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## ***Guanxi* GRX (*Ganqing, Renqing, Xinren*) and Conflict Management in Sino-US Business Relationships**

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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.

**Keywords** – *Guanxi*, Conflict Management, Emotional Conflict, Task Conflict.

## 1. Introduction

Commonly conceptualised as interpersonal ties, '*guanxi*' is a Chinese cultural-specific notion that is widely recognised 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 (Chen, 2001; Gu, Hung & Tse, 2008; Barnes, Yen & Zhou, 2011, 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 practiced in business (e.g. Jacobs, 1979; Ambler, 1995; Kipnis, 1997), the development of its measurement (e.g. Lee and Dawes, 2005; Yen et al., 2011), and the more recent debate regarding *guanxi*'s influence on business performance in China (Luo et al., 2012; Yen and Abosag, 2016; Geng, Mansouri, Aktas and Yen, 2017).

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 (Tsang, 1998; Barnes et al., 2011). 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 (Buckley, Clegg & Tan, 2006; Li, Zhou & Shao, 2009; Berger, Herstein, Silbiger & Barnes, 2015). Hence, international firms are encouraged to understand the *guanxi* notion and to embrace *guanxi* practices when collaborating with Chinese counterparts (Yen, Barnes & Wang, 2011; Wong & Tjosvold, 2010), 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 *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 et al., 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 (Mavondo & Rodrigo, 2001; Yen & Barnes, 2011; Barnes et al., 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, Zhuang, Zhou & Dou, 2009; Zhuang, Xi & Tsang, 2010; Wong & Tjosvold, 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 and 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 and 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 et al., 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 et al., 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 et al., 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 (Tjosvold et al., 2003; Emden et al., 2006).

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 block or destroy value co-creation (Möller & Törrönen, 2003; Mele, 2011), impacting the economic performance of the relationship (Johnsen & Ford, 2006; Lee & Johnsen, 2012). However, it is important to note that conflict is generally frowned upon in the Chinese context, due to their cultural preference for a more harmonious interaction atmosphere (Yen, Yu & Barnes, 2007).

## **2.2 Conflict and Guanxi**

Prior research confirms that *guanxi* plays a significant role in impacting firms' relational conduct and managers' behaviour (Zhuang et al., 2010). A central cultural value in Chinese culture is harmony and keeping peace in interactions (Gabrenya and Hwang 1996), thus making the Chinese more sensitive toward conflict and friction amongst human interactions

(Yang, 1995). This explains why the Chinese often exhibit “a strong conflict-avoidance tendency when interacting with others whom one has good *guanxi* with” (Zhang & Zhang, 2013). Thus, the impact of *guanxi* on the reduction and management of conflict in business relationships is evident because Chinese people are reluctant to hurt or undermine their *guanxi* with others and destroy the harmonious atmosphere that governs their relationships (Leung, Koch and Lu, 2002; Yen et al., 2007; Wong and Tjosvold 2010; Zhang & Zhang, 2013). *Guanxi* helps mitigate aggressive feelings and encourages the development of kindness in business relationships. In situations of friction and conflict, *guanxi* reduces the use of power and prevents the escalation and manifestation of confrontation and conflict (Tse, Francis and Walls, 1994; Chung, 2011), helping managers to reach satisfactory solutions and maintain the harmonious atmosphere (Hwang, 1998).

The literature on *guanxi* and conflict management focuses primarily at the interpersonal level, between members of dyadic business relationships, because *guanxi* essentially exists at the individual level. Zhang & Zhang (2013, p. 104) clarify this, explaining that “it is natural that any conflict-avoidance tendency at the individual level may impact the interorganizational interactions”. Although Western scholars have recently recognized that quality interpersonal relationships are beneficial for successful organizational relationships (e.g. Rousseau et al., 1998; Gersick, Bartunek and Dutton, 2000; Kostova and Roth, 2003), the building of *guanxi* always starts at the interpersonal level (Geng et al, 2017). Nevertheless, within the business literature, studies that directly examine the influence of *guanxi* on conflict are rather limited (Wong and Tjosvold, 2010; Zhang & Zhang, 2013), with muddy empirical support. For instance, Wong and Tjosvold (2010) show that *guanxi* reduces competitive conflict significantly but fails to reduce cooperative conflict, whilst Zhang & Zhang (2013) reveal that *guanxi* reduces the overall conflict within business relationships without specifying the type of conflict.

### **2.3 *Guanxi* theoretical perspectives**

*Guanxi* is an integral part of personal relationships and business conduct in Chinese society (Park & Luo, 2001). Different from a Western relational governance perspective, which considers the trust and cooperation established between two organisations, *guanxi* is very much established at the interpersonal level amongst individuals and between specific actors that represent the organisations (Geng et al., 2017). The existing literature often discusses individual and organisational *guanxi* in business relationships based on any one of the three theoretical perspectives, which are social capital theory, social exchange theory, and Confucian Relationalism (Chen et al., 2013). Due to the lack of formal regulation in China's business communities (Xin & Pearce, 1996; Gu, Hung & Tse, 2008), scholars employing social capital theory tend to calculate *guanxi* ties and networks as social resources that individuals and firms may draw upon when formal institutions and resources are unavailable (Park & Luo, 2001). As social capital, backed up by one's credibility, *guanxi* is cultivated and deployed for several reasons; for example, attaining favours and trust, accessing resource, gaining competitive advantages, acquiring legitimacy (Park & Luo, 2001; Chen et al., 2013) and showing off one's influence and face, which refers to one's reputation and prestige in the Chinese context (Lee & Dawes, 2005). Business and firms are therefore encouraged to employ *guanxi* as significant governance structure, in order to reduce their environmental uncertainty and network members' opportunistic behaviour (Standifird & Marshall, 2000; Chung, 2011).

Studies drawing on social exchange theory emphasise *guanxi* as particularistic ties that are exchanged after careful weighing of the costs and benefits, with a view of obtaining rewards and benefits to maximise one's win. However, rather than addressing the emotion and feelings derived from social exchange theory, the reciprocal principle of favour exchange is often at the centre of such *guanxi* studies (Warren & Dunfee, 2004), as actors practicing *guanxi* are tied in through an unwritten code of reciprocity and equity. Failure to respect this social norm substantially hurts one's reputation, leading to a humiliating loss of prestige or

face (Lee et al., 2001). For example, a person would be seen as untrustworthy if s/he refuses to return a previously granted favour (Alston, 1989) and subsequently may be excluded from further *guanxi* exchanges.

However, whilst *guanxi* is reciprocal, compared to Western networks, where reciprocity often entails exchanges of roughly equivalent value in fairness (Powell, 1990), the Chinese *guanxi* exchanges often work across ranks, in an unequal sense (Chen et al., 2011). This explains why sometimes the party with lower/weaker power may not receive a reciprocal favour of equal value, yet choose to continue the *guanxi* exchange or remain in the *guanxi* network to maintain their competitiveness. Nevertheless, overweighing the favour exchange required in developing and maintaining *guanxi* often leads to criticism. For example, business exchanges involving forms of gift-giving between key executives are condemned for their ethical compromise and bribery intention (Warren & Dunfee, 2004).

Another school of thought discusses *guanxi* from the Confucian Relationalism perspective (Chen & Chen, 2004; Chen et al., 2013). They believe *guanxi* represents the paramount human relations that exist in every day human interactions within Chinese society (Chen et al., 2013). Following Confucius' teaching to address the relational appropriateness between people of different roles, e.g. the ties between father and son, husband and wife, senior and junior, ruler and ruled, and between friends (Chen et al., 2013), one should engage in all *guanxi* interactions with the commitment to signify the humaneness of the person and the universe (Jacobs, 1979; Kipnis, 1997).

Hence, *guanxi* is characterised by “*the mutual trust and feelings between the two parties, through numerous interactions following the self-disclosure, dynamic reciprocity and long-term equity principle*” (Chen & Chen, 2004, p. 306). Whilst emotion, friendship and affection are naturally perpetuated during humane interactions through helping out, gift-giving, and keeping promised (Kipnis, 1997; Yen et al., 2007), Confucius *guanxi* scholars also discuss the importance of empathy required during reciprocal favour exchanges,

together with emotional bonding and interpersonal trust when studying *guanxi* (Chen & Chen, 2004, Zhuang et al., 2010). Table 1 below summaries the different theoretical lenses in studying *guanxi*.

[Insert Table 1 here]

Whilst the notion of *guanxi* is associated to three theoretical underpinnings, the existing literature has unsurprisingly failed to reach an agreement on the sub-dimensions that characterise *guanxi*. Acknowledging the debate within the existing literature, this study follows the perspective of Confucian Relationalism, which believes that in addition to interpersonal trust and reciprocal favour exchanges, the element of emotional bonding and closeness derived from social interactions is also critical to indicate the quality of *guanxi* between two individuals (Chen & Chen, 2004; Zhuang et al., 2010; Yen et al., 2011). Taking on the Confucian Relationalism approach, this study therefore chose to focus on *ganqing*, *renqing* and *xinren* collectively as the sub-dimensions of *guanxi* for their significance and cultural authenticity (Yen et al., 2011). Together, *ganqing* imitates the affective side of the interpersonal ties, whilst *renqing* and *xinren* reflect the conative and cognitive part of *guanxi* (Yen & Abosag, 2016).

Nevertheless, the notion of face is not included as a *guanxi* sub-dimensions in this paper, as face is often perpetuated as a consequence of exchange. Sometimes face is also exchanged as a way to increase *ganqing* and *renqing* amongst people (Kipnis, 1997). Face alone does not measure the quality of dyadic *guanxi* between two parties. Instead from an ego-centric perspective, one with more face is considered as having higher social capital, and is thus considered a *guanxi*-resourceful individual (Park & Luo, 2001; Li et al., 2009). Finally, whilst communication is often perceived as the antecedent that leads to quality *guanxi* (Kipnis, 1997), taking their causality into account, interactive communication is therefore dismissed.

#### **2.4 *Ganqing*, *Renqing* and *Xinren***

Written as 感情 in Chinese, *ganqing* is a combination of two Chinese characters. The first refers to one's feeling as a verb and the second links to affection, sentiment and emotion.

*Ganqing* reflects the tenor of a social relationship between two people or two organisations, as well as an emotional attachment that exists among parties of a network (Wang, 2007). It describes the degree of emotional understanding, connections and the sharing of feelings of happiness and fears alike (Chen & Chen, 2004). *Ganqing* denotes the affective side of *guanxi*. Within the business context, *ganqing* refers to the friendship like feeling developed between two business partners. It is often initiated and perpetuated through various social interactions during both formal business meetings and informal networking events (Yen & Barnes, 2011), wherein business counterparts have the chance to gain further understanding of each other through communications, to share the experience, thus developing their friendship bonds.

Whilst *ganqing* is developed, a business counterpart is perceived more like a friend rather than a business acquaintance. The friendship feeling perpetuated during previous human interactions is likely to help lubricate their business relationship by reducing the friction and tensions derived from conflicting situations or when conflict occurs. An already established emotional bond can also help reduce hatred and lower the intensity or the likelihood of having direct confrontation emotionally. Based on the argument above, hypotheses 1 and 2 are postulated:

**H1:** *Ganqing* will lead to decreased emotional conflict in the relationship.

**H2:** *Ganqing* will lead to decreased task conflict in the relationship.

*Renqing* (人情) is another Chinese idea related to *guanxi*. It refers to the informal social obligation to another party as the result of invoking a *guanxi* relationship (Yen et al., 2011). The first character refers to human being and the second character, which is the same as the second character of *ganqing*, means feeling, affection and sentiment. Together the two characters refer to the implicit social norm that governs favour exchange with empathy.

Different from *ganqing*, *renqing* refers to the conative part of *guanxi*, emphasising the human obligation that is required through actions such as the exchange of favours that nurture the social exchange (Chen et al., 2011). Whilst the owing and the returning of *renqing* are based on actions of exchange (Wang, 2007), *renqing* is a form of social capital that provides leverage in interpersonal exchanges of favours (Yang, 1995; Chen et al., 2013) wherein reciprocity outlines the basic principle of how such favours are exchanged to perpetuate *renqing* (Tsui & Farh, 1997).

To give a *renqing* for the other party, one must engage in actions such as lending a helping hand, doing favours, going the extra mile to deliver the required outcomes, etc. (Yen et al., 2011). In the Chinese context, *renqing* returning is obligatory, hence facilitating the social bonds established through exchange between parties. However, dissimilar to Western relational governance norms, *renqing* is often exchanged and negotiated between individual actors, such as the sales and the procurement personnel at both interpersonal and inter-organisational levels. Whilst *renqing* refers to the conative part of *guanxi*, its action requirement is likely to help smooth conflict occurring during task operationalisation (Yen & Abosag, 2016). Through the act of taking turns to give favours in a reciprocal manner, *renqing* provides the unspoken social reciprocity to be practised by firms to smooth the cooperation and coordination process (Barnes et al., 2011), hence reducing emotional and task conflict. Therefore, the study postulates that:

**H3:** *Renqing* will lead to decreased emotional conflict in the relationship.

**H4:** *Renqing* will lead to decreased task conflict in the relationship.

*Xinren* (信任) refers to trust at the interpersonal level (Yen et al., 2011). The first character acts as a verb, which means to trust and to believe in, whilst the second character refers to heavy responsibilities that one can carry. Together, *xinren* represents the interpersonal trust of one's integrity and kindness to stick to and deliver one's promises

(Chen & Chen, 2004). *Xinren* is therefore essential to *guanxi* as a cognitive prerequisite to any engagement of *renqing* exchange. Similar to trust that is measured based on a combination of both credibility and benevolence (Doney and Cannon, 1997), *xinren* is established based on evaluations of the other party's trustworthiness as a combination of both (Yen and Barnes, 2011). Yet different from trust in the West, *xinren* can only be established between relational boundary personnel at the interpersonal level, rather than between two organisations (Yen & Abosag, 2016). A similar word to *xinren* that is also acknowledged by the existing literature is '*xinyong*' (信用), which implies the trustworthiness of a person indicating one's reliability, credibility and sincerity (Chen & Chen, 2004). In Chinese society, one would only have *xinren* with a party who is evaluated as having good *xinyong*, meaning that one should only trust a person who is trustworthy.

*Xinren* indicates one's trust of the other party's benevolence and kindness in looking after the mutual interests of all parties involved in a business relationship, rather than being only concerned with their own interests (Kipnis, 1997; Yen et al., 2011). Therefore, when a procurement manager has *xinren* with the sales representative of the selling firm, the procurement manager is more likely to think that the sales representative will take the buyer's interests into account when making decisions. Hence the procurement manager is less likely to perceive any operational disagreement that has occurred during their business interactions as a personal attack or emotional denial, but to judge such disagreement more rationally as matters of different opinions. Also, whilst the procurement manager trusts that the sales rep is credible and reliable (Yau, Lee, Chow, Sin & Tse, 2000), the procurement manager is less likely to disagree on operational matters. Following the discussion above, hypotheses H5 and H6 are proposed:

**H5:** *Xinren* will lead to decreased emotional conflict in the relationship.

**H6:** *Xinren* will lead to decreased task conflict in the relationship.

The above section lays the foundation for the final set of hypotheses, where it is posited that the effect of GRX on conflict is also moderated through the more complex influences of length of employment and length of business relationships. The reason for looking at these two variables is clear: From the Chinese perspective, although human beings are born into *guanxi* based on their connections with others, time is fundamental to the effective development of *guanxi* (Jacobs, 1979; Standifird & Marshall, 2000; Yen & Barnes, 2011). Time is required to exchange favours, evaluate the other party's trustworthiness and to nurture the emotional bonds between and amongst actors. Hence, we extrapolate time as (a) length of employment, suggesting that more experienced employees act on *guanxi* differently than less experienced employees, and (b) length of business relationships, in which, we posit that – when comes to conflict – relationships that are longer will differ to shorter relationships in their moderation of the GRX-conflict relationships.

### **2.5 Moderating Role of Length of Employment**

According to some researchers, experienced employees in China are better at developing networks than novices, and especially at managing difficult situations, with a higher propensity to a more positive outcome (e.g. Li, Schulze & Li, 2009; Liu & Hart, 2011). For example, experienced Chinese employees can better understand complex and more diverse work situations, and thus be better at leveraging their experience in managing relationships and networks to improve performance than novice employees (e.g. Badi, Wang & Pryke, 2016). However, sometimes, these experienced employees tend to be over-confident about their understanding of the dynamics of relationships in the Chinese market, which affects their performance negatively (Li et al., 2009). In the first moderating hypothesis, we explain why differences exist between experienced and less experienced employees based on length of employment, and the way in which one group may (or not) be able to use *guanxi* as conflict management relative to the other group.

We posit, in the present study, that length of employment and prior business experience

specific to the institution involved may be instrumental in ensuring the success of *guanxi* as a conflict management tool due to the increased knowledge and access to network resources, such as the relationship to advisors and key decision makers and leaders within the firm (Bennett, Härtel & McColl-Kennedy, 2005). Employees with better institutional knowledge and experience are more able to handle the peculiarities of *guanxi* in a more nuanced manner that fits each complex situation. Previous evidence suggests that employment length is a resource critical source, especially when comes to key employees (Liu & Hart, 2011). The present study therefore suggests that experienced employees - because of their individual experiences - may be better at utilising *guanxi* as a resource to affect their counterpart and reduce emotional and task conflict. Recognising that employees' institutional experience may influence how they use *guanxi* to effectively handle conflict, this study posits therefore that:

**H7:** Length of employment moderates the proposed set of relationships between GRX and emotional and task conflicts; that is, as the length of employment increases, the effects of GRX on reducing emotional and task conflicts will be further strengthened.

## ***2.6 Length of Business Relationships***

There is a dearth of research on how conflict evolves over long-term business collaborations, which has made it harder for us to predicate how length of business relationships may moderate the hypothesised relationships in the GRX conflict management framework in the context of Sino-US business relationships. Whilst Jehn and Mannix (2001) examine how relationship conflict and task conflict evolve amongst group members during one consultancy project over a 10–12-week period, they do not discuss how conflict evolves over continuous interactions over numerous projects, lasting many years of collaboration between firms. To address this research gap, this paper thus proposes to explore the moderating effect of length of business relationships on the GRX conflict management model. By positioning length of business relationships as a moderator of the hypothesised GRX conflict management

framework, we investigate whether the impact of GRX further reduces task and emotional conflict in long-term business relationships, compared to short-term business relationships.

According to Lund, Kozlenkova, and Palmatier (2016), short-term business relations are characterised by a lesser extent of commitment, trust, gratitude and reciprocal norms than long-term relationships. As the relationship builds over time, both parties invest more time, effort and financial resources into building stronger relations in order to create value and mutual benefits. Although the existing literature reveals an inconsistent picture regarding time's impact on business relationships (Barnes, 2005, Vanneste, Puranam & Kretschmer, 2013), Yen and Barnes (2011) reveal that, by and large, Taiwanese buyers perceive trust, cooperation, social bonding and communication to be more positive when their business relationships evolve with Anglo suppliers over time. Specifically, their work shows that the influence of *guanxi* dimensions such as social bonding, reciprocity and interpersonal trust on relationship outcomes such as satisfaction, performance and long-term orientation are likely to increase and strengthen over longer relationships due to greater understanding of each other's needs and cultural specific behaviour (Yen & Barnes, 2011). Thus, when dealing with the Chinese buyer, a greater understanding and knowledge of GRX that is achieved as time goes by will likely lead to an improved ability to manage conflict more successfully.

Accordingly, the study posits that:

**H8:** Length of business relationships moderates the proposed set of relationships between GRX to emotional and task conflict; that is, as the length of business relationships increases, the effects of GRX on reducing emotional and task conflicts will be further strengthened.

Figure 1 depicts the seven associated research constructs and the causal paths amongst them, including the two moderating variables.

[Insert Figure 1 here]

### **3. Research Methodology**

#### ***3.1 Research context***

Responding to the calls made by Barnes et al. (2011) and Yen et al. (2011), we chose China as the context of study based on several important considerations. Firstly, *guanxi* is more prevalent in China than in other Chinese markets such as Taiwan. Secondly, the sheer size and growth of the Chinese economy attracts many Western companies to the Chinese market. Hence, to investigate how *ganqing*, *renqing* and *xinren* may be employed in effectively managing conflict, this paper focuses on investigating Sino-US business relationships with data collected from the Chinese buyers' perspective, based on their interactions with US suppliers.

#### ***3.2 Sample selection***

A global marketing research agency specialising in B2B panel data collection in China was employed to assist data collection. The marketing research firm provides a B2B panel, including a list of 536 potential participants who fit with the sample characteristics for this study (e.g. Chinese buyers of Chinese origin, living in China, working as key procurement personnel and familiar with dealing with US suppliers) and to whom email invitations to participate in an online survey were sent. To further ensure the aptness of the participants, some screening questions were employed in order to verify that a participant's company was currently buying goods from the US to China, and if the participant was actively involved as the procurement personnel.

#### ***3.2 Survey instrument***

Measures of all constructs were developed based on a review of the existing literature. The scale for measuring *ganqing* is adopted from Yen et al. (2011), containing four items, which look at how open and friend-like the buyer perceives the supplier's representative, and if the buyer is considerate to the supplier's feelings. The *renqing* measurement, which reflects the exchange of help and the giving and receiving of favours, was also employed from Yen et al.

(2011). Furthermore, three reversed scale items were employed to measure *xinren*, which evaluates to what degree the buyers perceive the sales representative as trustworthy (Yen et al., 2011).

The measurement of emotional conflict was adapted from Jehn (1994), and Rose and Shoham (2004), using four items to measure the interpersonal incompatibilities, e.g. friction, anger, personality clashes and emotional tensions within the buyer–supplier relationship as emotional conflict. The operationalisation of task conflict also contains four items, which together reflect the differences in judgement between buyers and suppliers about the best way to achieve common goals, which include required tasks, current work, task performance and future tasks (Jehn, 1994; Rose & Shoham, 2004). Finally, length of relationships is measured using a single question, assessing how many years the firm has been trading with the chosen US supplier.

[Insert Table 2 here]

### **3.3 Questionnaire design**

The research questionnaire used in this study was first developed in English and then translated into Chinese. Back translation was then employed to ensure readability, clarity and linguistic equivalence (Brislin, 1986). The final version was then checked for language proficiency by the Chinese marketing research agency before uploading it online. The online questionnaire was tested with 10 Chinese postgraduate students to eliminate any potential operational errors. Finally, a pilot test was conducted with 18 Chinese respondents from the identified panel before the formal launch of the survey. Very positive verbal feedback was given regarding the design, the wording, and the completeness of the questionnaire. The reversed scale questions were highlighted for attention, as some respondents found them confusing. To solve this problem, all the reversed scales were changed to be in green rather than in the default setting of black, as suggested by the market research agency.

Once the online questionnaire had been modified, the survey was then formally

launched and stayed live for two weeks. Two waves of reminder emails were sent during the data collection period between January and February 2013 to boost the response rate, and reward points were given by the Chinese market research agency as a token of appreciation to those who had successfully completed the survey. The total number of returned questionnaires was 300, including the initial 18 pilot responses, giving a response rate of 56%. As a further check against non-response bias, late returns were compared with earlier responses, following Armstrong and Overton (1977). There were no significant differences between the two sub-samples for age ( $p=0.361$ ), gender ( $p=0.723$ ), and position level ( $p=0.580$ ). Table 3 provides a profile of the sample. The majority of the respondents were between 30 and 39 years old (47% of the respondents were between 30 and 39 years of age). The male/female split was 57/43. The majority of the respondents (69%) were managers, most of which had worked for the same company for more than 3 years (84%). The average length of business relationships was five and half years, and the majority of the surveyed firms were in the manufacturing (55%) and service (35%) sectors.

[Insert Table 3 here]

## **4. Analysis and Results**

### ***4.1 Reliability and validity***

Before analysing the data using structural equation modelling (hereafter SEM), reliability analysis was conducted on the five constructs. In every case, the Cronbach's alpha coefficient was greater than 0.83, indicating acceptable internal consistency (Nunnally, 1978). Table 4 presents the reliability and validity statistics for all constructs. Seo (2005) and Kline (2006) suggest that SEM can be used to measure any intercorrelations among predictors so long as there is no multicollinearity present, despite that stronger correlations were found amongst some independent variables. Hence to proceed with SEM, two regression models were firstly constructed, in which emotional conflict and task conflict were the dependent variables. The maximum variance inflation factor in every case was less than 2.988, and the average was

less than 2.321, indicating that multicollinearity was not unduly influencing the least squares estimates (Neter, Wasserman & Kutner, 1985). Furthermore, decisions to delete further items were made by examining modification indices (MIs) and normalized residuals, which revealed complex items and poorly functioning items that did not fit the model well. Jöreskog and Sörbom (1993) proposed that the value of the MI on a coefficient value equal to or greater than 3.84 chi-square can be statistically significantly reduced with the estimation of the coefficient. Therefore, coefficients with the MI value of 20 or greater were closely reviewed based on an assumption that most of the multi-loaded items had already been screened out in the CFA test. Two items of emotional conflict and task conflict had very high MIs (i.e. 27.7 and 20.1) and were removed at this stage (see Table 2).

[Insert Table 4 here]

With preliminary checks for potential correlation and multicollinearity problems completed, the data were tested for reliability and validity using LISREL 8.72 (Jöreskog & Sörbom, 1993). Confirmatory factor analysis assessed the correspondence of all items with their respective latent variables. Every construct in the measurement model was treated as a separate reflective measure. The resulting indices were chi-square ( $\chi^2$ )=97.885, 82 degrees of freedom (*d.f.*) and  $p=0.111$ . The model also has superior fit indices: NFI=0.987, CFI=0.998, GFI=0.963, AGFI=0.931, Standardised RMR=0.029 and RMSEA=0.026, suggesting a good fit between model and data.

Whilst a set of self-reported questionnaire is used to collect data, several steps were taken to mitigate any potential effects of common method bias. Firstly, we tested for common methods variance by including all the variables in a single-factor confirmatory factor analysis (CFA) while comparing the fit to a multiple-construct CFA (e.g. Huang et al., 2015; Podsakoff & Organ, 1986). The multiple-construct CFA fit better by a reduction in chi-square of 605.312 (chi-square change) for 92 degrees of freedom ( $\Delta\chi^2=50.743^*$ ). This showed a significant improvement over the single-construct (i.e. the common methods-biased) model.

Secondly, Harman's single factor test was also performed using an exploratory factor analysis (e.g. Podsakoff & Organ, 1986) to ensure that no one general factor emerged and accounted for the majority of covariance between the independent and dependent variables. The results show that no single factor accounted for the majority of the variance. All five un-rotated variables load on different factors with the first factor accounted for 47% of total variance, suggesting that common method variance was not of great concern and was not likely to pose a significant threat to the findings of this study.

The marker variable test of Lindell and Whitney (2001) was run. The variable of marketing adaptation, measured through the extent that the buying firm changed their product features and marketing strategy for the specific supplier (Buckley et al., 2006), was employed as the marker variable. Since marketing adaptation happens at the firm level and *guanxi* occurs at the interpersonal level between individual actors (Yen et al., 2011; Yen and Abosag, 2016), Chinese buying firm's marketing adaptation should be theoretically unrelated to the constructs in the proposed GRX conflict management framework. If the exclusive use of self-report measures does indeed inflate the relationships between variables, then the marker variable will be related to the other variables assessed in the study. Whilst the marker variable was not significantly correlated with any of the study variables, and the partial correlations between *guanxi* and conflict controlling for the marker variable were similar to the zero-order correlations reported in Table 4, common method variance was not a concern (Lindell and Whitney, 2001).

Convergent validity is confirmed in every case, as all factor loadings and the measurement errors are both acceptable and significant at  $\alpha=0.05$ . Content validity is already established by pilot-testing the questionnaire to control against inconsistency between the measurement items and the precedents in the literature reviewed. Following the recommendation of Churchill (1979), convergent and discriminant validity are also tested for the three antecedent constructs. The former was assessed by examining the composite

reliability of the measures, which ranged from 0.84 to 0.88, higher than the recommended minimum value of 0.70 (Hair et al., 2006). Discriminant validity was assessed by measuring the AVE statistic (Fornell & Larcker, 1981), which vary between 0.58 and 0.84, higher than the largest squared pairwise correlation of 0.44 between each construct in every case (Espinoza, 1999). To sum up, the items and scales exhibited acceptable levels of reliability and validity, as confirmed by the summary statistics shown in Table 4.

#### 4.2 Hypotheses testing

Table 5 presents the results of structural equation modelling of both the independent and dependent constructs. The statistics of  $\chi^2$ , CFI, NFI, IFI and RMSEA offer convincing evidence that the overall fit of the proposed model is acceptable. Table 5 displays the estimated scores of each path and the outcome of the hypothesis testing, showing that four out of the six proposed linkages are supported.

[Insert Table 5 here]

Hypotheses H<sub>1</sub> and H<sub>2</sub> proposed in the conceptual model postulate that *ganqing* will decrease both emotional conflict and task conflict, suggesting that when a buyer perceives a higher level of *ganqing*, he/she is likely to perceive the business relationship as having less emotional conflict and task conflict. The findings demonstrate that the hypothesised impact of *ganqing* on reducing emotional conflict and task conflict are both high and significant (H<sub>1</sub>:  $\beta = -0.383$ ,  $p < 0.05$ ; H<sub>2</sub>:  $\beta = -0.498$ ,  $p < 0.05$ ), offering support to H<sub>1</sub> and H<sub>2</sub>. However, the hypothesised impact of *renqing* on both emotional conflict and task conflict are not supported, thus insignificant (H<sub>3</sub>:  $\beta = 0.096$ ,  $p > 0.05$ ) and H<sub>4</sub> ( $\beta = -0.124$ ,  $p > 0.05$ ), showing that a buyer's engagement with *renqing* does not necessarily reduce emotional conflict or task conflict. Therefore, hypotheses H<sub>3</sub> and H<sub>4</sub> are rejected. Finally, hypothesis H<sub>5</sub> and H<sub>6</sub> suggest that *xinren* will decrease both emotional conflict and task conflict; thus when there is *xinren*, there will be less emotional conflict and task conflict within the business relationships. As the effect of *xinren* on reducing both emotional conflict and task conflict are highly significant

( $H_5: \beta = -0.631, p < 0.05$ ;  $H_6: \beta = -0.429, p < 0.05$ ),  $H_5$  and  $H_6$  are supported.

### 4.3 Test of moderating effects

Multi-group SEM analysis was conducted to examine the moderating effect of length of employment and length of relationships on all relationships proposed in the GRX conflict management model, following the existing practice of Malär et al. (2011) by dividing samples into high and low groups and comparing the parameter estimates of both sub-sample groups. A test of invariance regarding the structural coefficients revealed that the null hypothesis cannot be rejected. The results show that our model is supported in both groups and pooling the different types was appropriate. Length of employment refers to how long the participant has been working for the Chinese buying firm, whilst length of relationship is about how long the participant has been dealing with the specific supplying firm.

#### 4.3.1 Length of employment

Table 6 shows that length of employment has an amplifying moderating effect on the relationship between *guanxi* and conflicts, when the chi-square value differs by more than 3.84 with  $\Delta d.f. = 1$  is significant at the 0.05 level. Specifically, length of employment has a moderating impact on the relationship between *ganqing* and emotional conflict ( $\Delta\chi^2 = 4.360^*$ ), suggesting that *ganqing*'s impact on reducing emotional conflict is contingent upon the length of employment; in fact *ganqing*'s influence on reducing emotional conflict is only significant in the longer employment group ( $\gamma = -0.263^*$ ), but insignificant in the shorter employment group ( $\gamma = -0.071$ ). Thus, the influence of *ganqing* on reducing emotional conflict is only effective when employed by the more experienced employees of the firms.

Furthermore, length of employment also significantly moderates the effect of *renqing* on emotional conflict ( $\Delta\chi^2 = 4.621^*$ ). In fact, the findings show that for the shorter employment group – employees who are newer to the firm – *renqing* actually increases emotional conflict ( $\gamma = 0.218^*$ ), rather than reducing it. For the longer employment group, *renqing*'s impact on emotional conflict remains insignificant ( $\gamma = -0.031$ ). Finally, the results suggest *renqing*'s

effect on decreasing task conflict ( $\Delta\chi^2=4.893^*$ ) is also dependent upon the length of employment. The results show that the influence of *renqing* on reducing task conflict is only significant for the longer-employment group ( $\gamma= -0.337^*$ ), whilst insignificant for the shorter-employment group ( $\gamma= -0.082$ ). Overall, the findings suggest that the positive influence of *ganqing* and *renqing* in reducing conflict works better with buyers having longer-term employment and who are considered as more experienced in their institutional context. Therefore H7 is supported.

#### 4.3.2 Length of relationship

The findings suggest that length of relationship have no moderating effect on all but one of the proposed set of relationships between GRX to emotional and task conflict, when the chi-square value differs by more than 3.84 with  $\Delta d.f. = 1$  being significant at the 0.05 level. However, as shown in Table 6, the moderating effect on the relationship between *xinren* and task conflict ( $\Delta\chi^2=3.945^*$ ) suggests that the impact of *xinren* has a stronger effect in reducing task conflict in shorter-term business relationships ( $\gamma= -0.724^*$ ) than in longer-term business relationships ( $\gamma= -0.463^*$ ), contrary to our hypothesis 8. Thus whilst length of relationship does not show any significant and positive moderating effect on any of the proposed paths, we conclude that H8 is rejected.

### 5. Discussions and Implications

The GRX conflict management framework proposed in this paper was developed principally by piecing together Chinese *guanxi* dimensions, namely *ganqing*, *renqing* and *xinren* (Kipnis, 1999; Yen et al., 2011) as different conflict management tools to reduce emotional and task conflict in Sino-US business relationships. Using data collected from 300 Chinese buyers regarding their business relationships with US suppliers, the findings reveal that four out of the six proposed hypotheses are supported. Furthermore, three out of the six proposed relationships are contingent upon the moderating effect of the buyer's length of employment, whilst one hypothesis is moderated by the length of business relationship. Therefore, by

theoretically proposing and empirically examining the GRX conflict management model in relation to length of employment and length of business relationships, this paper yields several theoretical implications.

Firstly, as the findings empirically reveal that out of the GRX dimensions, only *ganqing* and *xinren* have the effect to significantly reduce both emotional and task conflict, we argue that *ganqing*, *renqing* and *xinren* are different notions that need to be studied in their own right. In particular, by illuminating how *xinren* and *ganqing* may be employed effectively to reduce both emotional and task conflict in Sino-US business relationships, whilst *renqing* remains insignificant in reducing either conflict, this paper challenges the previous assumption that treats *guanxi* as one combined and integrated notion, ignoring its dimensionality (Ambler et al., 1999; Liu et al., 2008) thus leading to muddled empirical findings. Therefore, by responding to the call of Gu et al. (2008) and Barnes et al. (2011) to further investigate the impact of individual *guanxi* dimensions on business relationships, this paper extends previous understanding on *guanxi* and its composition.

Secondly, extant buyer–seller relationship literature as well as *guanxi* studies tend to focus on investigating *guanxi*'s impact on positive relationship constructs, ignoring its influence on reducing the dark side of business relationships (Lee & Dawes, 2008; Barnes et al., 2011; Yen et al., 2011; Barnes et al., 2015). By positioning GRX as conflict management tools and specifically discussing how individually *ganqing*, *renqing* and *xinren* can be employed to reduce task as well as emotional conflict, thus increasing perceived effectiveness and financial performance, this paper adds new light as to how *guanxi* GRX can be employed to reduce and manage the dark side of business relationships with Chinese counterparts (Abosag et al., 2016). Furthermore, this paper investigates how the *guanxi* dimensions of GRX can be employed to reduce conflict in Sino-US business relationships, expanding previous understanding on conflict management in Sino-US business interactions (Wong & Tjosvold, 2010; Zhang and Zhang, 2013).

Fourthly, the results confirm length of employment as an important moderator that influences the effectiveness of *guanxi* on reducing conflict. Specifically, the findings reveal that a buyer's length of employment significantly strengthens *ganqing*'s impact on reducing emotional conflict as well as the effect of *renqing* on lowering emotional conflict and task conflict. In particular, the results show that *renqing* might only work as a significant conflict management tool to reduce to task conflict for the more experienced employees, but not newer employees of the firms. In effect, novice employees that engage in *renqing* may actually increase emotional conflict(!). Overall, the specifics provided in this study contribute greatly to the existing *guanxi* literature (Badi et al., 2016), showing that experience does matter, especially in the engagement of *ganqing* and *renqing* (e.g. Liu & Hart, 2011).

Finally, the empirical findings reveal that length of business relationship does not have a significant and positive moderating effect on the GRX conflict relationships. The only exception is between *xinren* and task conflict; yet *xinren*'s impact on reducing task conflict is weakened rather than strengthened over longer-term relationships. This suggests that *xinren* has a more important role to play in decreasing conflict when the business relationships are relatively newer. Previous literature reveals that business relationships that evolve over time typically become more positive as time goes by (e.g. Barnes, 2005; Yen & Barnes, 2011; Vanneste et al., 2013). The study presented here provides an explanation as to how this is possible in the *guanxi* context. Namely, a concerted effort is needed to reduce conflict that arises as the business relationship evolves, and each of the GRX dimensions shall be consulted, depending on the stage of relationship. This competing view of between short and long business relationships in studying *guanxi* and conflict is the first of its kind, and thus a contribution of this study.

### **5.1 Managerial Relevance**

Although *ganqing*, *renqing* and *xinren* are often grouped together to reflect the notion of *guanxi* (Yen et al. 2011; Berger et al., 2015), the findings suggest that these three dimensions

could be employed individually to effectively reduce different types of conflict when dealing with Chinese counterparts.

*Ganqing* represents the affective side of *guanxi* for its focus on emotional attachment and affection. Whilst *ganqing* is shown to significantly reduce emotional and task conflict, the findings highlight the significance of building an emotional bond with Chinese buyers. Hence in order to avoid the occurrence of harmful emotional conflict or operational disagreements during business interactions, Western sales representatives are encouraged to host and participate in social networking activities wherein they can increase their chances of interactions with their Chinese counterparts (Yen & Abosag, 2016). Considering *guanxi* cannot be built overnight, such interactions could gradually increase *ganqing* over time, leading to reduced conflict. In particular, it is even more important to build *ganqing* with those more experienced Chinese buyers who have been employed by the same organisation for a longer period of time, as the impact of *ganqing* on reducing emotional conflict is much more significant with these buyers.

*Renqing* is said to be the conative component of *guanxi*, referring to the reciprocal exchange of favours with empathy (Barnes et al., 2011; Yen et al., 2011; Shi, Shi, Chan, Liu & Fam, 2011). However, the findings reveal a mixed picture for *renqing*'s effect on reducing emotional as well as task conflict. In particular, the findings show that for buyers who are new to the organisation, *renqing* actually leads to increased emotional conflict. Therefore Western firms are advised to be extra careful in their engagement of *renqing* through the exchange of reciprocal favours. Furthermore, only consider *renqing* building with those more experienced buyers who have been employed by the same organisation for longer period of time, as these buyers have better institutional knowledge regarding what could be negotiated in practising the give and take of *renqing* in their context.

*Xinren* represents the cognitive side of *guanxi*, emphasising the importance of trust in one's credibility and reliability. *Xinren* can be established if Chinese buyers are given the

chance to evaluate the salesperson's integrity and trustworthiness through observing his/her behaviour during various social occasions. Considering the very high effect of *xinren* on reducing both emotional and task conflict, Western firms are advised to focus on demonstrating their credibility and trustworthiness by keeping promises and engaging in ethical dealings (Yen & Abosag, 2016). Additionally, *xinren* is particularly important for newly established business relationships, since *xinren*'s impact on reducing task conflict is significantly higher in business relationships that haven't been established for long. Western firms are advised to work on demonstrating their salesforce's credibility and integrity right from the very beginning in their business relationships with Chinese counterparts.

### **5.2 Limitations and Future Research**

Although this research has attempted to empirically validate the proposed GRX conflict management model, some caution should be exercised when interpreting the results. Firstly, whilst the data were collected solely from Chinese buyers, the findings fail to consider the views from the US suppliers. Future research is encouraged to investigate international business relationships on a dyadic level, using data collected from both buyers and sellers to identify areas where perception gaps may exist in business relationships (Barnes, Naudé & Michell, 2007). Secondly, although *ganqing*, *renqing* and *xinren* are discussed as the key dimensions of *guanxi*, there are more than three dimensions to *guanxi* (Barnes et al., 2015). Future studies may want to further explore and engage with different *guanxi* behaviour norms, such as *Li*, *Yi*, *Lian*, *Chi* (禮義廉恥), literally translated as sense of courtesy, sense of justice, sense of integrity and sense of shame as the four social bonds practiced by Chinese to gauge one's *guanxi* foundation at the personal level.

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**Table 1: Guanxi Theoretical Perspectives**

Theoretical Perspectives	Social Exchange Theory	Social Capital Theory	Confucian Relationalism
Key Principles	<i>Guanxi</i> is exchanged after weighing the cost and benefits. Reciprocity is reinforced in such social exchange.	One's credibility, <i>guanxi</i> ties and networks are social resources to be cultivated and deployed.	<i>Guanxi</i> refers to all personal relationships, signifying the humaneness of a person and a society.
<i>Guanxi</i> definition/ Example	A particularized and personalized relationship based on the reciprocal exchange of favours (Lee et al., 2001).	Durable social connections and networks a firm uses, as a source of sustained competitive advantage for doing business in China (Tsang, 1998, Gu et al., 2008)	A close, quality relationship, characterised by the bestowing and receiving of benefits (Chen and Chen, 2004).
Purpose of exchange	To gain economic and utilitarian benefits, hence maximise one's win.	To attain favours and benefits and to reduce environmental uncertainty and opportunistic behaviour (Standifird & Marshall, 2000)	To behave ethically, as a personal commitment to relationship appropriateness.
Exemplar literature	Lee et al (2001) Warren and Dunfee (2004) Chen et al. (2011)	Park & Luo (2001) Gu et al. (2008) Li et al. (2009) Luo et al. (2012)	Jacobs et al. (1979) Hwang (1987) Chen and Chen (2004) Zhuang et al. (2010)
<i>Guanxi</i> practice	Reciprocal favour exchange, gift giving	Favour exchange Trust exchange Show and display face	To engage in all sorts of social norms that are considered appropriate and humane
<i>Guanxi</i> sub-dimension	<i>Renqing</i> , face	<i>Xinren</i> , <i>renqing</i> , face	<i>Ganqing</i> , <i>renqing</i> , <i>xinren</i>

**Table 2.**

Measurement items, factor loading and t-value of each item.

Construct/Item	Loadings	t-Values
<i>Ganqing</i>		
1. My supplier's representative and I are able to talk openly as friends.	0.743	14.223
2. If I were to change this business supplier, I would lose a good friend.	0.719	13.736
3. I would consider whether my supplier representative's feelings would be hurt before I made an important decision.	0.817	16.571
4. I would try my best to help out this supplier's representative when he/she is in need because he/she is a friend of mine.	0.743	14.363
<i>Renqing</i>		
1. I feel a sense of obligation to this supplier's representative for doing him/her a favour.	0.786	15.494
2. I think that "calling in" favours is part of doing business with this supplier's representative.	0.752	14.767
3. The practice of "give and take" of favour is a key part of the relationship between my supplier's representative and me.	0.714	13.504
4. I am happy to do a favour for this supplier's representative, when he/she is in need.	0.701	13.346
<i>Xinren</i>		
1. This supplier's representative is only concerned about himself/herself. ‡	0.733	14.031
2. The people at my firm do not trust this supplier's representative. ‡	0.767	14.880
3. This supplier's representative is not trustworthy. ‡	0.766	14.737
<i>Emotional conflict</i>		
1. There is friction in our relationship with the supplier.	0.728	13.787
2. There is anger in our relationship with the supplier.	0.707	12.491
3. There are personality clashes in our relationship with the supplier. †	-----	-----
4. There are emotional tensions in our relationship with the supplier.	0.796	15.581
<i>Task conflict</i>		
1. We hold different opinions from our suppliers regarding the tasks that they are required to do.	0.729	14.152
2. People in my firm disagree with people from the supplier's firm regarding the work they do for us.	0.702	13.439
3. We disagree with our supplier about their task performance. †	-----	-----
4. We disagree with our supplier regarding the up-coming tasks.	0.761	15.114

Notes. All loadings are standardized; † Deleted items because of high modification indices;

‡ Reversed item.

**Table 3.**

Sample Characteristics

Demographic variables	N	%	Demographic variables	N	%
<b>Age</b>			<b>Length of relationship</b>		
Under 29	68	23	Less than 4 years	106	35
30–39	141	47	4 to 8 years	130	44
40–49	79	26	More than 8 years	64	21
50 and over	12	4			
<b>Position level</b>			<b>Length of employment</b>		
Owner	27	9	Less than 3 years	47	16
Manager	207	69	4 to 5 years	67	22
Buyer	66	22	6 to 7 years	59	20
			8 to 9 years	46	15
			10 years and over	81	27
<b>Industry type</b>			<b>Gender</b>		
Manufacturing	166	55	Male	171	57
Services	105	35	Female	129	43
Construction	12	4			
Others	17	6			

**Table 4.**  
 Descriptive Statistics

	1	2	3	4	5	6	Alpha <sup>a</sup>	CR <sup>b</sup>
1. <i>Ganqing</i>	0.58 <sup>c</sup>						0.83	0.84
2. <i>Xinren</i>	0.42*	0.84					0.88	0.88
3. <i>Renqing</i>	0.66*	0.55*	0.71				0.95	0.87
4. E conflict	-0.48*	-0.65*	-0.42*	0.75			0.91	0.91
5. T conflict	-0.43*	-0.65*	-0.44*	0.64*	0.76		0.90	0.89
6. Marketing adaptation <sup>d</sup>	0.09	-0.10	0.03	0.03	-0.03	0.04	0.83	0.81
Mean	5.36	5.21	5.67	2.84	2.96	5.55		
S. D.	1.01	1.68	0.96	1.44	1.39	0.94		

Notes: \* = p < .05; N = 300

a Internal Consistency Reliability: Cronbach's alpha coefficient.

b Composite Reliability (Fornell and Larcker 1981).

c Diagonal values in italics show average variance extracted (Fornell and Larcker 1981) for each construct.

d Marker variable.

**Table 5.**

Structural Parameter Estimates and Goodness-of-Fit Indices for the Full Model

	Paths	Hypotheses	Estimate	S.E.	t-value
1	<i>Ganqing</i> → Emotional conflict	H <sub>1</sub>	-0.383	0.077	-4.947*
2	<i>Ganqing</i> → Task conflict	H <sub>2</sub>	-0.498	0.072	-6.494*
3	<i>Renqing</i> → Emotional conflict	H <sub>3</sub>	0.096	0.084	1.077
4	<i>Renqing</i> → Task conflict	H <sub>4</sub>	-0.124	0.080	-1.394
5	<i>Xinren</i> → Emotional conflict	H <sub>5</sub>	-0.631	0.104	-6.254*
6	<i>Xinren</i> → Task conflict	H <sub>6</sub>	-0.429	0.093	-4.493*
$\chi^2$ (80 d.f.)= 129.485		p-value=0.000	RMSEA=0.046	NFI=0.983	
CFI=0.993		IFI=0.993	GFI=0.952	AGFI=0.907	

Notes: All estimates are standardized. \*=significant at the  $p < 0.05$  level.

**Table 6.**

Structural parameter estimates and moderated effects for the model

	Length of employment		Length of relationships	
	Novice ( <i>t-value</i> ) N=114	Experienced ( <i>t-value</i> ) N=186	Short ( <i>t-value</i> ) N=148	Long ( <i>t-value</i> ) N=152
H <sub>1</sub> : <i>Ganqing</i> → E_conflict	-0.071 (-0.894)	-0.263* (-3.950)	-0.200* (-2.785)	-0.182* (-2.566)
$\Delta\chi^2$	4.360*		0.159	
H <sub>2</sub> : <i>Ganqing</i> → T_conflict	-0.565* (-6.090)	-0.655* (-7.449)	-0.628* (-7.317)	-0.626* (- 7.311)
$\Delta\chi^2$	1.620		1.345	
H <sub>3</sub> : <i>Renqing</i> → E_conflict	0.218* (3.125)	-0.031 (-0.508)	0.101 (1.395)	0.068 (0.651)
$\Delta\chi^2$	4.621*		0.149	
H <sub>4</sub> : <i>Renqing</i> → T_conflict	0.082 (0.706)	-0.337* (-4.567)	-0.107 (-1.523)	-0.186* (2.124)
$\Delta\chi^2$	4.893*		1.309	
H <sub>5</sub> : <i>Xinren</i> → E_conflict	-0.715* (-7.698)	-0.676* (-8.456)	-0.684* (-8.978)	-0.621* (- 8.524)
$\Delta\chi^2$	0.561		1.210	
H <sub>6</sub> : <i>Xinren</i> → T_conflict	-0.655* (-7.771)	-0.590* (-8.530)	-0.724* (-8.958)	-0.463* (- 5.702)
$\Delta\chi^2$	0.799		3.945*	

Notes:

\* = significant at the  $p < 0.05$  level.

# numbers in parentheses = *t-value*

Figure 1: The Conceptual Model

