



## Analyzing stage and duration of Anglo-Chinese business-to-business relationships

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### ABSTRACT

The manuscript reports on a study aimed at analyzing a series of relational variables derived from the Western industrial buyer–seller relationship and Chinese *guanxi* literature. The findings based on data collected from over 200 Taiwanese trading firms reveal that buyer's perceptions of organizational trust, communication, cooperation, social bonding and the saving of face are higher in Anglo–Chinese relationships that venture beyond the short-term. It is also found that cooperation, social bonding and performance are greater in those b2b relationships surveyed that are relatively more mature than in emerging states. The findings also reveal that relationship duration and stage have a significant moderating effect on various Inter-organizational and Interpersonal–Outcome relationships. Several managerial implications are extracted to help Western firms better manage their international relations, as well as help new exporting firms penetrate such well-established *guanxi* networks.

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### 1. Introduction

Along with the trend of globalisation 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. However, relationships do not just emerge, but change over time – the ultimate aim being for both parties to develop and maintain healthy, long lasting collaboration that is mutually beneficial and rewarding (Dwyer, Schurr, & Oh, 1987; Morgan & Hunt, 1994). This is because in highly competitive Chinese markets, the cost of maintaining a reliable partner is much less compared with establishing and cultivating a new relationship, and the rewards associated with having long-term associations are significantly high (Jacobs, 1979; Davies, Leung, Luk, & Wang, 1995; Kipnis, 1997; Luo, 1997a).

Despite growing interest within the buyer–seller domain and Chinese business relationship (*guanxi*) research, relatively little has been concluded concerning the evolution of relationships in industrial markets, particularly from a Chinese perspective. Whilst in the Western literature, there is a consensus among academics that buyer–seller relationships are seen to progress through discreet stages over time in a unified manner (Ford, 1980), most of the research tends to be conceptual or based upon inductive exploration,

which is somewhat disjointed and lacking coherence in content (Barnes, 2005). Similarly, although the notion of a long-term orientation has been commonly addressed in the process of building relationships in a Chinese context (Armstrong & Yee, 2001; Mavondo & Rodrigo, 2001; Liu, Li, Tao, & Wang, 2008), little empirical research has been conducted to explore how such relational and *guanxi* attributes evolve over time.

In addition, and despite a plethora of marketing literature that has focused on examining relationships between industrial buyers and suppliers, very few empirical studies have been undertaken to examine the issues pertaining to Chinese buyers regarding their relationships with Anglo-Saxon suppliers. In this research, Anglo-Saxon refers to supplier firms that originate from countries where English is the native language, such as the UK, USA, Canada, Ireland, Australia and New Zealand. These nations speak English, share historical, political and cultural characteristics which provide some rationale for grouping these together and differentiating them from other more heterogeneous Western countries in Europe (Bennett, 2004). Moreover, findings of a quantitative nature that map the involvement of buyer–seller relations over time are rare (Ford & Rosson, 1982; Rosson, 1986; Barnes, 2005).

In response, this research aims to fill a gap in the literature through the following objectives:

- To develop an integrated framework that builds on the buyer–seller literature of an international nature; drawing on the pertinent strands of literature from both Western and Chinese perspectives.
- To report the findings of a survey among international agents and distributors, thus obtaining Chinese buyers' views of their working relationship with Western suppliers.

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- To incorporate the relationship evolutionary process by specifically analyzing the similarities and differences associated with relationship attributes at different length and stages.

By fulfilling the stated objectives, the empirical nature of the research findings will provide several implications for academics researching in the area of international buyer–seller relationships. Firstly, by incorporating constructs derived from both Western and Chinese literature, the conceptual framework proposed in this study expands the research field of buyer–seller relationships into a different cultural context – incorporating aspects from different international perspectives (Wilson & Möller, 1991; Ambler & Styles, 2000; Rodriguez & Wilson, 2002). Secondly, by examining various relationship attributes at different durations and stages, the research investigation will help broaden our understanding and management of such international relations.

In addition to the academic implications, the research findings will be useful for Western firms, especially those suppliers who are keen to export into the greater Chinese markets. This is important due to the globalisation of markets, pressures of local trade shortages and the economic downturns currently experienced in many countries. By examining Chinese buyers' attitudes towards relational attributes at different stages and periods of time, the research findings provide useful insights to help Western firms obtain a better understanding of Chinese buyers' relational behavior and discuss employable strategies for Western firms to develop and nurture long-term collaboration with their Chinese partners.

It is believed that a lack of understanding associated with Chinese buyers' attitudes and behavior over different relationship stages and time could impact negatively on the long-term sustenance of international business relationships among Western exporters and their respective Chinese agents or distributors. This frequently represents a key problem for small and medium sized enterprises with limited financial and strategic resources, when exporting into the greater Chinese markets. As most Western SMEs tend not to have sufficient knowledge regarding local Chinese markets, and rely heavily on their overseas distributors to succeed in such markets (Seligman, 1999; Chen M.J., 2001), the research is particularly significant for SMEs in helping them to develop and maintain sustainable international business relationships with their Chinese agents and distributors.

The manuscript is structured as follows: Firstly, a review of the literature builds on the key theory and discusses pertinent research exploring the evolution and the developmental stages associated with buyer–seller relationships. A conceptual framework is then outlined which builds on both the Western buyer–seller relationship and Chinese *guanxi* literature. The research approach and methodology are then detailed, followed by the research findings. Finally, several theoretical and practical implications are presented before the conclusions are drawn and future research directions are provided.

## 2. Research background

Influenced by social exchange theory, Dwyer et al. (1987) claim that time often has a role to play and has a crucial impact on relationships. Instead of treating buyer–seller exchanges as discrete events i.e. individual one-off transactions, these researchers suggested treating them as ongoing relationships and used the 'marriage' metaphor as an example to describe the process. In contrast to transactional exchange, they see that relational exchange transpires over time, and so each transaction should be viewed in terms of its past history and its anticipated future.

In order to categorize the relational changes between channel members, Fraizer (1983) proposed three relationship stages, which were later modified into four sequential stages in examining the development between buyers and sellers i.e. the interest stage,

initiation–rejection stage, implementation stage and review stage (Fraizer, Spekman, & O'Neal, 1988). Various factors were derived by these researchers from the channel and business-to-business literature for their possible influence on the interaction process at each particular stage.

Similar findings were also outlined by the IMP Group, who undertook cooperative research into the nature of relationships between companies in Europe. A specific focus of their research was on the influence of the time factor on the interactions between dyadic parties (Håkansson, 1982; Turnbull, Ford, & Cunningham, 1996). The IMP Group proposed an interaction model, where the interaction process includes both short-term episodes and long-term relationships. Along with the occurrence of each transactional episode are attempts by buyers and sellers to develop the possibility for long-term collaboration through establishing institutionalized routines. This is because the IMP Group (1982) believes that buyer–seller relationships in business-to-business markets evolve dynamically over time and follow a relationship development process (Möller & Wilson, 1995).

This belief reflects Ford's (1980) proposition that relationships evolve through five different stages, from pre-relationship to early development, then to a developmental stage, long-term and ultimately the final stage. Following a life-cycle theory, Ford suggested that along with these five stages of relationship development, both parties' experience of each other would increase, their uncertainty relating to cooperation would decrease, the psychological distance between each other would reduce, while commitment to this relationship and the degree of adaptation would gradually increase.

The development of business relationships is considered an intensive process (Turnbull et al., 1996). It involves ongoing day-to-day management, which is costly, time consuming and does not necessarily generate an immediate commercial result (Szmigin, 1993). By considering the development of buyer–seller relationships as a process through time, Ford (1980) influenced future research in this area. For example, Ford and Rosson (1982) developed a further framework identifying a different set of relationship states, based on new relationships, growing relationships, troubled relationships, static relationships and finally inert relationships. Contradictory to the original life-cycle relational stages, the findings suggest that relationships can be at various stages, irrespective of their age (Ford & Rosson, 1982). Moreover, later research has further proved that trust would increase as a relationship evolves over time (Morgan & Hunt, 1994; Wetzels, De Ruyter, & Van Birgelen, 1998) as does the level of commitment (Gundlach, Achrol, & Mentzer, 1995).

However, although it is generally believed that relationships develop following a linear direction, in confirming earlier findings by Moorman, Zaltman, and Deshpande (1992), Grayson, and Ambler (1999) argue that as relationships develop, they may become prone to negative influences. For example, instead of progressing in a positive state, certain aspects of a relationship may regress or remain static due to some elements of dissatisfaction or over-raised expectations. These were referred to as the 'dark side' of relationship marketing and were later re-iterated by Barnes (2005), particularly in terms of the social interactivity and the extent of communication in mid-term relationships.

Nevertheless, although Barnes' research has expanded our understanding regarding the impact of the time dimension in dyadic relationships, the implication of his research findings is somewhat limited due to his relatively small sample of dyadic relationships and the measurement of pure Western relational variables. As Ford and Rosson (1982) and Rosson (1986) encouraged future work to map the involvement of buyer–seller relations over time based upon more quantitative findings, there is still a need for more empirical research. Tsang (1998) contends that because Chinese is a high-context culture, therefore, in addition to those aspects considered in the West – there is the need to also incorporate key relationship constructs from the

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