

# Understanding Affective Organizational Commitment of Chinese Employees: Evidence from Domestic Firms and Foreign-Invested Enterprises in China

중국 종업원의 정서적 조직몰입에 관한 이해: 중국의 국내기업 및 외국인투자기업의 분석을 중심으로

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# Understanding Affective Organizational Commitment of Chinese Employees: Evidence from Domestic Firms and Foreign-Invested Enterprises in China\*

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This study has identified Chinese variables to explain affective organizational commitment (AOC) in China. Although scholars have increasingly tried to explore the antecedents of commitment in a Chinese context, unique variables related to China have been rarely examined. Thus, this study considers two main variables that reflect the China context, political identity and city residentship, as the determinants of AOC and examines their effects on AOC. This study further analyzes the moderating effect of domestic Chinese firms on the relationship between political identity and AOC to distinguish the effect of political identity in two types of organizations in China - domestic Chinese firms and foreign-invested enterprises.

To test the hypotheses, 429 survey questionnaires from employees working for domestic and foreign-invested enterprises in China have been collected. Then, this study conducts mixed-effects multi-level regressions. The results show that the political identity of Communist Party members has a negative effect on AOC. This means that Communist Party members have a lower level of AOC than non-Communist Party members. The results also indicate that employees who are not urban residents tend to have a higher level of AOC compared to employees with the city residence registration. Further analysis

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reveals that the moderating effect of domestic Chinese firms indicate that Communist Party members in domestic Chinese firms are likely to demonstrate higher levels of AOC than those in FIEs. Business implications, directions for future research and limitations of the study are discussed at the end.

Key Words: Affective Organizational Commitment, Political Identity, Residence, Domestic Chinese Firms, Foreign-invested Enterprises

### I. Introduction

Employees' emotional attachment to their organization, affective organizational commitment (AOC), has been highlighted as one of the important research topics for both practitioners and academics in the field of human resource management (HRM) (Du & Choi, 2010; Rhoades, Eisenberger, & Armeli, 2001). An affectively committed employee is one who feels a strong sense of belonging to the organization; and as a result she is actively involved in the organization's activities, believes in the organization's goals, and wants to remain with the organization (Allen & Meyer, 1990; Meyer & Allen, 1991; Mowday, Porter, & Steers, 2013). In line with this view, previous studies have found that AOC is positively related to employees' organizational citizenship behaviors (Shore & Wayne, 1993); increases job performance (Riketta, 2002); and reduces stress and work-family conflict (Meyer, Stanley, Herscovitch, & Topolnytsky, 2002). AOC also promotes retention of employees (Porter, Steers, Mowday, & Boulian, 1974), reducing the level of absenteeism and turnover intention (Mathieu & Zajac, 1990; Peng, Cho, & Lee, 2018). As AOC is beneficial to the overall organizational performance (Angle & Perry, 1981; Cho & Shin, 2015; Hong, Horaguchi, & Shin, 2018; Leroy, Palanski, & Simons, 2012; Meyer, Paunonen, Gellatly, Goffin, & Jackson, 1989; Meyer et al., 2002; Tolentino, 2013; Wang, Weng, & Jiang, 2018), it has been one of the long-lasting research topics in the field of human resources management.

Multinational Enterprises (MNEs) have also increasingly recognized the effectiveness of employees' commitment in HRM (Taylor, Levy, Boyacigille, & Beechler, 2008). In the context of MNEs, enhancing employees' commitment entails a distinctive challenge compared to domestic firms (Du & Choi, 2010; Gregersen & Black, 1992). Since MNEs deal with cultural heterogeneity among their employees, developing positive OC of employees with diverse cultural backgrounds becomes a challenge (Palich, Horn, & Griffeth, 1995). The cultural

Understanding Affective Organizational Commitment of Chinese Employees: Evidence from Domestic Firms and Foreign-Invested Enterprises in China – Yong Suhk Pak · Mon Yee Hsu heterogeneity makes employees have different expectations about the treatment of the organization, which leads to different perceptions of fairness (Laurent, 1983; Kabanoff, 1995). Cultural diversity can also be a significant obstacle for developing social cohesion (Buckley & Casson, 2010) and for sharing a unifying vision and a set of values among employees (Taylor et al., 2008). As a result, a lack of trust and a lower organizational identity in an MNE-employee relationship (Gould-Williams, 2003; Taylor et al., 2008) can lead to a decreasing level of AOC. One of the most challenging tasks that MNE's HRM faces today is how to improve and sustain the AOC of employees who are culturally diverse.

This paper focuses on examining the determinants of AOC in the context of China. MNEs operating in China enjoyed a real GDP growth by over 6.6% per year between 2011 and 2018 (Statista, 2019); and China accounted for almost 4% of world output (Krueger, 2005). There were 3,639 Korean MNEs in China in 2016 (Kotra, 2016). Concerning research on China, Korean scholars have studied crucial topics such as firm performance of Korean MNEs in China (Cho & Lee, 2017; Han & Kim, 2014), and knowledge transfers between Korean headquarters and Chinese subsidiaries (Lee, Jeong, Park, & Na, 2006). However, HRM related to Chinese employees, especially about their commitment, has been rarely examined. In the past two decades, there have only been two studies that focus on Chinese employees' commitment (Ahn & Paik, 2002; Shim & Kim, 2004). Shim & Kim (2004) examined the effect of compensation systems on employees' commitment in domestic Chinese, Korean, and US firms. Ahn & Paik (2002) collected survey questionnaires from Chinese employees of Korean MNEs in China, and mainly focused on examining the effectiveness of the employees' commitment regarding their job satisfaction and job performance. These two studies applied a western viewpoint to the context of China, and the link between Chinese firms' unique characteristics and Chinese employees' commitment has yet to be examined from a Korean MNE's perspective.

Foreign direct investment (FDI) of Korean firms in China amounted to 3,368 million US dollars in 2016, which equates to 8.6% of the total FDI of Korea (Kotra, 2018). Consequently, there have been an increasing amount of Chinese people being employed by Korean MNEs in China. However, the market economy under a socialist political system makes the employer-employee contract quite puzzling (Luthans, Avey, Clapp-Smith, & Li, 2008). As a result, most of the MNEs in China face the tough task of managing and improving employees' commitment to their organization. Korean MNEs in China are no exception and they need to pay attention to the characteristics of Chinese employees; and doing so will help

them find out how to improve their employees' organizational commitment.

Scholars recognize that the institutional arrangements as well as the Chinese culture influence employees' attitudes and behaviors (Chen & Francesco, 2000). Individuals share common needs in line with the institutional factors such as political, economic, technological, and administrative demands (Mcgaughey & Cieri, 1999). National culture is the root of personal values (Khilji, 2002) and will affect and guide people's behaviors. Chinese employees, under the influence of collectivist culture "guanxi", behave differently compared to their western counterparts who are more likely be individualistic (Chen & Francesco, 2000; Ling, Zhang, & Fang, 2001). Besides, different types of enterprises in China including state-owned, collective-owned, private-owned and foreign-invested enterprises (FIEs) also influence employees' attitudes and behaviors since the employees need to adjust themselves to the administrative demands of the organization (Zhu & Dowling, 2002). While this dynamic relationship between the surrounding organizational context and employees' commitment has been recognized, little research has examined this crucial issue from a Korean MNEs' perspective.

This study considers unique Chinese characteristics that may influence employees' AOC and examines the effects of political identity and city residentship on employees' AOC. Western-based studies have examined the effects of demographic variables, such as age, tenure (Luthans, Baack, & Taylor, 1987), education and position (Salancik, 1977) on employees' commitment. However, the results of analyzing western samples may not always be consistent within the context of China (Chen & Francesco, 2000; Nam & Lim, 2017). Although scholars have increasingly tried to explore the antecedents of commitment in a Chinese context, unique variables related to China have rarely been examined. Accordingly, this study considers two main variables that reflect the China context: political identity and city residentship, as the determinants of AOC. Chinese people share a common culture which has been deeply influenced by the Chinese political system (Ghauri & Fang, 2001). Consequently, the political identity of Chinese employees will influence their AOC in one way or another. Next, considering China's large population and its household registration system, residential location becomes a given condition for whether or not employees can commit to their organization (Pazy, Salomon, & Pintzov, 1996). Furthermore, this study investigates the moderating effect of domestic Chinese firms on the relationship between political identity and AOC; and will hopefully find distinct AOCs between employees of domestic firms and those of foreign firms. This makes sense because Korean MNEs may institute a different psychology when it comes Understanding Affective Organizational Commitment of Chinese Employees: Evidence from Domestic Firms and Foreign-Invested Enterprises in China – Yong Suhk Pak · Mon Yee Hsu to their Chinese employees, compared to Chinese firms.

In the next section, this study reviews the literature on AOC and develops the hypotheses. Then, the methodology, including the data collection method and the measurement of the variables, is described. Further, the findings of the study are analyzed. In the conclusion, the implications of the findings, future research directions and limitations of the study are discussed.

# II. Literature Review and Hypotheses Development

#### 2.1 Political Identity and AOC

AOC refers to a psychological desire that employees are emotionally attached to, identify and involved with in the organization (Meyer & Allen, 1991; Mowday, Steers, & Porter, 1979). The level of employees' AOC can be improved under the following conditions: The organization must keep important promises, which allows employees to trust their organizations (Gould-Williams, 2003). Employees must feel that they are being treated fairly (Aquino, Griffeth, Allen, & Hom, 1997; Wayne, Shore, Bommer, & Tetrick, 2002) and they are valued for their contributions to the organization (Allen, Shore, & Griffeth, 2003; Guest & Conway, 1997). Thus, organizations intentionally or unintentionally have an impact on the AOC of their employees through their operational arrangements (Meyer & Allen, 1997).

Chinese employees' AOC will be affected by HR practices designed under the influence of the organizational culture (Mcgaughey & Cieri, 1999). At the same time, AOC is also influenced by China's national culture (Khilji, 2002). Generally, Chinese people with a collectivist cultural background tend to commit to the state or to the leaders (Chen, Tsui, & Farh, 2002; Redding, 2013). Chinese employees are likely to be affectively bonded to their organization by making psychological contracts with their organization (Chang & Holt, 1994; Wong, Wong, Hui, & Law, 2001). Their affective attachment makes them stay with the organization (Meyer & Allen, 1991). Although macro national culture should also be considered in order to understand AOC in the employer–employee relationship within China, it has received little attention. This study therefore expects to see a link between AOC and a certain organizational institution in the context of China.

In China, there might exist distinct AOCs between employees who are members of the

Communist Party and those who are not. Members of the Communist Party are typically seen as being outstanding, well-educated, and highly-qualified (Bian, Shu, & Logan, 2001). The Communist Party recruits people with the aforementioned positive qualifications and therefore companies recognize that people associated with the Party are often good candidates to offer jobs (Rosen, 1990; Walder, 1995). The Party members are more advantageous in finding jobs or getting promotions under such a social climate (Dickson & Rublee, 2000). As the Communist Party members have more employment opportunities including government positions, they may be less committed to their organization than ones who are not members of the Communist Party. Another reason could be that employees that identify with being members of the Communist Party may have a higher expectation of their organization in terms of working conditions and compensation packages which might not be adequately met. On the other hand, non-Communist Party members have little hope that the same kind of employment opportunities would present themselves within other organizations (Weng & McElroy, 2012). People may leave the current company to pursue better opportunities, but they also need to weigh in the opportunity cost of leaving their current company (Chang, 1999; Meyer & Allen, 1984). Under these circumstances, non-Party members are able to match their expectations with the actual compensation they receive from the organization and will have an overall positive evaluation of their organization. As a result, employees who are not Communist Party members are more likely to have social exchanges with their organization and show more loyalty and commitment compared to Communist Party members. Thus:

Hypothesis 1: Communist Party members are likely to show a lower level of AOC compared to non-Communist Party members.

#### 2.2 The Moderating Effect of Domestic Chinese Firm

Du & Choi (2010) showed that there are differences in employees' AOC between domestic firms and FIEs in China. Domestic Chinese firms are increasingly using modern HRM practices (Wei & Lau, 2008), however they still maintain their own cultures and social values (e.g., collectivism and social network) (Yu & Egri, 2005). Chinese employees are influenced by the organizational culture, which is related to the Chinese collectivism culture, in which social relationships with coworkers, supervisors and the organization are important (Cheng & Stockdale, 2003; Cho, Choi, & Shin, 2016). The societal norms in China that value such sticky

Understanding Affective Organizational Commitment of Chinese Employees: Evidence from Domestic Firms and Foreign-Invested Enterprises in China – Yong Suhk Pak · Mon Yee Hsu relationships make it hard for employees to leave once they are employed by Chinese organizations. Such values are less likely to come into play in a working environment that is based on individualistic norms and practices which are likely to be linked with FIEs in China.

It seems natural that the Chinese Communist Party influences most of the management practices of domestic Chinese firms (Zheng & Lamond, 2009). Accordingly, HR practices in domestic Chinese firms may reflect the economic goals as well as the political goals of China (Luthans, Avolio, Walumbwa, & Li, 2005). All domestic Chinese firms set up Communist Party branches within the organization once they start to operate; however, FIEs in China do not have such institutions within their organizations. Top managers in the Communist branches exercise power. They usually become leaders of the Party branches and of the company as well (Li, 2009). In domestic Chinese firms in which the communist culture translates to mainstream values, a certain pattern is expected to be seen between Communist Party members and their AOC.

When domestic Chinese firms recruit and promote their employees, they consider whether candidates are Communist Party members or not (Dickson & Rublee, 2000). In China, being a member of the Communist Party is a symbol of political belief and outstanding qualification (Bian et al., 2001). Whoever qualifies to join the Party must meet both professional and moral standards (Rosen, 1990). When people classify themselves and others into different social groups, a certain group may become prestigious and enjoy social recognition (Turner, 1982). A member of the Communist Party in a domestic firm may behave with acumen. Being a member of the Communist Party may lead to a brighter future in a domestic firm, while there is hardly any influence in FIEs where such membership entails no impact. Accordingly, the Communist Party membership is more likely to have a positive effect in domestic firms than in FIEs. Employees holding the Party membership may strive to work for the benefit of the organization than the non-member coworkers in order to maintain such an esteemed status.

An organizational culture naturally guides employees' work and values (Mcgaughey & Cieri, 1999; Khilji 2002). FIEs in China without any political agenda related to the Communist Party, therefore, would not impose political influences on their employees. Thus, Communist Party members in an FIE may not benefit from their political identity. FIEs may even provide an organizational environment that is more accepting for those who choose not to be members of the Communist Party; and they are more likely to agree with the organizational culture and values originating in a foreign country. Therefore, employees in FIEs, unlike those working

for domestic firms, may feel free from any political orientation and are able to focus more on the HRM practices of their firm. As a result, their AOC is likely to be sensitive to the quality of social exchange with their organization such as whether it keeps important promises (Gould-Williams, 2003), whether they are treated fairly (Aquino et al., 1997; Wayne et al., 2002) and whether their contribution is adequately valued (Allen et al., 2003). Therefore:

Hypothesis 2: Communist Party members in domestic Chinese firms are likely to show a higher level of AOC than those in an FIE.

#### 2.3 Residence Registration and AOC

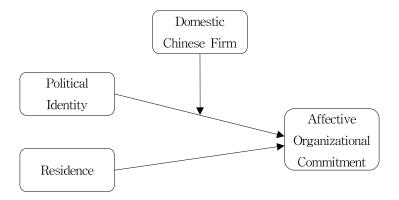
It is mandatory to register the official place of residence with the local government in China. The residence registration requirement was initially used to control the population flows but has now adjusted to permit rural residents living in cities and urban residents moving to other cities (Wu & Treiman, 2004). Unlike household registration systems in many other countries, the Chinese system (hukou) is not just for identifying personal information or providing population statistics, but for societal control by the state (Chan & Zhang, 1999). It was designed by the state for a number of purposes and has profoundly affected the lives of Chinese people (Chan & Buckingham, 2008). The household registration system (hukou) in China divides the population into agricultural and non-agricultural sectors. This hukou system seems to be the most important determinant of differential privileges in state socialist China because it determines access to good jobs, education for one's children, housing, health care (Cheng & Selden, 1994), and even the right to move to a city (Wu & Treiman, 2004).

"Transforming one's hukou status from rural to urban is a central aspect of upward social mobility" (ibid.: p.363). People who obtain urban hukou late substantiate significantly less welfare than the original urban residents (Liu, 2005). "They have lower education levels, are less likely to hold state sector jobs and to have employer-provided healthcare benefits, and are more likely to be self-employed or unemployed" (ibid.: p.133). China is a big country with a large mobile population. More and more people choose to live in a large city when they consider going to a college and developing their career. A considerable portion of the moving population now accounts for rural residents; and the local resident registration requirement has become one of the major obstacles for emigration. People suffer from discrimination, poor social insurance, and bad education for their children if they do not have the legal registration

Understanding Affective Organizational Commitment of Chinese Employees: Evidence from Domestic Firms and Foreign-Invested Enterprises in China – Yong Suhk Pak · Mon Yee Hsu of a local resident (Chan & Buckingham, 2008).

The Chinese society as a whole has experienced sizable uncertainty, complexity and frustration as its economy has grown rapidly (Gifford, 2008). Employees have felt stress, frustration and uncertainty from job losses and frequent career changes (Bandura, 1997). All of these lead to a heightened likelihood of nervous breakdowns among many employees. For those employees without local residentship therefore would cherish their employment status more than those with hukou since the hiring company resolves their major concerns or negative psychology of their residence registration status; such employees are likely to become satisfied with and committed to their employers, leading to better performance as a result (Ambrose & Kulik, 1999). Maintaining a steady identity and status over time and across situations will reduce employees' uncertainty and increase their feelings of safety (Goldberg, Riordan, & Zhang, 2008). Employees with stable jobs benefit from feeling like they have a settled status as a member of the company. The impact of such security would be stronger for those without hukou since their legal residence status is unstable. This may increase their organizational identification and develop a reciprocal relationship with the organization. Accordingly, employees who do not have the legal local resident registration may cherish their employment status and demonstrate higher levels of AOC (Rhoades & Eisenberger, 2002; Settoon, Bennett, & Liden, 1996). Therefore:

Hypothesis 3: Employees without hukou are likely to show a higher level of AOC compared to those with the local residence registration.



[Figure 1] The research model

## III. Method

#### 3.1 Sample and Data Collection

Survey questionnaires were sent to employees who were working for domestic firms and FIEs in manufacturing and service industries in China. We contacted HR managers working for the 30 largest domestic firms and 30 FIEs in China that were listed as Fortune Global 500 companies, all located in Beijing, Shanghai and Guangzhou. The managers from 17 domestic Chinese firms and 11 FIEs in China agreed to participate in the survey. Targeted domestic firms include large firms like Lenovo, Bao steel and Sino steel; and the FIEs include Samsung, Panasonic and Bauer. They all have annual sales of over five billion RMB. A total of 900 questionnaires were sent out, and 456 responses were returned, with a response rate of 50.66%. After eliminating incomplete questionnaires, the final sample is 429, with 234 and 195 respondents from domestic firms and FIEs in China respectively.

At first, the questionnaire was designed in English. Then, Chinese Ph.D. and M.Sc. students were asked to translate the questionnaire into Chinese. The questionnaire followed the translation-back translation procedure (Brislin, 1970). The survey is designed in Chinese because the targeted respondents are Chinese employees. The questionnaire is composed of political identity, location of residence, AOC and other individual level variables such as age, gender, career experience, job tenure, job position and education level. It takes about 15 minutes to complete. Respondents were requested to complete the questionnaire sincerely based on their own and their organizations' actual situations. The firm level variables including firm types (domestic firms or FIEs), industries and firm size are assessed through the official documents or annual reports of targeted firms.

#### 3.2 Measurement

#### 3.2.1 Political Identity

Political identity is measured based on whether or not the respondents belong to the Chinese Communist Party. Political identity is coded as 0 for non-Communist Party members and 1 for Communist Party members.

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#### 3.2.2 Location of Residence

Residence is measured based on the place where the respondents' residence is registered. Residence is coded as 0 for non-local residents who come from regions outside of the province where their current company is located and 1 for local residents.

#### 3.2.3 Domestic Firm

The targeted firms are categorized into FIEs and domestic Chinese firms. Firm types are coded as 0 for FIEs and 1 for domestic Chinese firms.

#### 3.2.4 Affective Organizational Commitment

AOC is measured with 9 items developed by Mowday et al. (1979). These items are also used in many empirical studies (Allen & Meyer, 1990; Chen & Francesco, 2000; Farh, Earley, & Lin, 1997; Gamble & Huang, 2008). The items include "I am extremely glad that I chose this organization to work for over others I was considering at the time I joined; I talk about this company to my friends as a great organization to work for; I am proud to tell others that I am part of this organization; This organization really inspires the very best in me in the way of job performance; I find that my values and the organization's values are very similar; For me this is the best of all possible organizations for which to work for; I am willing to put in a great deal of efforts beyond that normally expected in order to help this organization be successful; I really care about the fate of this organization." They are measured on a seven-Likert scale (1 = strongly disagree, 7 = strongly agree). The average score of the 9 items is used as the AOC score. The reliability of the scale (Cronbach's α) is 0.897.

#### 3.2.5 Control Variables

This study includes industry, firm size, age, gender, career experience, job tenure, job position and education as the control variables in our analysis. Industry is categorized into manufacturing and service industries. Industry is coded as 0 for manufacturing industries and

1 for service industries. Firm size is measured with the number of employees. Firm size is coded as 1 for under 500 employees, 2 for 500  $^{\sim}$  1000 employees, 3 for 1000  $^{\sim}$  5000 employees, and 4 for over 5000 employees. Age is coded as 1 for 20  $^{\sim}$  24 years, 2 for 25  $^{\sim}$  29 years, 3 for 30  $^{\sim}$  34 years, 4 for 35  $^{\sim}$  39 years, 5 for 40  $^{\sim}$  44 years, 6 for 45  $^{\sim}$  49 years and 7 for above 50 years. Gender is coded with 1 for female and 2 for male employees. Career experience and job tenure are measured using four categories (1 = less than 1 year, 2 = 1  $^{\sim}$  3 years, 3 = 4  $^{\sim}$  7 years, 4 = more than 7 years). Position is measured through five rankings from 1 to 5 (1 = associate, 2 = senior associate, 3 = manager, 4 = senior manager, 5 = top manager). Education is measured by the level of education from high school to doctoral degree (1 = high school, 2 = college, 3 = bachelor's degree, 4 = master's degree, 5 = doctoral degree and more).

#### IV. Results

#### 4.1 Descriptive Statistics

The descriptive statistics show that the total sample comprises of 56% females and 44% males; 234 local residents and 194 non-local residents; and 147 Communist Party members and 272 non-Communist Party members. Among the respondents, 274 employees are from the manufacturing industry and 155 employees work in the service industry. The average age of the respondents is 2.09 (late 20s), with the average education level of a bachelor's degree. Most respondents work in companies employing 1000  $^{\sim}$  5000 employees. A large proportion of respondents hold associate positions, with slightly over 3 years of work experience and job tenure. The average score of AOC is 4.43 with a standard deviation of 1.05.

#### 4.2 Correlations

Table 1 shows the correlations of the variables included in the analysis. Domestic firms have positive correlations with political identity (r = 0.20, p < 0.001) and residence (r = 0.12, p < 0.05). Residence is negatively correlated with AOC (r = -0.14, p < 0.01), while there is no significant correlation between political identity and AOC.

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[Table 1] Correlations of the variables included in the multi-level analysis

	1	2	3	4	5	6	7	8	9	10	11	12
1. Industry	1.00											
2. Firm size	38***	1.00										
3. Age	15**	.22***	1.00									
4. Gender	06	.01	.10*	1.00								
5. Career exp	20***	.23***	.72***	.13**	1.00							
6. Job tenure	20***	.18***	.63***	.09	.79***	1.00						
7. Position	09	.13**	.36***	.07	.34***	.29***	1.00					
8. Education	.13**	04	.01	.03	07	07	02	1.00				
9. Political id	.04	01	.03	07	02	.02	.07	.14**	1.00			
10.Residence	01	.17***	.17***	.05	.18***	.20***	.07	.04	.05	1.00		
11.Domestic F	.48***	16***	07	.08	10*	00	06	$.10^{*}$	.20***	.12*	1.00	
12.AOC	.09	08	06	.02	06	11*	.10*	03	09	14**	.02	1.00
Mean (SD)	.36	3.75	2.09	1.44	2.44	2.09	1.45	3.08	.35	.55	.55	4.43
	(.48)	(.77)	(.94)	(.50)	(.95)	(.87)	(1.06)	(.59)	(.48)	(.50)	(.50)	(1.05)

N = 429; \* p < 0.05, \*\* p < 0.01, \*\*\* p < 0.001 (two-tailed)

#### 4.3 Results

To test the hypotheses, this study conducts mixed-effects multi-level regressions by using STATA SE 12 software. The results of the multi-level analysis are shown in Table 2. As shown in model 2, political identity negatively affects AOC (B = -.197, p < 0.10), supporting hypothesis 1 that suggests Communist Party members tend to show a lower level of AOC than non-Communist Party members.

In line with hypothesis 2, the interaction effect of political identity and domestic Chinese firms has a significant positive effect on AOC (B = .467, p < 0.05) (model 5). This means that Communist Party members have a higher level of AOC when they are employed in a domestic Chinese firm than in an FIE. The interaction effect of political identity and domestic Chinese firms on AOC is also shown in Figure 2.

Hypothesis 3 proposes that non-local employees are more likely to have a higher level of AOC than local employees. The model 3 shows that residence has a negative significant effect on AOC (B = -.239, p < 0.05); hence, hypothesis 3 is supported.

[Table 2] The results of the multi-level analysis

Variable	Model	Model	Model	Model	Model	Model
	1	2	3	4	5	6
<u>Firm level</u>	0.40	22.4	0.14	400	100	450
Industry	.242	.224	.244	.180	.186	.179
	(.185)	(.181)	(.173)	(.207)	(.209)	(.197)
Firm size	075	066	052	070	071	048
	(.093)	(.091)	(.090)	(.092)	(.093)	(.090)
<u>Individual level</u>						
Age	039	048	034	049	065	061
	(.083)	(.083)	(.082)	(.083)	(.083)	(.082)
Gender	.070	.050	.078	.045	.052	.061
	(.105)	(.106)	(.104)	(.107)	(.106)	(.106)
Career exp	.016	001	.027	.001	.014	.029
Career emp	(.102)	(.103)	(.102)	(.103)	(.102)	(.102)
Ich tonum	134	137	126	141	126	118
Job tenure	134 (.097)	137 (.097)	126 (.097)	141 (.098)	126 (.097)	118 (.097)
	(.097)	(.097)	(.097)	(.096)	(.097)	(.097)
Position	.137**	.158**	.139**	.159**	.145**	.144**
	(.052)	(.055)	(.052)	(.055)	(.055)	(.054)
Education	078	077	076	075	067	063
	(.089)	(.092)	(.089)	(.092)	(.091)	(.091)
Political id		197 <sup>+</sup>		206+	490**	501**
		(.111)		(.112)	(.178)	(.178)
residence			239*			261*
residence			(.110)			(.111)
			(.110)			(.111)
Domestic firm (firm level)				.096	055	045
				(.199)	(.215)	(.204)
Political id * Domestic firm					.467*	.484*
					(.227)	(.227)
Number of Observations	399	390	398	390	390	389
Number of groups	28	28	28	28	28	28
Wald $X^2$	14.26+	19.38*	19.83*	19.56*	23.90*	30.41**

Unstandardized coefficient (Standard error)

 $<sup>^{\</sup>scriptscriptstyle +}$  p < 0.10,  $^{\scriptscriptstyle +}$  p < 0.05,  $^{\scriptscriptstyle +}$  p < 0.01,  $^{\scriptscriptstyle ****}$  p < 0.001 (two-tailed)

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5.1 5 - FIEs 4.9 --Domestic 4.8 firms Š 4.7 4.6 4.5 4.4 4.3 -1.0 SD 0 SD 1.0 SD Non-CP member CP member

[Figure 2] The interaction effect of political identity and domestic Chinese firm on AOC

# V. Discussion and Conclusion

The effect of antecedents on AOC within the context of China yields novel insights. First, this study examines the relationship between unique Chinese variables (political identity and residential location) and Chinese employees' AOC. The result shows that Communist Party membership marginally lowers AOC, that is, Communist Party members are less committed to their organization compared to their non-Communist Party counterparts. The political and social context of China has given Communist Party members superior status (Bian et al., 2001; Rosen, 1990; Walder, 1995). Employees with Communist Party memberships might be ready to leave their current jobs because they can access to more employment opportunities and expect better working conditions. Thus, they might be less satisfied with the current working conditions and have less social exchange with the organization. In the same vein, the result shows that non-local employees tend to have a higher level of AOC than local employees with a hukou status. In the eyes of non-local residents, there may be more employment opportunities for local residents. Not surprisingly, non-local employees seriously consider this opportunity cost when they leave the organization (Chang, 1999; Meyer & Allen,

1984). Accordingly, non-local employees might have to show their loyalty or emotional attachment to their organization once they are employed (Rhoades & Eisenberger, 2002; Settoon et al., 1996). The findings show that Chinese political and household registration systems are directly related to employees' AOC. This implies that MNEs should be aware of unique Chinese factors in managing their Chinese employees.

Second, built on Du & Choi (2010), the moderating effect of domestic Chinese firms on the relationship between political identity and AOC is examined. The results indicate that Chinese employees who are members of the Communist Party are more likely to be committed to domestic firms while they are less committed to FIEs. Unique Chinese profiles seem to be better integrated with and benefit from a domestic firm that is deeply ingrained in Chinese political and relation-oriented culture than an FIE with a foreign origin. As can be seen in Figure 2, non-Communist Party members, on the other hand, seem pleased to be employed in FIEs rather than in domestic Chinese firms. FIEs may operate freely from the political orientation of China and provide employment opportunities for those who do not have a Chinese social identity. It implies that reciprocity is more important than social status in the employer-employee relationship in FIEs in China. These interesting findings point out that employees' AOC is established as a result of balancing between their needs and desires in a given context.

Third, the results of our study contribute to the Korean international business academy as well as practitioners of Korean MNEs in China. This study shows the relationship between Chinese characteristics and employees' AOC, which has been rarely researched by Korean scholars. This finding can bridge the gap related to the commitment research in the context of China from the Korean MNE viewpoint. Thus, this study encourages further empirical research to examine the effects of other Chinese characteristics on employees' commitment in China. This remains an indispensable issue for Korean MNEs in managing host-country nationals in Chinese subsidiaries. The findings imply that social identity can be a country specific factor which comes into play in dealing with employees' commitment issue in cross-culture management. This suggests the need to develop and apply contextual theories for the management of MNEs on top of the traditional western-based commitment literature.

Based on the results, future researchers may pay attention to employees' commitment issue in the Chinese context. Since the results show that there are differences in employees' AOC between domestic firms and FIEs in China, and political and social systems can be influential factors of employees' AOC, future research may focus on other aspects of Chinese culture in

Understanding Affective Organizational Commitment of Chinese Employees: Evidence from Domestic Firms and Foreign-Invested Enterprises in China – Yong Suhk Pak · Mon Yee Hsu exploring antecedents of Chinese employees' AOC. For example, Chinese employees who are influenced by the culture of high power distance may not be allowed to participate in decision-making processes without permission from their supervisor (Hofstede, 1983). Under such kind of cultural influence, leadership styles with clear instructions and supportive leadership/supervisors can be meaningful variables to consider as antecedents of employees' commitment. An in-depth analysis of the cultural factors in China has yet to be conducted to look for the effects of other variables on Chinese employees' AOC.

Furthermore, there are a number of variables that can affect employees' AOC in an MNE's setting in China. The relationship between parent companies and Chinese subsidiaries can be an important factor. The degree to which the similarity of the HRM practices between the HQs and Chinese subsidiaries may influence Chinese employees' commitment to their organization. In other words, there may be a significant effect on AOC according to the degree of alignment between the MNE's HR arrangements and Chinese cultural and social orientation. HR practices that come from the home country should be carefully applied to host country employees. In addition, strategic variables such as top management beliefs, entry mode of the subsidiary, cultural and institutional distance, and subsidiary autonomy may all be combined to influence HR policies of the subsidiary (Taylor, Beechler, & Napier, 1996). Future research should consider MNEs' strategies applied to Chinese subsidiaries in a commitment research.

There are some limitations in this study. This work can be considered as an initial step that lays the foundation to explore the theoretical and empirical linkage between unique Chinese characteristics and employees' organizational commitment in China. Due to the lack of data, this study examines only the moderating effect of domestic Chinese firms between political identity and AOC, however, a number of mediators or moderators still need to be explored. Future research could examine the effects of mediating or moderating variables, and this could in turn offer a deeper understanding concerning employees' organizational commitment within the context of China. This study examines the effect of antecedents on AOC by analyzing cross–sectional survey data. This can lead to a limitation of the study in proving the relationship between independent and dependent variables. Future research can overcome this by analyzing data collected across multiple periods.

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# 중국 종업원의 정서적 조직몰입에 관한 이해: 중국의 국내기업 및 외국인투자기업의 분석을 중심으로

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요약

본 연구는 중국의 특성을 고려하여, 중국 종업원들의 정서적 조직몰입에 관한 이해를 제공하는 데에 목적을 두고 있다. 먼저, 본 연구는 중국 종업원의 정치적 정체성과 도시 거주증이 정서적 조직몰입에 미치는 영향을 분석하였다. 또한, 본 연구는 정치적 정체성과 정서적 조직몰입 간의 관계에서 중국 국내기업의 조절효과를 분석하여 정치적 정체성이 정서적 조직몰입에 미치는 영향이 중국 국내기업과 외국인투자기업 간 차이가 있는지를 살펴보았다.

가설검증을 위해, 본 연구는 중국의 국내기업과 외국인투자기업에서 일하고 있는 종업원 429명을 대상으로 설문조사를 실시하였다. 다층분석결과, 공산당에 소속된 종업원의 정서적 조직몰입이 공산당원이 아닌 종업원에 비해 낮은 것으로 나타났다. 또한, 도시 비거주자는 도시 거주자보다정서적 조직몰입이 높은 결과가 밝혀졌다. 그리고 정치적 정체성과 정서적 조직몰입 간의 관계에서 중국 국내기업의 궁정적 조절효과가 발견되었는데, 이는 중국 국내기업에서 근무하고 있는 공산당원인 종업원이 외국인투자기업에 일하고 있는 공산당원인 종업원보다 정서적 조직몰입 수준이 높다는 것이다. 끝으로 본 연구는 연구결과가 제시한 학문적, 실무적 시사점, 향후 연구주제와본 연구의 한계점에 대해 논의하였다.

주제어: 정서적 조직몰입, 정치적 정체성, 거주증, 중국 국내기업, 외국인투자기업