee efforts to achieve common goals (Robson, Skarmear and Spyropoulou, 2006). Most efforts to improve communication revolve around signing employees up for communication courses, sending employees on team-building retreats to enhance teamwork or investing in the latest communication technologies. However, results from this study imply that managers should also pay attention to creating an environment conducive to open communication, suggestions and feedbacks.

Individuals occupying managerial positions in organizations should take time to reflect on their managing styles. Non-participative management approaches are quickly losing popularity in today's dynamic business environment. Instead, an increasing number of authors have advocated for companies to switch to more participative approaches, to encourage open communication and allow employees to have a say in decisions affecting them (Longest, Rakich and Darr, 2005; Guo and Sanchez, 2009). This way, employees are more likely to develop a sense of ownership for their organizations, become more committed to their work, experience increased job satisfaction and are more willing to communicate.

Highly formalized organizational structures are found to be negatively related to communication effectiveness. Against this backdrop and in view of the need for swift decision making in today's fast-paced world, it is in an organization's interest to adopt a less formalized and more flexible structure to empower employees to make decisions within clearly defined boundaries and provide direct access to higher level management to report urgent matters. This can be achieved by practicing open door policies, organizing occasional town hall meetings, implementing suggestion boxes and facilitated by communication technologies such as emails, real-time chatting software and online forums.

Workplace culture plays a huge role in shaping the expectations and behaviours of an organization's members. Therefore, it is crucial to create a culture conducive to honest communication and feedbacks. Hills (2013) highlights that strong emphasis on transparency, fairness, integrity, teamwork and common goals can help improve communication effectiveness as employees focus on acting in the interest of the organization and less for selfish gains. In such environment, employees are more willing to help each other, solve problems collectively and welcome constructive criticisms.

This constitutes a holistic approach in addressing it instead of solely making changes to the organization's environment and hoping that communication effectiveness will improve tremendously overnight. Efforts involving significant structural and cultural changes are bound to face resistance and therefore, patience, perseverance, incentive systems and leaders' manifestation of desired behaviours are crucial in successfully bringing about the required change to improve communication effectiveness.

On top of any environmental condition, close personal relationship motivates supervisors and subordinates to engage more frequently in conversations. While changing an organization's structure and culture may take a long time, establishing good supervisor – subordinate *guanxi* can be achieved in a much shorter time span. Managers and employees should not restrict interactions solely to work but also express interest in each other's non-work life such as family, hobby and health. This way, both parties are likely to feel more emotionally connected, trust each other, have a sense of reciprocity and obligation, and are more willing to engage in open communication. However, managers should take care not to be too invasive in establishing good *guanxi* that employees perceived it as a violation of privacy and ensure the loyalty of both parties remain with the organization and not use *guanxi* for personal gains.

Limitations and recommendations for future research

This study has a number of limitations. Firstly, it has a relatively small sample size and respondents are mostly from the central region (Kuala Lumpur and Selangor). The small sample size limits the representativeness of responses to a larger population. The fact that respondents come mostly from the Central region further restricts its generalizability as the demographics and experiences of people in Kuala Lumpur and Selangor may differ from those in other regions. Future studies should take note to have a larger sample size and collect information from different regions to improve the generalizability of findings.

Questionnaires are self-administered and rely on respondents' understanding for interpretation. There is a possibility that respondents could misinterpret some of the statements in the questionnaire which could lead to bias responses. In the future, this can be reduced by allocating more time to conduct surveys so that the researcher can explain items in the questionnaire in more details to respondents. Making the questionnaire available in different languages such as Bahasa Malaysia, Chinese and Tamil could also help to minimize the risk of misinterpretation.

This paper may not be all encompassing and may have omitted some other organizational environmental factors that impact intra-organizational communication effectiveness such as time constraint and physical distance between company personnel. In further exploring the relationships, these factors could be included in future studies.

Lastly, the findings of this study are bounded by the cultural context within which the research was undertaken. More specifically, data was collected in Malaysia, which in most aspects, fits the Asian cultural profile that tends to be collectivist and relations-focused (stronger *guanxi*). However, the same cannot be said for more individualistic and achievement-oriented nations. Thus, it would be interesting to replicate this study in other countries and to compare the results.

Acknowledgments

This research is funded by the University of Malaya research grant, Exploratory Research Grant Scheme (ERGS). No: RP030D-15SBS.

REFERENCES

1. Allen, M.W. (1992), Communication and organizational commitment: Perceived organizational support as a mediating factor, *Communication Quarterly*, vol. 40, no. 4, pp. 357-367, DOI: <http://dx.doi.org/10.1080/01463379209369852>.
2. Arklan, U. (2011), Intra-organizational communication and leadership: An interactive approach, *African Journal of Business Management*, vol. 5, no. 26, pp. 10294 – 10302, DOI: <http://dx.doi.org/10.5897/AJBM11.1434>.
3. Barnlund, D. C. (1962), Toward a Meaning-Centered Philosophy of Communication, *Journal of Communication*, vol. 12, no. 4, pp. 197-211, DOI: <http://dx.doi.org/10.1111/j.1460-2466.1962.tb01547.x>.
4. Barnlund, D.C. (1970), A transactional model of communication, In KK. Sereno and C.D. Mortensen, *Foundations of Communication Theory*, New York: Harper and Row.
5. Berelson, B. and Steiner, G. A. (1964), *Human Behavior: An Inventory of Scientific Findings*, Oxford: Harcourt, Brace and World Publishing.
6. Bhatti, N., Maitlo, G.M., Shaikh, N., Hashmi, M.A. and Shaikh, F.M. (2012), The Impact of Autocratic

- and Democratic Leadership Style on Job Satisfaction, *International Business Research*, vol. 5, no. 2, pp. 192 – 201, DOI: <http://dx.doi.org/10.5539/ibr.v5n2p192>.
7. Bian, Y. (2006), Guanxi, In J. Beckert and M. Zafirovski (Eds.), *International Encyclopedia of Economic Sociology*, pp. 312–314, New York: Routledge.
 8. Bielaszka-DuVernay, C. (2007), How to get the bad news you need, *Harvard Management Update*, vol. 12, no. 1, pp. 3-5, [online] Available at: <https://hbr.org/2008/04/how-to-get-the-bad-news-you-need>, [Accessed on August 11, 2016].
 9. Brown, A.D. and Starkey, K. (1994), The Effect of Organizational Culture on Communication and Information, *Journal of Management Studies*, vol. 31, no. 6, pp. 807-828, DOI: <http://dx.doi.org/10.1111/j.1467-6486.1994.tb00640.x>.
 10. Carrison, D. (2010), Does your management style inhibit communication? *Industrial Management*, vol. 52, no. 5, p. 6, [online] Available at: <https://www.iienet2.org/details.aspx?id=22646>, [Accessed on August 11, 2016].
 11. Carrison, D. (2013), Pushing subordinates to communicate clearly, *Industrial Management: the magazine for better management in industry*, vol. 55, no. 2, pp. 6-7.
 12. Chen, X.P. and Chen, C.C. (2004), On the Intricacies of the Chinese guanxi: A Process Model of Guanxi Development, *Asia Pacific Journal of Management*, vol. 21, no. 3, pp. 305-324, DOI: <http://dx.doi.org/10.1023/B:APJM.0000036465.19102.d5>.
 13. Chen, Y.F. and Tjosvold, D. (2007), Guanxi and leader member relationships between American managers and Chinese employees: open-minded dialogue as mediator, *Asia Pacific Journal of Management*, vol. 24, no. 2, pp. 171- 189, DOI: <http://dx.doi.org/10.1007/s10490-006-9029-9>.
 14. Chen, Y.F., Friedman, R., Yu, E., Fang, W. and Lu, X. (2009), Supervisor – Subordinate Guanxi: Developing a Three-Dimensional Model and Scale, *Management and Organization Review*, vol. 5, no. 3, pp. 375 – 399, DOI: <http://dx.doi.org/10.1111/j.1740-8784.2009.00153.x>.
 15. Cohen, J.W. (1988), *Statistical power analysis for the behavioral sciences*, 2nd Edition, New Jersey: Lawrence Erlbaum Associates.
 16. Croucher, S.M. and Cronn-Mills, D. (2014), *Understanding Communication Research Methods: A Theoretical and Practical Approach*, London: Routledge.
 17. De Ridder, J.A. (2004), Organisational communication and supportive employees, *Human Resource Management Journal*, vol. 14, no. 3, pp. 20-30, DOI: <http://dx.doi.org/10.1111/j.1748-8583.2004.tb00124.x>.
 18. Denning, S. (2008), The Secret Language of Leadership, *Leader to Leader*, vol. 48, pp. 14-19.
 19. DeVellis, R.E. (2012), *Scale development: Theory and applications*, 3rd Edition, California: Sage Publication.
 20. Farh, J., Tsui, A.S., Xin, K. and Cheng, B. (1998), The Influence of Relational Demography and Guanxi: The Chinese Case, *Organization Science*, vol. 9, no. 4, pp. 471-488, Stable URL: <http://www.jstor.org/stable/2640274>.
 21. Fielding, M. (2006), *Effective Communication in Organizations*, 3rd Edition, Cape Town: Juta and Company Ltd.
 22. Gavin, M.B. and Mayer, R.C. (2005), Trust in management and performance: Who minds the shop while the employees watch the boss? *Academy of Management Journal*, vol. 48, no. 5, pp. 874-888, Stable URL: <http://www.jstor.org/stable/20159703>.
 23. George, D. and Mallery, M. (2010), *SPSS for Windows Step by Step: A Simple Guide and Reference*, 10th Edition, Boston: Pearson Education.
 24. Grunig, J.E. (1992), Symmetrical systems of internal communication, In J. Grunig (Ed.), *Excellence in public relations and communication management*, NJ: Lawrence Erlbaum Associates.
 25. Guo, K. and Sanchez, Y. (2009), Workplace Communication, Chapter 4, pp. 71-101, in *Organizational Behavior, Theory and Design in Health Care*, Sudbury, MA: Jones and Bartlett Publishers.
 26. Hage, J. and Aiken, M. (1969), Routine technology, social structure and organizational goals, *Administrative Science Quarterly*, vol. 14, no. 3, pp. 366-376, DOI: <http://dx.doi.org/10.2307/2391132>.
 27. Hage, J., Aiken, M. and Marrett, C.B. (1971), Organization Structure and Communications, *American Sociological Review*, vol. 36, no. 5, pp.

- 860-871, Stable URL:
<http://www.jstor.org/stable/2093672>.
28. Hage, J. (1980), *Theories of Organizations: Form, Processes and Transformation*, New York: John Wiley.
 29. Hills, L. (2013), Overcoming the Ten Most Common Barriers to Effective Team Communication, *The Journal of Medical Practice Management*, vol. 29, no. 2, pp. 99-103, [online] Available at:
http://www.greenbranch.com/images/mpm/sample_issue/SampleIssueMPM/HTML/index.html#42, [Accessed on August 11, 2016].
 30. Hoben, J.B. (1954), English Communication at Colgate Re-examined, *Journal of Communication*, vol. 4, no. 3, pp. 76-83, DOI: <http://dx.doi.org/10.1111/j.1460-2466.1954.tb00232.x>.
 31. Hwang, K.K. (1997), Guanxi and Mientze: Conflict Resolution in Chinese Society, *Intercultural Communication Studies*, vol. 7, no. 1, pp. 17-42.
 32. Jensen, J. (2014), From Me to We, *Leadership Excellence Essentials*, vol. 31, no. 4, p. 65, [online] Available at: <https://www.google.ro/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&cad=rja&act=8&ved=0ahUKEwiS8qaw-LnOAhUoEJoKHTYRBC0QFgghMAE&url=http%3A%2F%2Fwww.hr.com%2Fen%3Ft%3D%2FdocumentManager%2Fsfdoc.file.supply%26fileID%3D1398842207076&usq=AFQjCNGGspY7bh2Hwh4dKb2RzdoUhSKmeg>, [Accessed on August 11, 2016].
 33. Jo, S. and Shim, S. (2005), Paradigm shift of employee communication: The effect of management communication on trusting relationships, *Public Relations Review*, vol. 31, no. 2, pp. 277-280, DOI: <http://dx.doi.org/10.1016/j.pubrev.2005.02.012>.
 34. Kalla, H.K. (2005), Integrated internal communications: a multidisciplinary perspective, *Corporate Communications: An International Journal*, vol. 10, no. 4, pp. 302-314, DOI: <http://dx.doi.org/10.1108/13563280510630106>.
 35. Keyton, J. (2011), *Communication and organizational culture: a key to understanding work experiences*, 2nd Edition, California: SAGE Publications Ltd.
 36. Lewin, K., Lippit, R. and White, R.K. (1939), Patterns of Aggressive Behavior in Experimentally Created Social Climates, *Journal of Social Psychology*, vol. 10, no. 2, pp. 269-308, DOI: <http://dx.doi.org/10.1080/00224545.1939.9713366>.
 37. Longest, B.B., Rakich, J.S., and Darr, K. (2000), *Managing health services organizations*, 4th Edition, Baltimore: Health Professions Press, Inc.
 38. Miller, G.R. (1966), On defining communication: Another stab, *Journal of Communication*, vol. 16, no. 2, pp. 88-98, DOI: <http://dx.doi.org/10.1111/j.1460-2466.1966.tb00020.x>.
 39. Ng, T.W., Butts, M.M., Vandenberg, R.J., DeJoy, D.M. and Wilson, M.G. (2006), Effects of management communication, opportunity for learning, and work schedule flexibility on organizational commitment, *Journal of Vocational Behavior*, vol. 68, no. 3, pp. 474-489, DOI: <http://dx.doi.org/10.1016/j.jvb.2005.10.004>.
 40. Park, J., Lee, S. and Lee, J. (2014), Communication effectiveness on IT service relationship quality, *Industrial Management and Data Systems*, vol. 114, no. 2, pp. 321-336, DOI: <http://dx.doi.org/10.1108/IMDS-04-2013-0186>.
 41. Pugh, D.S., Hickson, D.J., Hinings, C.R. and Turner, C. (1968), Dimensions of Organization Structure, *Administrative Science Quarterly*, vol. 13, no. 1, pp. 65-105.
 42. Quirke, B. (2008), *Making the connections: Using internal communication to turn strategy into action*, Burlington, VT: Gower.
 43. Robson, M.J., Skarmeas, D., and Spyropoulou, S. (2006), Behavioral attributes and performance in international strategic alliances: Review and future directions, *International Marketing Review*, vol. 23, no. 6, pp. 585 – 609, DOI: <http://dx.doi.org/10.1108/02651330610712120>.
 44. Ruesch, J. (1957), Technology and social communication, In: *Communication Theory and Research* (Lee Thayer ed.), Springfield: Thomas.
 45. Scott, J.T. (2005), *The Concise Handbook of Management: A Practitioner's Approach*, New York: The Haworth Press.
 46. Sekaran, B. and Bougie, R. (2013), *Research Methods for Business – A Skill-Building Approach*, 6th Ed., West Sussex: John Wiley & Sons Ltd.
 47. Smidts, A., Pruyn, A.T.H. and Van Riel, C.B. (2001), The Impact of Employee Communication and Perceived External Prestige on Organizational Identification, *Academy of Management Journal*, vol. 44, no. 5, pp. 1051 – 1062, Stable URL: <http://www.jstor.org/stable/3069448>.

48. Smith, P.B., Huang, H.J., Harb, C. and Torres, C. (2012), How Distinctive are Indigenous Ways of Achieving Influence? A Comparative Study of *Guanxi*, *Wasta*, *Jeitinho* and "Pulling Strings". *Journal of Cross-Cultural Psychology*, vol. 43, no. 1, pp. 135-150, DOI: <http://dx.doi.org/10.1177/0022022110381430>.
49. Tourish, D. and Robson, P. (2006), Sensemaking and the Distortion of Critical Upward Communication in Organizations, *The Journal of Management Studies*, vol. 43, no. 4, pp. 711-730, DOI: <http://dx.doi.org/10.1111/j.1467-6486.2006.00608.x>.
50. Tsui, A.S. and Farh, J.L. (1997), Where *Guanxi* Matters: Relational Demography and *Guanxi* in the Chinese Context, *Work and Occupations*, vol. 24, no. 1, pp. 56-79, DOI: <http://dx.doi.org/10.1177/0730888497024001005>.
51. van Muijen, J.J. (1999), Organizational culture: The focus questionnaire, *European Journal of Work and Organizational Psychology*, vol. 8, no. 4, pp. 551-568, DOI: <http://dx.doi.org/10.1080/135943299398168>.
52. Wagner, J.A. and Hollenbeck, J.R. (1992), *Management of Organizational Behavior*, New Jersey: Prentice Hall Inc.
53. Whiting, S.W., Podsakoff, P.M. and Pierce, J.R. (2008), Effects of task performance, helping, voice, and organizational loyalty on performance appraisal ratings, *Journal of Applied Psychology*, vol. 93, no. 1, pp. 125-139, DOI: <http://dx.doi.org/10.1037/0021-9010.93.1.125>.
54. Whitworth, B. (2011), Internal communication, In T. Gillis (Ed.), *The IABC Handbook of Organizational Communication*, 2nd Edition, San Francisco: Jossey-Bass.
55. Wong, C., Tinsley, C., Law, K. and Mobley, W.H. (2003), Development and validation of a multidimensional measure of *guanxi*, *Journal of Psychology Chinese Societies*, vol. 4, no. 1, pp. 43– 69, Identifier: <http://hdl.handle.net/1783.1/13825>.
56. Zait, D. (2002), *Management Intercultural*, București: Editura Economică.
57. Zhang, X.A., Li, N. and Harris, T.B. (2015), Putting non-work ties to work: The case of *guanxi* in supervisor – subordinate relationships, *The Leadership Quarterly*, vol. 26, no. 1, pp. 37 – 54, DOI: <http://dx.doi.org/10.1016/j.leaqua.2014.04.008>.