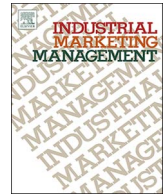




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Guanxi GRX (*ganqing*, *renqing*, *xinren*) and conflict management in Sino-US business relationships

Dorothy A. Yen^a, Ibrahim Abosag^{b,*}, Yu-An Huang^c, Bang Nguyen^d

^a Brunel University London, London, United Kingdom

^b SOAS University of London, London, United Kingdom

^c National Chi Nan University, Puli, Nantou County, Taiwan

^d East China University of Science and Technology, School of Business, 130 Meilong Road, Xuhui District, Shanghai 200237, PR China

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ABSTRACT

This paper challenges the existing view of *guanxi* as comprising one combined notion, and thus proposes to investigate *guanxi*'s sub-dimensions individually. Developed from Confucius Relationalism, the proposed GRX conflict management framework argues that *ganqing* (emotional attachment), *renqing* (reciprocal favour exchange) and *xinren* (interpersonal trust) have different effects on reducing task and emotional conflict. Empirical findings based on 300 Sino-US business relationships reveal that *ganqing* and *xinren* can significantly reduce both emotional and task conflict, whilst *renqing* does not have a significant effect on reducing either. Nevertheless, upon moderation analysis, the effects of *ganqing* and *renqing* in reducing emotional and task conflict become more significant when dealing with the more experienced buyer (with a longer length of employment), whilst *xinren*'s impact on reducing task conflict is lessened in more mature relationships (those with a longer business relationship duration), compared to less developed business relationships. The findings shed new light to *guanxi* literature, with evidence highlighting how GRX dimensions may be employed individually to effectively reduce conflict in Sino-US business relationships.

1. Introduction

Commonly conceptualised as interpersonal ties, '*guanxi*' is a Chinese cultural-specific notion that is widely recognized as an important determinant that Western firms need to master in order to better their business relationships with Chinese counterparts and/or to venture into the Chinese market (Barnes, Yen, & Zhou, 2011; Chen, 2001; Gu, Hung, & Tse, 2008; Luo, Huang, & Wang, 2012). Embedded within the Chinese culture for thousands of years under the influence of Confucian Relationalism (Chen, Chen & Huang, 2013), *guanxi* represents the very fundamental connections amongst human beings that Chinese cultivate daily in all their interactions, including those with family, friends, acquaintances and business partners. Since *guanxi* has such a paramount influence on Chinese culture, recent decades have witnessed academic synergies devoted to understanding and evaluating how Chinese practise *guanxi* in business relationships (Tsang, 1998; Chen, 2001; Luo et al., 2012; Chen et al., 2013). Such synergies include, for instance, early attempts to explain the concept of *guanxi* and elaborate how it is practised in business (e.g. Ambler, 1995; Jacobs, 1979; Kipnis, 1997), the development of its measurement (e.g. Lee & Dawes, 2005; Yen, Barnes, & Wang, 2011), and the more recent debate regarding *guanxi*'s

influence on business performance in China (Geng, Mansouri, Aktas, & Yen, 2017; Luo et al., 2012; Yen & Abosag, 2016).

Due to China being a high-context culture, the existing literature often suggests that Western firms should nurture their business relationships with Chinese counterparts, following the distinct Chinese way (Barnes et al., 2011; Tsang, 1998). This is because Chinese firms practise and engage the Chinese *guanxi* principles during their interactions, even when dealing with international firms from dissimilar cultural backgrounds (Berger, Herstein, Silbiger, & Barnes, 2015; Buckley, Clegg, & Tan, 2006; Li, Zhou, & Shao, 2009). Hence, international firms are encouraged to understand the *guanxi* notion and to embrace *guanxi* practices when collaborating with Chinese counterparts (Wong & Tjosvold, 2010; Yen et al., 2011), to promote business relationship effectiveness and performance.

Nevertheless, previous works on *guanxi* suffer from two limitations. Firstly, they often assume that *guanxi* comprises one combined notion that represents the particular interpersonal ties in the Chinese context (Ambler, Styles, & Xiucun, 1999; Liu, Li, Tao, & Wang, 2008). They fail to untangle the nuanced differences between *guanxi*'s sub-dimensions, such as *ganqing* (emotional attachment), *renqing* (reciprocal favour exchange), and *xinren* (interpersonal trust) or to discuss how each of the

* Corresponding author.

E-mail addresses: Dorothy.yen@brunel.ac.uk (D.A. Yen), ibrahim.abosag@soas.ac.uk (I. Abosag).

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guanxi sub-dimensions affects business relationships. This oversight results in muddy empirical debates regarding if *guanxi* has a positive influence on business performance, relationship effectiveness, satisfaction and long-term orientation (Yen et al., 2011; Luo et al., 2012; Berger, Silbiger, Herstein, & Barnes, 2015). Secondly, the existing *guanxi* literature tends to focus on discussing *guanxi*'s impact on the so-called positive relational constructs, such as trust, commitment, cooperation and coordination (Barnes et al., 2011; Mavondo & Rodrigo, 2001; Yen & Barnes, 2011). Limited research attention has addressed how *guanxi* can be employed to manage the 'dark side' of business relationships, such as opportunism, conflict and uncertainty (Gu et al., 2008; Wong & Tjosvold, 2010; Yen & Abosag, 2016), overlooking the impact of *guanxi* on reducing the dark side of business relationships with Chinese counterparts.

To address such lack of research, this paper asks to what extent can individual *guanxi* dimensions, namely *ganqing*, *renqing* and *xinren* (hereafter GRX), be employed to reduce conflict in Sino-US business relationships. Task and emotional conflict are chosen as the focal variables in this paper, considering their high occurrence and renowned impact in Sino-US business relationships (Su, Yang, Zhou, Zhuang, & Dou, 2009; Wong & Tjosvold, 2010; Zhuang, Xi, & Tsang, 2010). Furthermore, length of business relationships and length of employment are hypothesised as moderators of the GRX conflict management framework. By theoretically arguing and empirically discussing the links between GRX to task and emotional conflict under the moderating effect of length of employment and length of business relationships, this paper develops and validates a framework that explains the notion of *guanxi* and its composition in relation to conflict management.

This paper yields four theoretical contributions. First, by theoretically arguing and empirically proving the effects of GRX on emotional and task conflict independently, this study demonstrates the importance of investigating each sub-dimension of *guanxi* individually in relation to conflict management. Second, by positioning GRX as conflict management tools and specifically discussing *guanxi* GRX's impact on reducing emotional and task conflict, this paper extends previous understanding of *guanxi* by exploring the effect of *guanxi* in reducing the dark side of Sino-US business relationships (Abosag, Yen, & Barnes, 2016). Furthermore, by investigating how the *guanxi* dimensions of GRX can be employed to reduce conflict in Sino-US business relationships, this paper sheds new light on conflict management in Sino-US business interactions (Wong & Tjosvold, 2010; Zhang & Zhang, 2013). Finally, by revealing how length of employment and length of business relationships moderate the hypothesised relationships empirically, this paper extends previous understanding of *guanxi* by highlighting the mitigation of time when employing GRX to manage emotional and task conflict with Chinese counterparts.

This manuscript is structured as follows; it starts with a review of the literature on emotional and task conflict within buyer–seller relationships, and then builds on key theories underpinning the notion of *guanxi*. The GRX constructs are discussed together with the GRX conflict management framework, illustrating how individual *guanxi* dimensions reduce emotional and task conflict respectively. Research methods are then described, followed by findings and discussions based on analysis derived from 300 Chinese buyers regarding their business relationships with US suppliers, examined using structural equation modelling. Lastly, several conclusions are drawn, along with implications for practitioners and academic researchers and direction for future research.

2. Theoretical background and hypothesis development

2.1. Conflict management

Conflict has been considered an inherent behavioural dimension in all social systems that have business relationships between buyers and

sellers (Duarte & Davies, 2003). Research into conflict is long-standing in organisation studies (e.g. Cyert & March, 1963; Deutsch, 1977; Jehn & Mannix, 2001; Thompson, 1967). Recent studies have also examined conflict in marketing channels and supply chains, addressing the structural qualities of such conflict, and focusing on both inter- and intra-organisational conflict management, its outcomes, and the strategic behaviours that may secure favourable outcomes (Ehie, 2010; Plank, Newell, & Reid, 2006; Welch & Wilkinson, 2005). Marketing researchers have assessed the conditions under which conflicts are likely to emerge, whether conflicts exhibit stable properties such as being functional or dysfunctional, and how conflicts can be managed efficiently through contractual or other negotiated incentives (Chang & Gotcher, 2010; Cheng & Sheu, 2012; Finch, Zhang, & Geiger, 2013).

Conflict is defined as a situation in which the goal achievement of one channel member or the effective performance of its instrumental pattern is impeded by another channel member (Etgar, 1979; Gaski, 1984; Schul & Emin, 1988). Researchers have identified various sources that cause channel conflict. Cadotte and Stern (1979) identified the potential for conflict between members in a channel dyad as caused by the existence of goal incompatibility, domain dissent, and perceptual incongruence.

Conflict can be perceived to be positive or negative in relationships, depending on the party involved and whether its position in the relationship is relatively stronger or weaker (Skarmeas, 2006), in terms of whether the conflict is perceived as tolerable or intolerable (Abosag et al., 2016) and functional or dysfunctional (Massey & Dawes, 2007). In addition, conflict may be short-term in the form of arguments rather than long-term gains, which can be particularly irritating to partners leading relationship dissolutions (Abosag et al., 2016). However, a certain level of conflict between parties in a relationship may maintain the competitive driving force (Bengtsson & Kock, 2000), helping to foster creativity and encourage dialog in the relationship (Vaaland & Håkansson, 2003) and to intensify value-creation efforts (Mele, 2011). Successful management of conflict depends on identifying and effectively dealing with the types of conflict: task and emotional (Amason, 1996; Jehn, 1994; Menon, Bharadwaj, & Howell, 1996).

Emotional conflict is defined as “perceived/recognized interpersonal incompatibilities within groups, which are based on friction and personality clashes” (Rose & Shoham, 2004, p. 943). Emotional conflict is often viewed as harmful because it tends to be personal, denigrates a relationship and focuses on non-task-related disagreement between parties (Rose, Shoham, Neill, & Ruvio, 2007). It is particularly damaging to collaboration within relationships (Deutsch, 1977), resulting in dispute and lack of coordination between parties within the relationship (Teece, 2000). Emotional conflict negatively impacts the attitude of those parties involved in the relationship (Tjosvold, Hui, Ding, & Hu, 2003). International partners can be particularly prone to such negative emotional conflict (Rose & Shoham, 2004), which disrupts learning, impedes on the sharing of information (Chang & Gotcher, 2010) and reduces loyalty (Plank & Newell, 2007), leading to an increase of the emotional distance between the parties involved and an undermining of relationship effectiveness (Emden, & Calantone, R.J. & Droge C., 2006; Tjosvold et al., 2003).

On the other hand, *task conflict* is defined by Rose & Shoham (2004, p. 943) as “perceived/recognized disagreements within a group about the tasks to be performed (Jehn, 1994) and focuses on judgmental differences about the best way to achieve common objectives (Amason, 1996)”. Task is considered as functional based on a diversity of viewpoints and results in a more thorough discussion of multiple factors, thus contributing to relationship building by resolving logistical or tactical issues (Rose & Shoham, 2004). Some studies find task conflict to have a constructive impact on business performance (Rose et al., 2007), but other studies find task conflict to negatively influence performance (Chang & Gotcher, 2010; Yen & Abosag, 2016) because task conflict can

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