

Investigating *guanxi* dimensions and relationship outcomes: Insights from Sino-Anglo business relationships

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ABSTRACT

This study aims to develop and test a concept for improving Anglo-Chinese business relationships. By piecing together and incorporating both Chinese and western relationship constructs into a cohesive framework and testing this on a sample of Taiwanese importers, the study conceptually and empirically advances our understanding of the discipline further. Specifically, three facets of *guanxi*, namely *ganqing* (an affective element), *renqing* (reciprocation and favor), and *xinren* (personal trust) are conceptualized to determine cooperation and coordination, which in turn lead to improved performance. Based on a sample of 208 buyers (surveying perceptions of their relationships with Anglo suppliers), we provide empirical support for our concept and reveal that *ganqing*, *renqing* and *xinren* are crucial for fostering the development of such Sino-Anglo relationships. By providing an international flavor in terms of the constructs outlined and the importer–exporter context, the study provides fresh insights to help broaden our horizon further and understand more about relationships in an international context. Several implications are extracted from the study which a) western marketers importantly need to practice as they grapple to enter Chinese markets and nurture business relations, b) Chinese buyers can consider when managing their supplier portfolios and c) academics can use to help measure important relational constructs and undertaking research in a Chinese context.

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1. Introduction

Along with the trend of globalization and rapid economic development in many far eastern countries, particularly greater China, business-to-business relationships between western and eastern counterparts are receiving heightened interest in both academic and practitioner discourse. Traditionally, business relationships have been frequently explored in western societies and the quality of relationships measured by a range of attributes among others including trust, satisfaction, coordination, communication (Crosby, Kenneth, & Cowles, 1990; Morgan & Hunt, 1994; Naudé & Buttle, 2000). Despite such research, Tsang (1998) contends that Chinese is a high-context culture and developing good relationships with such parties may be more fruitful if nurtured in their own distinct ways in addition to those aspects considered in the west – hence the need to consider the relationships between western and Chinese counterparts from both perspectives.

Ever since the early 1980s, the subject of buyer–seller relationships has experienced growing popularity in academic western discourse. In particular, a significant amount of research in this domain has stemmed from North American and Europe. In the U.S., research has tended to focus

on channel management and the relationships between channel members (Anderson & Narus, 1990; Anderson & Weitz, 1989; Jap, 1999). This is not too dissimilar to research that was undertaken at around the same time in Europe, by a group of academic researchers who joined forces to form the International Marketing and Purchasing Group (IMP). Historically, IMP research has examined a number of variables including external and environmental factors, organizational and financial factors when exploring buyer–seller relationships (IMP Group, 1982; Turnbull and Valla, 1985). Their work advocates an interaction approach between buyers and sellers and stresses the importance attached to dyadic relationships (Håkansson, 1982; Turnbull and Valla, 1985).

Over the last thirty years, research in business relationships has progressed in several stages. Early studies, originating from North America and within Europe focused on working partnerships between exchange parties, such as manufacturers and distributors. As the subject progressed, the notion of relational exchange became increasingly popular, with scholars both conceptually and empirically drawing comparisons with traditional discrete transactional exchange. More emphasis was then later placed on specific relationship variables and their potential for influencing business relationships and this paved the way for a plethora of research to evolve (Wilson and Möller, 1991).

As a result, during the 1990s, research relating to pertinent relationship constructs and their influence on other relationship variables became more prevalent. At this stage, concepts were not only developed,

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but these were empirically tested and rigorously examined. Morgan and Hunt (1994) focused on trust and commitment as the key mediating factors on other variables (i.e. acquiescence, propensity to leave, cooperation, functional conflict and uncertainty) within buyer–seller relationships. The influence of globalization and increasing international trade has also encouraged a growing number of scholars to examine such constructs on an international scale (Barnes, Leonidou, Siu, & Leonidou, 2010; Yen et al., 2007).

In a Chinese context, the concept of social networks is very much in congruence with research on *guanxi* – whereby reciprocity, trust and interdependencies are highly valued through the effective use of social capital (Redding, 1990; Wong & Leung, 2001). Whilst the existing buyer–seller and channel management literature tends to focus on either western or Chinese relational forms in isolation, this study attempts to broaden scholarly understanding among western-Chinese business relationships through incorporating key relationship dimensions extracted from both perspectives.

Building on the theoretical foundation of social network theory, this research intends to explore Anglo–Chinese business-to-business relationships by developing and testing a concept that consists of both western and Chinese relationship constructs within the context of international buyer–supplier relationships. By focusing on typical Anglo-Saxon supplier working relationships and reflecting on import buyer views, western exporters will be better positioned and prepared for managing Chinese markets and enhancing their financial performance. The study aims to illustrate how aspects of *guanxi*, namely *ganqing* (an affective element), *renqing* (reciprocation and favor), and *xinren* (personal trust) can leverage inter-company facilitation in terms of greater cooperation and coordination, which in turn lead to greater satisfaction and improved performance.

In light of the focal constructs posited, *ganqing* refers to the emotional attachment that exists among network members (Wang, 2007). It denotes a sense of loyalty, solidarity and the willingness to take care of each other under all circumstances (Chen & Chen, 2004). *Renqing* consists of two parts: reciprocity and empathy (Hwang, 1987) and is practiced through the exchange of favors (Wong & Leung, 2001) i.e. the greater the exchange of favors – the closer the two parties. *Xinren* represents personal trust in a Chinese context which takes time and effort to build (Chen & Chen, 2004). The higher the levels of *ganqing*, *renqing* and *xinren*, the better the coordination and cooperation is likely to be.

Coordination is explained as the synchronization of activities and flows (Mohr & Nevin, 1990) and the extent to which activities in general are well coordinated and timely between partners (Mohr, Fisher, & Nevin, 1996). It can also represent a process whereby exchange parties work closely together in the process to improve products, service and coordinate orders (Buvik & Gronhaug, 2000; Buvik & Andersen, 2002). Cooperation meanwhile is concerned with a party's willingness to cooperate in maintaining a relationship and advocates acting in a way that promotes mutual interest, team spirit and tackling common problems in a bid to achieve mutual and individual goals (Cannon & Perreault, 1999; Leonidou, Katsikeas, & Hadjimarcou, 2002). Through greater inter-organizational coordination and cooperation, we posit that this will lead to greater satisfaction i.e. some degree of happiness among import buyers (Kumar, Stern, & Achrol, 1992; Anderson Baker, Simpson, & Siguaaw, 1999) and improved performance in terms of cost savings, profitability and financial benefits in general (Hewett & Bearden, 2001; Lee, Sirgy, Brown, & Bird, 2004).

Building on the introduction, which has provided a brief account of research on buyer–seller relationships and the notion of *guanxi*, the remainder of the manuscript is organized as follows: first, our conceptual framework and research hypotheses are outlined. Second, the research methodology is described. Next, the findings which report on the concept and the hypothesized associations are presented. Finally, several conclusions are drawn from the study, along with implications for practitioners and academic researchers and directions for future research.

2. Conceptual background

In contrast to relationship practices in the west, the term *guanxi* very much resembles the social network in the Chinese cultural context and can be highly beneficial in terms of leveraging connections with appropriate partner organizations, opening the doors to governmental offices, as well as helping obtain access to 'insider' information and resources that otherwise may not be available (Gu, Hung, & Tse, 2008). It has also been widely used among Chinese firms to cultivate international business relationships (Zhou, Wu, & Luo, 2007) and is generally well recognized as a concept that is practiced by Chinese businesses to secure better positions and competitive advantage (Standifird & Marshall, 2000). *Guanxi* can also directly affect market performance and in-directly influence it, through both channel and responsive capabilities (Gu et al., 2008). In particular, when resources are limited, *guanxi* can become a rescue strategy and a survival practice that offers firms an extra protective mechanism. Compared to the western literature that focuses on relationships between and among organizations, *guanxi* is mostly based on personal relationships in the Chinese context (M.J. Chen, 2001). Individual actors instead of organizational relationships between and among companies become more apparent, hence the use of close friends and associates as intermediaries in assisting with general business activities (Bruun, 1993; Yeung & Tung, 1996).

Although facets of *guanxi* in relation to business outcomes have been explored, limited research has been undertaken with regard to international buyer–supplier relationships. Whilst differences do exist among managers in terms of the cultural norms and intercultural constraints associated with Chinese and western managers (Gao, Ballantyne, & Knight, 2010), the question remains open as to whether or not the Chinese notion of *guanxi* can travel and has an influence in business relationships with parties from cultural backgrounds that are not necessarily familiar with the term. Instead of focusing on resource exchange and activity links at the organizational level, we feel it is as important to understand the possible influence of individual actors whom are involved in such business relationships, as these form an intrinsic component for laying the relationship foundations within the Chinese context for *guanxi* to flourish. In order to address the research gap, a conceptual model is proposed consisting of three *guanxi* related dimensions (*ganqing*, *renqing* and *xinren*), two interactive relationship constructs (cooperation and coordination), and performance, as the ultimate relationship outcome. This framework is presented in Fig. 1, along with nine hypothesized linkages, which are explained in conjunction with the constructs as follows.

2.1. *Ganqing*

Ganqing is translated as feelings or affection in English. It reflects the tenor of a social relationship between two people or two organizations, as well as an emotional attachment that exists among members of a network (Wang, 2007). It is related to social bonding,

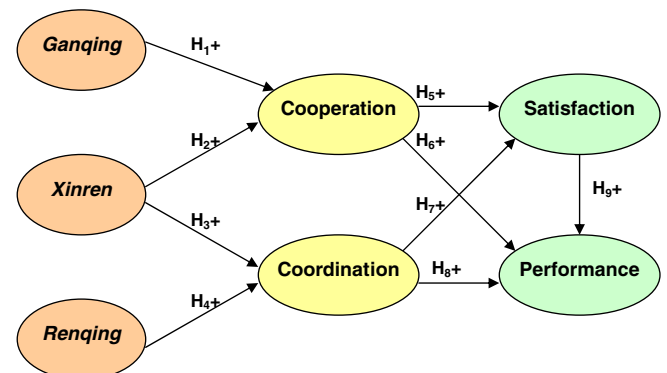


Fig. 1. The concept.

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