Relational governance in supplier-buyer relationships: The mediating effects of boundary spanners’ interpersonal guanxi in China’s B2B market

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A B S T R A C T

Based on the literature on relationship marketing and marketing channel research, this study proposes that in a channel relationship, interpersonal guanxi between boundary spanners of channel partners mediates the relationship between a firm’s relationship marketing orientation and relational governance. Using the data collected from about 300 Chinese manufacturers and their suppliers, this study shows that relationship marketing orientation positively relates to relational governance, and boundary spanners’ interpersonal guanxi mediates this relationship. Relational governance further affects channel partners’ opportunistic behaviors. This study also discusses the findings’ implications for marketing practitioners and suggestions for future research.

1. Introduction

In the increasingly turbulent business market, firms are looking to build intensive relationships with their business partners in order to leverage the relationship-oriented governance mechanism (Geyskens, Steenkamp, & Kumar, 1998; Macneil, 1980). Consequently, relationship marketing and relational governance, and their antecedents and impacts, are receiving more attention from scholars and practitioners. Relational governance builds on trust and commitment, unlike traditional approaches to business relationships that rely heavily on authority and contract to coordinate interorganizational activities (Weitz & Jap, 1995). Thus relational governance is more stable and effective in the B2B markets (Claro, Hagelaar, & Omta, 2003; Frazier, 2009). For example, research shows that relational governance is able to enhance a firm’s competitive position (Jarillo, 1988; Powell, 1990; Thorelli, 1986) and inhibits opportunistic behaviors by building strong mutual commitment and trust (Brown, Dev, & Lee, 2000; Joshi & Stump, 1999). Relational governance can also reduce production and transaction costs by converting strengthened partnerships into stable and loyal strategic alliances (Hewett & Bearden, 2001).

More research has therefore focused on the antecedents and impact of relational governance, situated in the framework of transaction cost theory and relational exchange theory (Rindfleish & Heide, 1997). While this line of research has identified several key determinants of relational governance, such as transaction-specific assets, market uncertainty, and social networks (Claro et al., 2003; Gençtürk & Aulakh, 2007; Sheng, Brown, Nicholson, & Poppo, 2006; Zhuang & Zhang, 2011), relationship marketing orientation (RMO) has not received sufficiently attention (Zhuang & Zhang, 2011). RMO reflects a firm’s desire to establish mutually empathic, reciprocal trust, and to build bonds between partners (Callaghan, McPhail, & Yau, 1995), and is particularly effective in building and maintaining long-term partner relationships in marketing channels. Consequently, adoption of RMO as a firm’s value orientation and guiding idea can improve a firm’s performance and its relationship with its partners in B2B exchange activities (Yau et al., 2000). However, even though researchers have already found that RMO is a significant antecedent of relational governance, the mechanism through which RMO impacts relational governance remains understudied (Zhuang & Zhang, 2011).

In addition, boundary spanners’ interpersonal guanxi is an essential element in relationship-oriented marketing channel management (Luo, 1997; Wong & Tam, 2000; Zhuang & Zhang, 2011), and scholars have contended that interpersonal guanxi between channel partners’ boundary spanners should be an essential factor or embedded tie in business
exchange relationships (Granovetter, 1985; Uzzi, 1997). The guanxi between boundary personnel in marketing channels directly affects cooperation between their firms. In turn, such cooperation affects how channel members build a mutually beneficial network and govern exchange relationships on a long-term basis (Arias, 1998; Luo, 1997; Wong & Tam, 2000; Zhuang & Zhang, 2011). However, relatively few studies on relational governance have evaluated the possible impact of this important relational factor (Blois, 2002), and even fewer have examined boundary spanners’ guanxi as a governance mechanism in channel marketing (Wang, 2007).

To further explore the dynamics of this relationship-oriented governance mechanism – relational governance, this study proposes that RMO has a positive impact on relational governance, and that interpersonal guanxi between boundary spanners mediates the link between RMO and relational governance. This proposed model, which integrates boundary spanners’ interpersonal guanxi into the interactive relationship of relational marketing orientation and relational governance, will help enrich the literature on relationship marketing. This study then tests the hypotheses with a sample of 300 supplier-buyer partners in the Chinese context. This study collect data in China because relationship marketing and relational governance seem most relevant in the Chinese context, where interpersonal guanxi is of utmost importance and doing business is essentially building interpersonal guanxi (Luo, 1997; Luo & Chen, 1996). In addition, with the globalized world market and the rapid development of China’s economy, examining whether marketing theories developed in the West can be applied to different cultural contexts such as that in China becomes more important. The empirical results support the proposed research model in general, with some interesting findings that differ from those of studies conducted in Western countries. Finally, this study discusses the research findings and their implications, and presents the limitations of this study and suggestions for future studies.

2. Conceptual framework

2.1. Relational governance (RG)

Palay (1984) defines governance as “a shorthand expression for the institutional framework in which contracts are initiated, negotiated, monitored, adapted, enforced, and terminated” (p. 265). In the organizational context, Heide (1994) makes a distinction between three forms of interorganizational governance: market (contract-based), unilateral (authority-based), and bilateral (relationship-based), which rely on price mechanisms, bureaucratic structures, and socialization processes, respectively, to manage interorganizational activities.

Relational governance refers to “interfirm exchanges which include significant relationship-specific assets, combined with a high level of interorganizational trust,” and “is embodied in both the structure and the process of an interorganizational relationship” (Zaheer & Venkatraman, 1995, p. 374). Thus, relational governance represents an organization’s active and ongoing effort to manage interorganizational activities with relational mechanisms (Gundlach, Achrol, & Mentzer, 1995; Heide, 1994; Lusch & Brown, 1996). To explore interorganizational exchange activities, Vargo and Lusch (2004) introduce the service-dominant logic, which contends that interorganizational exchange activities are inherently relational and collaborative interactions co-created value (Vargo & Lusch, 2004; Vargo, Lusch, & Malter, 2006).

Relational governance stresses social interactions and joint efforts to develop and maintain long-term bilateral relationships, which primarily bases on mutual trust and commitment. More importantly, relational governance stands for a bilateral governance mechanism that forms symmetrical, stable, and perennial channel relationships in marketing channels, and manifests in mutual coordination and self-discipline between channel partners. So from the governance perspective, the core of relational governance is to develop trust and commitment through social interactions of channel partners, reflected in joint actions such as joint planning and joint problem solving (Bensaou & Venkatraman, 1995; Heide & Miner, 1992). Compared with traditional control mechanisms (authority or contract), relational governance is more effective in reducing transaction costs and coordinating interorganizational activities (Claro et al., 2003; Frazier, 2009).

2.2. Relationship marketing and RMO

Berry (1983) introduces the concept of relationship marketing as “attracting, maintaining, and enhancing customer relationships” (p. 25). Grönroos (1991) and Harker (1999) further extend the definition of relationship marketing as a strategic option that, in direct contrast to transaction marketing, focuses on the individual buyer-seller relationship for mutual benefits (Sin, Tse, Yau, Chow, & Lee, 2005). From a firm’s perspective, relationship marketing reflects the business philosophy of placing the buyer-seller relationship at the center of the firm’s strategic or operational thinking in order to succeed in B2B markets (Sin et al., 2005; Yau et al., 2000). The main goal of relationship marketing is to establish, maintain, and enhance relationships with customers and other parties so as to meet the objectives of all involved parties (Berry & Parasuraman, 1991). Dwyer, Schurr, and Oh (1987) have defined such relationships as being interdependent and long-term oriented, and the long-term orientation is often more important because marketing partners will engage in less opportunistic behaviors in a long-term oriented relationship.

RMO is the guiding idea and value orientation of relationship marketing. RMO emphasizes “marketing oriented toward strong, lasting relationships with individual accounts” (Jackson, 1985, p. 2), and holds that the traditional exchanges characterized by a short-term transaction orientation should be replaced by long-term interorganizational relationships. RMO often leads to cooperative relationships through mutual bonding, empathy, reciprocity, and trust between business partners (Callaghan et al., 1995; Yau et al., 2000). Bonding is the relationship component that often results in two parties acting in a unified manner toward a desired goal; empathy means seeking to understand the situation from each other’s perspective and meet the desires and goals of others; reciprocity refers to providing favor or assistance to each other in exchange for similar favor or assistance later (Callaghan et al., 1995), and trust is the psychological perception that each party feels they can rely on the integrity of the promise made by the other party (Callaghan et al., 1995; Morgan & Hunt, 1994). Sin et al. (2005) further designs and empirically tests an instrument to assess RMO from six different aspects: trust, bonding, communication, shared value, empathy, and reciprocity.

2.3. Interorganizational relationships and interpersonal guanxi

All marketing has undertaken a systematic and coherent network of relationships (Paulin & Ferguson, 2010). Interorganizational relationships are formal arrangements that bring together tangible and intangible assets of two or more legally independent organizations with the aim of producing joint value (Bachmann & van Witteloostuijn, 2009). A good interorganizational relationship is critical to business partners’ success and effective governance, and is an important source of competitive advantage (Dyer & Singh, 1998; Ireland, Hitt, & Vaidyanath, 2002).

At the same time, while relationship marketing typically is impersonal and scholars often study relationship marketing at the organizational level, many have argued that in order to better understand relationship governance, examining boundary spanners’ interpersonal guanxi in terms of social connections is necessary (Chadee & Zhang, 2000; Lee & Dawes, 2005; Leung, Lai, Chan, & Wong, 2005). Compared with the general concept of relationship, guanxi is more personal in that guanxi works on the basis of friendship or personal dependence (Wang, 2007; Xin & Pearce, 1996).

Interpersonal guanxi refers to the practice of building and drawing on interpersonal connections in order to secure favors in personal
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