Dorothy Ai-wan Yen*

Brunel Business School, Brunel University London

Uxbridge, UB8 3PH, UK

Tel: +44 (0)1895 267318

Email: dorothy.yen@brunel.ac.uk

and

Ibrahim Abosag

SOAS, University of London

Department of Financial and Management Studies,

Thornhaugh Street, Russell Square,

London WC1H OXG, UK

Tel: + 44 (0)2078984223;

E-Mail: ia9@soas.ac.uk

Corresponding Author*

Localization in China: How *Guanxi* Moderates Sino–US Business Relationships

Abstract:

International companies are increasingly concerned with the success of their business exchanges in China. Whilst understanding and adapting to local cultures has long been considered as an important part of successful localization, extant literature has not discussed how the adoption of local cultural-specific relationship construct, such as guanxi in China as a tool of localization, facilitates foreign firms' b2b relationships with local counterparts in their respective markets. This study argues that international firms need to engage the cultural-specific concept of guanxi as a tool of localization when interacting with Chinese counterparts for better financial performance and long-term orientation. With data collected from 299 Chinese buyers regarding their business relationships with US suppliers, the results reveal that the relations between trust and financial performance and between uncertainty and long-term orientation are contingent to the levels of guanxi. The study aids further light to localization literature with evidence highlighting the impact of guanxi in localizing b2b relationship activities in China.

Keywords: Localization, Guanxi, Sino-US, China, Business Relationships.

Introduction

Globalization has attracted considerable interest over the last couple of decades (Levitt, 1983; Ramarapu, Timmerman, & Ramarapu, 1999; Mak, Lumbers, &Eves, 2012); however, existing studies tend to agree that such standardization offers limited explanation for the behavior of international firms in different markets (e.g., Humbert, 1993; Ruigrok & van Tulder, 1995; Czinkota & Ronkainen, 1998; Ritzer, 2004). The recognition of such limitation encourages scholars to consider localization as a necessity for international businesses to achieve success within different markets (e.g., Prahalad & Doz, 1986; Czinkota & Ronkainen, 1998; Kanso & Nelson, 2002; Vrontis, 2003; Samiee, Jeong, Pae, & Tai, 2003). Whilst the extant studies identify situations and conditions in which international businesses can localize their business approaches and marketing mix for better success in various target markets (Cavusgil & Zou, 1994; Roth, 1995; O'Cass &Julian, 2003; Lages &Montgomery, 2005; Calantone, Kim, Schmidt, & Cavusgil, 2006; Dow, 2006; Sousa & Lengler, 2009), most studies find 'culture' to be a key force that, if understood well, enhances and optimizes localization strategy, but also if not handled well, can seriously undermine the effort of localization (e.g., Roth, 1995; Czinkota & Ronkainen, 1998).

Over the past two decades, China as a market has received significant attention from both academics and practitioners alike for its sheer market size and economic growth. However, despite China's open-door policy, many international firms still struggle to succeed or sustain their business presence in the Chinese market due to their lack of awareness or understanding of the specific cultural context (Buckley, Clegg, & Tan, 2006). Studies have discussed how international firms could better adapt and localize their business approaches and practices in China, adjusting to the Chinese culture in areas such as advertising (Tai & Pae, 2002; Cui & Yang, 2009), strategy (Fock & Woo, 1998), communication (Hung, 2004), services (Pheng, 1997), direct selling (Luk, Fullgrabe, & Li, 1999), retailing (Yip, 1995), and b2b activities (Yan & Gray, 1996).

Nevertheless, despite extensive discussion on Chinese culture (e.g., Luo, 1997; Lovett, Simmons, & Kali, 1999; Vanhonacker, 2004) and how its cultural orientation differs from the West in different ways, e.g., focusing on relationships and communication at the interpersonal level more than at the organizational level (Chen and Francesco, 2000; Yen, Barnes & Wang, 2011), most of the aforementioned localization studies have not considered utilizing the Chinese notion of '*guanxi*' as a tool in their discussion of localization in China. Given culture is the 'collective programming of the mind' which distinguishes the people of one country to another (Hofstede, 2001), a close examination of such cultural-specific construct is imperative as a tool to assist international firms in localizing their business approaches and practices appropriate to the local cultural context. Acknowledging the gap when studying localization in China, this paper makes the first attempt to bridge the stream of *guanxi* literature to international business' localization in China by addressing the research question as to what extent the relations between relationship constructs and outcomes in international b2b relationships are contingent to Chinese buyers' evaluation of their foreign suppliers' adaptation to *guanxi*? In another word, what is the moderation effect, if any, of *guanxi* on relationship constructs and outcomes in Sino-US business relationships?

Being translated as 'relationships' and 'connections' in English (Luo, 1997; Seligman, 1999), *guanxi* is embedded within the social network theory and regarded as the social capital in China (Zhou, Wu, & Luo, 2007). It refers to the dynamics in personalized networks of influence and emphasizes the possibility of using influence in personal relationships to secure a better position and/or to gain a competitive edge in a business transaction (Bruun, 1993; Chen, 2001). Whilst *guanxi* is specific to the Chinese culture context; this paper argues that it is of particular importance to engage the notion of *guanxi* as a tool of localization in international firms' b2b dealings with Chinese buyers. International businesses that are better at implementing *guanxi* will be considered more favorably by their respective Chinese counterparts (Barnes, Yen, & Zhu, 2011), which enviably contribute to better business success, such as increased performance, buyer satisfaction and relationship longevity (Yen & Barnes, 2011; Luo, Huang, &Wang, 2012). The retail success of Samsung in China is a famous example. Through its collaboration with the top three mobile operators as well as good *guanxi* with small local retailers, Samsung managed to provide access to consumers for them to physically experience Samsung products. JPMorgan's *guanxi* with Wen Ruchen, the daughter of the former premier of the People's Republic of China, also helped increase its competitive advantages into the Chinese market.

To answer the proposed research question, this paper examines the moderating impact of *guanxi* on the relations from favorable relationship quality constructs (trust, commitment, cooperation, and communication) and unfavorable constructs of the dark side (emotional conflict, task conflict, opportunism and uncertainty) to financial performance and relationship long-term orientation through survey data collected from 299 Chinese buyers regarding their b2b relationships with US suppliers. The paper has two theoretical implications. Firstly, it contributes to existing understanding of localization by arguing the importance of employing cultural-specific constructs as localization tools when venturing into international b2b markets. The empirical findings support this argument by showing that the relations between relationship constructs and outcomes in Sino-US b2b relationships are contingent to Chinese buyers' evaluation of their US suppliers' adaption to *guanxi*. Secondly, the paper sheds new insight into existing *guanxi* literature by addressing how the sub-elements of *guanxi*, especially *xinren* (personal trust) and *renqing* (reciprocal favor exchange) can affect finance performance and long-term orientation differently.

This manuscript is structured as follows. Firstly a review builds on key literature and discusses pertinent research exploring the concept of *guanxi* and how as a tool it facilitates international businesses' localization to the Chinese business environment. The conceptual model is then discussed in three parts: 1) favorable constructs of relationship quality; 2) unfavorable constructs of relationships; 3) the desired outcomes of business relationships. The methodological steps are explained in detail, followed by research findings. Finally, several theoretical and managerial implications are discussed before conclusions are drawn, wherein limitations and future research directions are provided.

Localization and *Guanxi*

Firms engaging in international business activities must take account of the specific cultural norms and values of each different market (Hofstede, 2001), as cultural differences directly impact on behavioral management practices as well as communications between international counterparts (Buckley *et al.*, 2006). Since the debate on whether to standardize or localize has largely agreed on the importance of the simultaneous use of both strategies (e.g., Samiee *et al.*, 2003; Vrontis, 2003), international businesses are encouraged to look for ways that enhance their performance and competitiveness through effective localization (Czinkota & Ronkainen, 1998).

Some studies focus on the degree to which international firms localize their operation (Zhang & Thoburn, 1998; Ilari & La Grange, 1999; Zhang &Goffin, 2001), some look at the localization of marketing mix in different countries (Shoham, 1996; O'Cass & Julian, 2003; Calantone *et al.*, 2006; Schilke, Reimann, & Thomas, 2009; Magnusson, Westjohn, Semenov, Randrianasolo, & Zdravkovic, 2013), whilst others investigate their foreign partners' strategic choices and relational competence, and their impact on localization (Taylor, 1999; Christerson, 2000; Kotabe & Zhao, 2002; Vitkauskaite & Gatautis, 2012; Steenkamp & Geyskens, 2013). Hardesty (2008) and Nicholson, Gomez, & Gao (2011) are the only studies that discuss how localization influences firms' financial performance with empirical data. Hardesty (2008) finds that localization increases the cost of processing and distribution in retail. Nicholson *et al.* (2011) suggest that the cost of localization varies between different regions, hence impacting firms' financial performance, with consequences for their long-term competitiveness.

Although past research has examined and discussed the importance of localization from various aspects, few existing studies have focused on localization in b2b markets (e.g. Yan & Gray, 1996). Extant research on localization has not really discussed how international businesses could achieve better performance through localizing their b2b interactions in the foreign markets. Specifically, little research attention has explored how sellers' adaptation to local cultural norms can contribute to more fruitful b2b relationships with their respective local buyers. Such scant research attention on localization in relation to cross-border b2b relationships provides some support to the argument made by Coca-Stefaniak, Parker, & Rees (2010, p. 681) that "localization suffers from a rather limited body of knowledge."

Acknowledging cultural difference can lead to different business approaches and practices. This paper proposes to employ cultural-specific construct as international firms' tool of localization and regards localization as the adaption of business approaches and practices appropriate to the local cultural context. Bridging the stream of *guanxi* literature to localization, it offers to examine the impact of *guanxi* on the discussion of localization in China, arguing that an international firm's business relationship performance and longevity with Chinese counterparts are dependent on its adaption to the Chinese *guanxi* practices during their b2b interactions. Whilst human interactions across different contexts could not be explained by using generic frameworks and constructs derived from the Western developed countries (Tsang, 1998; Lee & Dawes, 2005; Yen *et al.*, 2011), this paper reinforces the need for foreign firms to understand, adapt, and localize their relationship approach following the suggested *guanxi* practices when dealing with Chinese counterparts.

Originating from Confucius's principles of structures, *guanxi* is deeply embedded in Chinese history and has a prevalent impact on the Chinese way of being (Kipnis, 1997). Chinese businesspeople practice *guanxi* in their daily interactions with others for building, maintaining and enhancing their interpersonal as well as inter-organizational relationships with different counterparts at various levels (Davies, Leung, Luk, & Wang, 1995; Styles & Ambler, 2003; Yen & Barnes, 2011). *Guanxi* consists of three sub-dimensions, namely *ganqing* (affection, emotional bonding), *renqing* (exchange of favor reciprocally) and *xinren* (interpersonal trust) (Kipnis, 1997; Yen *et al.*, 2011). Dissimilar to Western B2B relationships, the Chinese *guanxi* approach is established and nurtured at the individual level via increasing levels of *ganqing*, *renqing* and *xinren*, often between key relational personnel such as sales representatives and procurement buyers on behalf of the firms they represent, rather than between the two organizations. As a cultural-specific construct and practiced by all Chinese firms, *guanxi* helps businesses secure better positions and competitive advantage in China (Standifird & Marshall, 2000).

The practice of *guanxi* is often referred to as an art (Kipnis, 1997; Chen, 2001), which includes exchanging of favors, gift giving, visiting, socializing, and wining, dining and karaoke singing with the aim of increasing the elements of *ganqing*, *renqing* and *xinren* with respective business partners. Nevertheless, corruption and bribery are not the best practices for banking favors or increased reciprocity (Fan, 2002). In fact, such under-table exchanges are often frowned upon and avoided (Dunfee & Warren, 2001; Su, Sirgy, & Littlefield, 2003). Ethical compromise is never encouraged as the appropriate *guanxi* building practice over the long-term. Through implementing the art of *guanxi*, foreign firms could modify their interactions with local Chinese counterparts and adapt to the Chinese way of developing as well as maintaining relationships.

Considering relational norms are largely influenced by societal, economic, cultural and institutional contexts wherein business managerial actions are embedded (Muthusamy & White, 2005; Cayla & Peñaloza, 2012), Buckley *et al.* (2006, p. 276) suggest that international firms "should mount sustained efforts to build up *guanxi* to give them a competitive edge in their search for an insider position in the China business arena." This paper thus argues that the success of international b2b relationships with Chinese counterparts, reflected as financial performance and long-term orientation (Luo *et al.*, 2012; Chung, Yang, & Huang, 2015), is dependent upon their implementation of *guanxi*. By postulating a necessary moderation of *guanxi* from favorable and unfavorable relationship constructs to financial performance and long-term orientation, this framework suggests that foreign firms' business relationships with Chinese counterparts are contingent to their implementation of *guanxi*, as perceived by their respective Chinese buyers.

Conceptual Development

The conceptual framework is specifically derived from b2b relationships and *guanxi* literature. Incorporating 11 relevant constructs, the integrated conceptual framework explores how *guanxi* moderates the relationships between favorable relationship quality constructs, unfavorable dark side variables, and relationship outcomes (see Figure 1).

[Insert Figure 1 here]

Favorable Relationship Quality Constructs

The quality of business relationships between buyer and supplier is determined by different variables and this conceptual framework includes four favorable relationship constructs, namely trust, commitment, communication, and cooperation for their significance in b2b relationships (Morgan & Hunt, 1994; Doney & Cannon, 1997; Naudé & Buttle, 2000). Although past studies share different views regarding the combination of the various variables that suggest relationship quality, it is generally agreed that trust, commitment, communication and cooperation together reflect the positive atmosphere between buyers and sellers during their b2b interactions (Naudé & Buttle, 2000; Woo & Ennew, 2004; Yen & Barnes, 2011).

Almost all studies find that trust represents an expression of confidence (Garbarino & Johnson, 1999), willingness to rely on another party (Ganesan, 1994; Moorman & Miner, 1997), and belief that no exploitation of vulnerability will occur (Dwyer, Schurr, & Oh, 1987). Trust initiates parties' propensity to stay in the relationship

(Anderson &Weitz, 1989), influences parties' long-term orientation (Ganesan, 1994) and contributes to cross-border partnership performance (Aulakh, Kotabe, & Sahay, 1996). In Chinese culture, trust is taken as a basic social and business norm (Yen, Yu, & Barnes, 2007) and is regarded as the foundation of successful business collaboration. Commitment refers to "an enduring desire to develop and maintain exchange relationships characterized by implicit and explicit pledges and sacrifices for the long-term benefit of all partners involved" (Rylander, Strutton, & Pelton, 1997, p. 60). It is essential for international buyer–seller relationship performance (Lohtia, Bello, Yamada, & Gilliland, 2005; Nevins & Money, 2008; Skarmeas & Robson, 2008) and often indicates future intentions (Garbarino & Johnson, 1999).

Described as the adhesive in the relational tie between buyers and suppliers (Mohr & Nevin, 1990), communication is the exchange of information between buyer and seller (Selnes, 1998; Cannon & Perreault, 1999). It is a process that involves both buyer and seller sharing information in a timely manner through formal and informal venues (Smith & Barclay, 1997). Past studies suggest that effective communication between channel members as well as buyers and suppliers can often contribute to relational outcomes such as satisfaction and sales performance, as well as enhancing trust and commitment (Morgan & Hunt, 1994; Ulaga & Eggert, 2006; Yen & Barnes, 2011), whilst frequent communication provides the opportunity for both parties to obtain greater familiarity and better understanding of their counterparts (Yen *et al.*, 2007). Inter-firm cooperation is essential to the success of business relationships. In this proposed model, cooperation is "the joint striving towards individual and mutual goals" (Skinner, Gassenheimer, & Kelley, 1992, p. 177). Existing works suggest that cooperation between Taiwanese buyers and Anglo suppliers leads to higher financial performance and long-term orientation between the organizations (Barnes *et al.*, 2011; Yen & Barnes, 2011).

Unfavorable Relationship Constructs

Relationship quality can be seriously undermined by variables that, if not managed well, can not only cause stress to the buyer–seller relationship but also lead to the termination of the relationship (Dwyer *et al.*, 1987). Such negative relationship constructs are often referred to as the dark side of relationships (Fang, Chang, & Peng, 2011) and past studies often believe that such negative relationship constructs often reduce the quality of the interactions as well as the outcomes of business relationships (Fang *et al.*, 2011). In the Chinese context, such destructive relational constructs are often negatively correlated with *guanxi* and business relationship performance (Lee, Pae, &Wong, 2001; Zhuang, Xi, & Tsang, 2010; Yen & Barnes, 2011). In this conceptual framework, four specific negative relational constructs, specifically emotional conflict, task conflict, opportunism and uncertainty, have been identified for their detrimental effect on successful business collaborations (Rose, Shoham, Neill, & Ruvio, 2007; Fang *et al.*, 2011).

Conflict has been described as a disagreement between partners due to real or perceived differences (Dwyer *et al.*, 1987), and may be more challenging to manage in international buyer–seller relationships compared to conflict within the domestic context (Skarmeas, 2006). It is commonly believed that a high degree of conflict can be destructive in b2b relationships (Moorman *et al.*, 1992; Chenet, Tynan, & Money, 2000). Past research suggests two types of conflict: task conflict is caused by judgmental difference related to how to achieve common tasks, whilst emotional conflict refers to how partners feel towards each other and the relationship, which tends to be personal and denigrates the relationship (Anderson & Narus, 1990; Rawwas, Vitell, & Barnes, 1997; Rose *et al.*, 2007). Some studies find task conflict to have a positive impact on performance (Rose *et al.*, 2007), but other studies found task conflict to negatively influence performance (Chang & Gotcher, 2010). Due to the international supplier–buyer relationship nature of this study, task conflict is assumed to have a negative impact on the output variables for its disruptive nature. Emotional conflict is often perceived as detrimental on relationship performance (Frazier & Rody, 1991). In China, emotional conflict has traditionally been considered as negative and to be actively avoided (Tjosvold, Hui, & Law, 2001).

Opportunistic behavior is considered to violate implicit or explicit promises between buyers and suppliers. Behaviors such as breach of contract, deception, cheating, cutting corners and withholding information are regarded as manifests of opportunism (Anderson, 1988; Wathne & Heide, 2000). Luo (2007) finds that opportunistic behavior is attributed to partners that are culturally dissimilar. Opportunism is found to negatively impact cooperation (Morgan and Hunt, 1994) and firm performance (Crosno & Dahlstrom, 2008). To protect against opportunism, firms find it necessary to incur significant financial costs such as monitoring behavior, writing detailed contracts and searching for the right supplier (Williamson, 1975).

Within the cross-border channel relationships' literature, firms face greater levels of uncertainty (Achrol, Reve, & Stern, 1983; Jap & Ganesan, 2000). Such uncertainty stems from differences in culture, management styles and legal systems (Czinkota & Ronkainen, 1998; Samiee & Walters, 2003). Uncertainty is generally associated with unanticipated and unpredictable changes in circumstances around the relationship (Achrol & Stern, 1988). Similar to opportunism, uncertainty affects firms' performance and future orientation negatively (Felstead, 1993).

Relationship Outcomes

Favorable and unfavorable variables derive the outcome variables (financial performance and long-term orientation) as a consequence of relationship quality. According to Dwyer *et al.* (1987), firms engage in a buyer–supplier relationship because they expect a financial gain. Thus, financial performance is seen as a key outcome from the international b2b relationship (Styles & Ambler, 2003). Financial performance is reflected in aspects such as profit, sales, market share and predicted growth (Katsikeas, Leonidou, & Morgan, 2000). Achieving the expected financial performance has been attributed to partners' satisfaction and positive future orientation (Anderson, Fornell, & Lehmann, 1994).

The literature has established that buyer–seller relationships benefit from long-term orientation (Ganesan, 1994; Wang, Siu, & Barnes, 2008) because maintaining a reliable partner costs far less than developing and building new relationships (e.g., Anderson & Narus, 1990). Beyond the economics of relationships, long-term orientation derives from relationship quality in which interpersonal trust and liking are essential (Nicholson, Compeau & Sethi, 2001). Chinese partners tend to like and value relationship longevity due to their cultural preference for long-term orientation (Hofstede, 2001; Mavondo & Rodrigo, 2001; Yen & Barnes, 2011).

Research Methodology

The sheer size and growth of the Chinese economy presented itself as a lucrative market for many Western companies (Chuang, Donegan, Ganon, & Wei, 2011). In order to better understand how US suppliers' *guanxi* implementation helps their localization, hence facilitates their business relationships with local counterparts, Chinese buyers based in China are sampled to express their perceptions based on one of their typical Sino–US business relationships. In line with the earlier buyer–seller and channel management literature (Bello & Gilliland, 1997), and in order for the study to report the typical relationships, the approach suggested by Anderson and Narus (1990) was adopted; whereby respondents were asked to focus their responses on their fourth most significant US relationship in terms of business volume (or third largest, if the company did not have at least four relationships).

In an attempt to collect data from Chinese business buyers of US suppliers, a global marketing research agency specializing in B2B panel data collection in China was employed. The panel includes 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 are familiar with dealing with US suppliers) and to whom email invitations were sent to participate in an online survey. To further ensure the aptness of the participants, some screening questions were employed in order to verify if a participant's company is currently buying goods from US to China, and if the participant is actively involved as the procurement personnel.

The research instrument used in this study was first developed in English and then translated into Chinese. In order to ensure readability, clarity and linguistic equivalence, the method of back translation was employed (Brislin, 1986). The translation began with a forward translation by one of the authors into Chinese, followed by a blind back-translation by another academic staff of Chinese origin, who specializes in the area of international business. The two versions were then discussed and changes were made accordingly to ensure face validity. The final version was then passed on to a local Chinese market research agency for it to upload and produce an online survey questionnaire. The online version was then checked by one of the authors and 10 Chinese postgraduate students with the view of eliminating any operational errors.

Before the formal launch of the survey, a pilot test was conducted with 18 Chinese respondents from the identified panel. After completing the questionnaires, they gave very positive verbal feedback regarding the design, the wording and the completeness of the questionnaire, but highlighted that it was confusing having to answer some of the questions in reversed scales. 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. To boost the response rate, two waves of reminder emails were sent during the data collection period between January and February 2013. Also 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 299, including the initial 18 pilot responses, giving a response rate of 56%.

Design

The questionnaire was made up of three parts. The first part assessed the demographics of the participants, e.g., job position and length of employment. The second part investigated the types of business relationships, focusing on size, frequency of interaction, type of imported goods/services, and length of relationships. The third part contained all the scales measuring the constructs proposed in the theoretical model. Following the suggestion of Churchill (1979), multi-item scales were used. In total, 67 items measuring 14 constructs were identified and seven-point Likert scales ranging from strongly disagree to strongly agree were used.

Measures of Key Constructs

The measurement of trust was taken from research by Doney and Cannon (1997) who used eight items to measure the buyer’s general trust in the supplying firm. These questions measure the supplying firm’s credibility (e.g., keeping promises, honesty, providing accurate information) and benevolence (e.g., genuine concerns, keep the buyer’s interest in mind), and include some global measures of trust (e.g., trustworthiness, the need to be cautious with the supplier). The operationalization of commitment was adapted from Gilliland and Bello (2002), who used seven items to measure both calculative and affective commitment. The first three items measure the potential loss and gain associated with leaving the supplier and the remaining four items measure the buyer’s intention to stay with the supplier based on loyalty, family-like feelings and allegiance.

The measurements of communication were sourced from Parente, Pegels and Suresh (2002). These six items take into account the ease of talking to anyone in the organization, informal talk among individuals from both organizations, feeling comfortable calling when the need arises, discouragement from talking unless it is work related (reverse item), and ease of scheduling meeting between managers. The measurement of cooperation was taken from research by Leonidou, Katsikeas, and Hadjimarcou (2002), who used five items to reflect the differences between harmonious relationships and problematic ones. Together the items measure the buyer’s willingness to cooperate with a supplier and their current cooperative behavior towards this supplier, for example acting in a way that promotes mutual interest and welfare, assisting the supplier to achieve his/her business objectives and goals, as well as using team spirit to solve common problems.

The measurements of emotional conflict and task conflict were both adapted from Jehn (1994) and Rose and Shoham (2004). They used 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 operationalization of task conflict also contains four items and together they reflect the judgmental differences between buyers and suppliers about the best way to achieve common goals, which include required tasks, current work, task performance and future tasks.

Opportunism reflects the temptation of “self-seeking behavior with guile” (Williamson, 1975, p. 26). The measurement for opportunism, containing six measures, was adopted from John (1984), Gundlach, Achrol, and Mentzer (1995), and Rokkan, Heide, and Wathne (2003). The first two measures reflect the behavior of lying and not keeping promises (John, 1984). The next two measures reflect not acting in accordance with the contract and breaching an informal agreement (Gundlach *et al.*, 1995). The last two items measure partners taking advantage of ‘holes’ in the contract and using unexpected events to force concessions (Rokkan *et al.*, 2003). The operationalization of uncertainty was adapted from Jorgensen and Petelle (1992). The seven-item measure reflects on the respondents’ ability to predict accurately their suppliers’ behaviors, attitudes, preferences and the future of their relationships. Also, the items measure how certain the respondents are about their supplier sharing the same values as them and how well they know their supplier.

The construct of performance was measured with five items adjusted from Moorman and Miner (1997), Hewett and Bearden (2001) and Lee, Sirgy, Brown, and Bird (2004). The first three items measure the performance of the buyer–seller relationship in terms of cost savings, profit and general financial performance. The last two items measure the buyer's performance in relation to the supplier's products on sales and market share. The measures of long-term orientation were taken from Ganesan (1994) for testing the buyer's intention for engaging in a long-term relationship with a particular supplier. These seven items measure the buyer's prediction of having a profitable relationship over the long-term, the importance of maintaining a long-term relationship and achieving long-term goals, their willingness to sacrifice short-term loss, concessions and their own outcome for the long-term relationship.

Finally, the scales measuring '*guanxi*' the moderator were adopted from Yen *et al.*'s (2011) GRX model. Together the 11 items measure to what degree *guanxi* is practiced between the buyer and the supplier's representative. The first four items measure *ganqing*, focusing on being open and friend-like with the supplier as well as being considerate to the supplier's feeling. The next four measure *renqing*, which reflects the exchange of help and the give and take of favors. The final three items measure *xinren* using reversed items, which measure the supplier representative's trustworthiness and selfishness. Full details of the relationship constructs and measurement items from the research instrument can be seen in the Appendix along with their reference sources. As illustrated, the Cronbach's Alphas for each construct ranged from 0.75 to 0.93, which are comfortably above the recommended threshold of 0.70 (Hair, Black, Babin, Anderson, & Tatham, 2006).

Findings and Results

A descriptive overview of the sample (see Table 1) shows that most of the respondents are aged between 30 and 39 years old (47%), male (57%), and acting as one of the senior managers of the company (69%). The majority of respondents have been working for the company for more than two years (95%), and trading with the supplier for more than two years (80%). The size of the surveyed firms tends to be medium, employing 100 to 499 employees (70%) and in the manufacturing industry (55%), currently at the mature stage of the business relationships (63%). To calculate how well *guanxi* is between respondents and their supplier's representatives, a new variable named the 'total quality of *guanxi*' is computed using the average of the 11 GRX items (Yen *et al.*, 2011). The new variable shows a mean score of 5.47, STD: 0.96, with the minimum value of 3 and the maximum value of 7, indicating that very few participants regard their *guanxi* with supplier's representatives as being bad.

In fact, most of the participants tended to enjoy relatively good *guanxi*, as indicated by the mode score of 6 (agree). To further conceptualize and group the responses based on the quality of *guanxi*, the sample was then divided into three groups based on the total quality of *guanxi*: a) modest (mean scores between 3 and 4.99); b) good (mean scores between 5 and 5.99); and c) very good (mean scores between 6 and 7). Table 1 reveals that 35% of respondents experienced modest levels of *guanxi* with their supplier's representatives, whilst 26% experienced good *guanxi* and 39% experienced very good *guanxi*.

[Insert Table 1 here]

Guanxi with Suppliers

In order to further evaluate whether the key constructs of the relationships may change over different *guanxi* levels, a series of one-way analyses of variance (ANOVA) tests and Pearson-correlation test were run (see Table 2). The positive relationship quality constructs across the three *guanxi* groups revealed higher means for those relationships of relatively better *guanxi* with the supplier's representatives, confirming that the variables do progress in a positive linear direction over increasing level of *guanxi*. Specifically, the results of the ANOVA test show that trust (F-value 127.71, $p \leq 0.001$), commitment (F-value 93.46, $p \leq 0.001$), communication (F-value 41.38, $p \leq 0.001$), and cooperation (F-value 158.01, $p \leq 0.001$) all develop in a positive direction between moderate and good *guanxi* as well as between good and very good *guanxi*.

The findings imply that, for the business relationships surveyed, Chinese buyers have significantly lower perceptions of trust, commitment, communication and cooperation when they only have modest *guanxi* with their supplier's representatives. Also the findings suggest that Chinese buyers consider trust, commitment, communication and cooperation to be more apparent when they enjoy relatively better *guanxi* with their supplier's representatives, confirming existing works (Mavondo & Rodrigo, 2001; Barnes *et al.*, 2011).

[Insert Table 2 here]

On other hand, Table 2 shows that Chinese buyers having relatively better *guanxi* with supplier's representatives tend to experience consistently lower perceptions of the negative relationship constructs, such as emotional as well as task conflict, opportunism and uncertainty, suggesting that the variables progress in a negative linear direction when *guanxi* with the supplier's representatives increases. The results of the ANOVA test show that emotional conflict (F-value 83.34, $p \leq 0.001$), task conflict (F-value 76.81, $p \leq 0.001$), opportunism (F-value 76.13, $p \leq 0.001$), and uncertainty (F-value 119.53, $p \leq 0.001$) decrease in a negative direction between modest and good *guanxi*, and between good and very good *guanxi*. The findings suggest that Chinese buyers consider both emotional and task conflicts as well as supplier's opportunism and relationship uncertainty less apparent or damaging when they perceive better *guanxi* with the supplier's representatives, echoing the existing findings of Lai, Liu, Yang, Lin and Tsai (2005) and Zhuang and Tsang (2010).

Finally, Table 2 reveals that Chinese buyers having relatively better *guanxi* with a supplier's representatives tend to hold progressively higher perceptions of the outcome constructs of financial performance and long-term orientation. The data suggests that the outcome variables progress in a positive linear direction when *guanxi* with a supplier's representatives increases. The results of the ANOVA test show that financial performance (F-value 73.02, $p \leq 0.001$) and long-term orientation (F-value 112.11, $p \leq .001$) improve in a positive direction between modest and good *guanxi*, and between good and very good *guanxi*. The findings show that Chinese buyers perceive their business relationships as having better financial performance and more apparent orientation towards working long-term, when they hold relatively better *guanxi* with suppliers' representatives. The findings provide support for existing *guanxi* literature, suggesting that when Chinese buyers perceive there to be better *guanxi* with suppliers' representatives, they are more likely to also perceive their business collaborations in a positive light (Barnes *et al.*, 2011; Yen & Barnes, 2011).

Moderated Multiple Regression Analysis

In order to verify whether *guanxi* moderates the relationships between favorable and unfavorable relationship constructs and outcome variables of financial performance and long-term orientation, several moderated multiple regressions were adopted to test the interaction terms, following the recommended procedure of Jaccard, Wan and Turrisi (1990), and Jaccard and Turrisi (2003), taking into account that the independent variables and the moderator are all measured on the Likert scale as continuous variables (Irwin & McClelland, 2001). Table 3.1 reveals the results of the moderated regression analysis on the relationships between communication, trust, commitment, cooperation, emotional conflict, task conflict, opportunism, uncertainty and financial performance may be dependent on the *guanxi* perceived by Chinese buyers. The first column suggests that all the positive relationship quality variables have positive and significant impact (univariate β varies from .53 to .78, $p \leq 0.01$); whilst negative relationship constructs have significant negative impact on financial performance (univariate β varies from - .20 to - .75, $p \leq 0.01$). The moderator of *guanxi* is also found to be significant and positively correlate to financial performance (univariate $\beta = .60$, $p \leq 0.01$).

[Insert Table 3.1 here]

The second column (Model 3A) shows that when all relationship constructs and the moderator of *guanxi* are included in the equation, seven out of the eight relationship constructs, as well as the moderator of *guanxi* are all proven to have significant influence on financial performance ($R^2 = .68$, $p \leq 0.01$). Communication (multivariate $\beta = .10$, $p \leq 0.01$), trust (multivariate $\beta = .13$, $p \leq 0.01$), commitment (multivariate $\beta = .24$, $p \leq 0.01$), cooperation (multivariate $\beta = .28$, $p \leq 0.01$) and emotional conflict (multivariate $\beta = .15$, $p \leq 0.01$) all demonstrate positive and significant influence on financial performance, whilst task conflict (multivariate $\beta = -.15$, $p \leq 0.01$), uncertainty (multivariate $\beta = -.36$, $p \leq 0.01$), and the moderator of guanxi (multivariate $\beta = -.13$, $p \leq 0.1$) exhibit significant negative correlations with performance. Opportunism is the only construct that does not yield a significant impact on performance.

Model 3B then evaluates the interactions between the moderator of *guanxi* and each of the relationship constructs tested significant in Model 3A. Whilst the R^2 has a slight increase in value $R^2 = .68$, $p \leq 0.01$, the results show that *guanxi* has a significant moderating effect on the relation between trust and financial performance (interaction multivariate $\beta = .13$, $p \leq 0.05$), suggesting that trust's influence on financial performance could be moderated by *guanxi*. The equation shows that, by adding the regression coefficients of the independent variable, the moderator, and the interaction between the independent variable and the moderator *[-0.60 (trust) - 1.27(guanxi) +0.13 (interaction) = - 1.74]*, increasing *guanxi* can significantly weaken the trust's influence on financial performance. Hence when Chinese buyers perceive there to be higher levels of *guanxi* with their supplier representatives, they will place less emphasis on trust between the organizations to achieve financial performance.

Considering *guanxi* consists of the sub-dimensions of *ganqing*, *renqing* and *xinren* (Yen *et al.*, 2011), another moderated regression analysis was run to explore if any of the sub-dimensions could act as significant moderators to offer further insight (see Table 3.2). Model 3C ($R^2 = .68$, $p \leq 0.01$) reveals that the dimension of *xinren* is significant and negatively correlates to financial performance (multivariate $\beta = -.08$, $p \leq 0.01$), suggesting its possible role as a moderator on financial performance. Model 3D then shows that *xinren* can significantly moderate the impact from task–conflict to financial performance (multivariate $\beta = .06$, $p \leq 0.05$) and has a relatively weaker moderating effect on the relation between trust and financial performance (multivariate $\beta = .06$, $p \leq 0.1$). The accumulated coefficients of *xinren's* moderating effect on the relation between task–conflict and financial performance suggest that *xinren* can significantly reduce the negative impact of task conflict on financial performance *[0.06 (task conflict) - 0.47(xinren) +0.06 (interaction) = - 0.35]*, as well as weaken the positive influence of trust on financial performance *[-0.60 (trust) - 0.47 (xinren) +0.06 (interaction) = - 0.47]*. Therefore, when Chinese buyers perceive there to be better *xinren* with their US suppliers' sales representatives, both the positive effect of trust and the negative impact of task–conflict on financial performance would be debilitated.

[Insert Table 3.2 here]

Following the same procedure, another moderated regression analysis was conducted to examine the relationships between favorable relationship constructs, unfavorable relationship constructs, the moderator of *guanxi* and long-term orientation. Table 4.1 shows that all the positive relationship quality variables have positive and significant impact (univariate β varies from .49 to .81 at $p \leq 0.01$) whilst negative relationship constructs have significant negative impact on financial performance (univariate β varies from - .29 to - .70 at $p \leq 0.01$). The moderator of *guanxi* is also found to positively correlate to long-term orientation (univariate β = .71, $p \leq 0.01$).

[Insert Table 4.1 here]

In Model 4A, wherein all relationship constructs and the moderator of *guanxi* are included in the equation (R^2 = .68, $p \leq 0.01$), commitment (multivariate β= *.12*, $p \leq 0.01$), and cooperation (multivariate β= *.37*, $p \leq 0.01$) demonstrate positive and significant effect on buyers' long-term orientation. Emotional conflict (multivariate β= - *.09*, $p \leq 0.01$) and uncertainty (multivariate β= - *.25*, $p \leq 0.01$) demonstrate significant negative influence on long-term orientation, whilst *guanxi* as a moderator is also found to have a significant and positive impact on long-term orientation (multivariate *β= .13*, $p \leq 0.1$). To further investigate the moderating effect of *guanxi*, Model 4B then explores the interactions between the moderator of *guanxi* and each of the relationship constructs tested significant in Model 4A. The results show that *guanxi* has a modest moderating effect on the relations between uncertainty and long-term orientation (interaction multivariate *β= .09*, $p \leq 0.1$). In effect, higher levels of *guanxi* would weaken the negative impact of uncertainty on long-term orientation *[- 0.06 (uncertainty) - 0.87 (guanxi) +0.09 (interaction) = - 1.55]*. The findings reveal that when Chinese buyers perceive there to be better *guanxi*, the negative effect of uncertainty on long-term orientation could be weakened and cause a less detrimental impact on buyers' willingness to commit to the long-term.

Model 4C was run using the sub-dimensions of *ganqing*, *renqing* and *xinren* instead of *guanxi* and the results show that the dimension of *renqing* can significantly and positively correlate to long-term orientation (multivariate *β= .32*, $p \leq 0.01$), suggesting its moderating effect on long-term orientation. Model 4D then shows that *renqing* can significantly moderate the impact on long-term orientation from emotional conflict (interaction multivariate *β= .05*, $p \leq 0.01$). Furthermore, higher levels of *guanxi* would diminish the negative impact of emotional conflict on long-term orientation *[- 0.35 (emotional conflict) + 0.06 (renqing) +0.05 (interaction) = - 0.24]*, indicating that, when Chinese buyers perceive there to be higher levels of *renqing*, the negative effect of emotional conflict on long-term orientation would be weakened.

[Insert Table 4.2 here]

Discussion and Implications

Extending previous debate on how localization requires international businesses to better understand and adapt to the local cultural values and norms (Roth, 1995; Czinkota & Ronkainen, 1998; Ferle, Edwards, & Lee, 2008), this study makes the first attempt to argue that cultural-specific relational notions should be considered as tools of localization that facilitate international firms' b2b relationship success in foreign markets. Bridging the stream of *guanxi* literature to study localization in China, this paper examines how the cultural-specific notion of *guanxi* and its sub-dimensions moderate that effect between positive and negative relationship constructs and outcomes, specifically on financial performance and long-term orientation.

Empirical data collected from Chinese buyers regarding their Sino-US business relationships confirms *guanxi*'s significance as a localization tool, employed by US firms to facilitate successful b2b relationships in China, as *guanxi* can significantly replace the positive impact of trust on financial performance, as well as weaken the negative effect of uncertainty on long-term orientation. In the Chinese context, the connections and relationships established between sales representatives and procurement managers at personal level can substitute the requirement of organizational trust that is needed for achieving better financial performance, explaining why *guanxi* can replace the need of having a contract in the Chinese perspective (Yen *et al.*, 2007). Moreover, *guanxi* provides a safeguard to maintain the buyer's long-term orientation, counterbalancing the negative impact of uncertainty, when buyers feel unable to predict and estimate their supplying firms' attitude, intention and behavior (Jorgensen & Petelle, 1992).

Upon further analysis, the findings show the sub-elements of *guanxi* can also affect the relations between relationship quality constructs and outcomes. For example, *xiren* is proved to weaken the effect of uncertainty and trust on financial performance, whilst *renqing* reduces the impact of emotional conflict on long-term orientation. By specifically discussing the impact of *xinren* and *renqing* on relationship outcomes, the paper also sheds new light on studies of *guanxi*. Whilst *ganqing*, *renqing* and *xinren* are often grouped together to reflect the notion of *guanxi* (Yen *et al*., 2011; Berger Herstein, Silbiger & Barnes, 2015), the findings suggest that these three dimensions have different relations to financial performance and long-term orientation and their impact needs to be assessed separately.

Xinren is the cognitive component of *guanxi* and often refers to the deep trust established at the interpersonal level between sales representative and the procurement manager within a b2b relationship dyad, based on an individual's prior history, reputation and experience relating to previous dealings (Yen *et al*., 2011; Berger *et al.,* 2015). Different to trust established at the firm level based on evaluation of the counterpart's business activities, the findings suggest that *xinren* can substitute the need of trust and reduce the impact of task conflict on financial performance. Therefore, when Chinese buyers perceive higher levels of interpersonal trust on their suppliers' representatives, they will in return require less trust at the organizational level within the b2b relationships to achieve the same level of financial performance. Such personal trust can also counterbalance the negative impact of having different opinions on the tasks required (Rose *et al*., 2007) on financial performance. Overall *xinren* at the interpersonal level is fundamental to successful business relationships (Luk, Albaum & Fullgrabe, 2013) and has the potential to replace organizational trust in the Chinese context.

Renqing is said to be the conative component of *guanxi* (Shi, Shi, Chan, Liu, & Fam, 2011). It refers to the reciprocal exchange of favors with empathy (Barnes *et al.*, 2011; Yen *et al.*, 2011). The understanding of *renqing* is often considered as fundamental for every Chinese business, as it helps lubricate the interactions between dyadic business firms as well as amongst network members. The findings reveal that *renqing* can significantly weaken the harmful impact of emotional conflict on long-term orientation. Hence when Chinese buyers perceive there to be higher levels of favor exchange and empathy with their suppliers' representatives at the interpersonal level, emotional conflict occurring at the organizational level as a result of relationship friction, anger, personality clashes and emotional tensions (Jehn, 1994; Rose *et al.*, 2007) will have a less damaging effect on the buyers' long-term orientation.

Finally, the findings also aid existing understanding of *guanxi* by confirming that, when Chinese buyers perceive there to be better *guanxi*, they are more likely to evaluate such Sino-US business relationships in a positive way, indicated by increased trust, commitment, communication and cooperation, as well as decreased emotional conflict, task conflict, opportunism and uncertainty, affirming existing works (Lee *et al.*, 2001; Zhuang *et al.*, 2010; Barnes *et al.*, 2011; Yen & Barnes, 2011). Additionally, the results show that Chinese buyers' perception of financial performance and their willingness to engage the relationships over the long-term would increase when they perceive there to be higher levels of *guanxi* with their suppliers (Lee & Dawes, 2005; Luo *et al.*, 2012).

Managerial Implications

Overall, the findings confirm that understanding and adapting to the cultural-specific notion as a tool of localization can facilitate successful b2b relationships in the local markets. When Chinese buyers perceive higher levels of *guanxi* with their US counterparts' sales representatives, they are more likely to evaluate such Sino-US business relationships in a positive light. The *guanxi* ties established between sales representative and the procurement buyers can replace the significance of trust and offset the negative impact of uncertainty. Hence, managers of international firms aiming to enter the Chinese market are advised to adapt to the *guanxi* notion by actively encouraging their key relational personnel to initiate and establish connections with Chinese counterparts and consider the following managerial implications to modify their approaches and practices for building and maintaining fruitful b2b relationships in China.

Firstly, it is vital for international business to acknowledge that, different from the Western relationship marketing paradigm, *guanxi* is established at an inter-personal level between the key actors involved in such business relationships (Bruun, 1993; Luo, 1997; Yen & Barnes, 2013). Hence, sales managers/directors of international firms are encouraged to actively participate in and initiate social events, wherein they have the opportunity to socialize with key personnel working for their Chinese counterparts and cultivate their *guanxi* ties (Berger *et al.*, 2015). Although social events held by the organizations, such as charity balls and company parties, present great networking opportunities for all members involved, sales managers of international firms are also recommended to host their own private parties, wherein social ties could be nurtured at more casual and friendly occasions, through wining and dining, karaoke singing, etc., which are perceived as popular *guanxi* practices in China.

Over time, the *guanxi* connections established through key relational personnel can help position the firms they represent in a more favorable light against competitors during buyers' performance review of suppliers. Furthermore, when new opportunities and tenders are available for bidding by all suppliers, the *guanxi* ties established between the sales representative and the procurement buyers can often replace the requirement of organizational trust and offset the negative impact of uncertainty wherein new businesses may suffer.

Whilst findings highlight the moderating impact of *xinren* and *renqing* on financial performance and long-term orientation, international firms are encouraged to better understand *guanxi*'s sub-dimensions so that they can facilitate *xinren* and *renqing* with their respective Chinese buyers. For example, to increase Chinese buyers' *xinren*, sales representatives are advised to adopt a more open, friendly, and caring approach in all forms of communications with their Chinese counterparts (Yen *et al.*, 2011). Sincerity and trustworthiness need to be demonstrated during interactions; selfishness and an over-calculative approach should be avoided at all times. Whilst the engagement of favor exchange is often criticized for being unethical (Fan, 2002), international firms can still increase *renqing* by actively giving help and support to Chinese counterparts at both organizational as well as interpersonal levels. When specific help is requested, managers of international firms are also recommended to go the extra mile to lend a hand, as this will initiate the exchange of favor between the two parties. Although the return of favors may be unforeseeable, giving help when asked would certainly position the selling firms in a more positive light perceived by the Chinese buyers. Nevertheless, caution should be exercised when giving favors

(Dunfee & Warren, 2001), in particular paying attention to the fine line between gifts with significant monetary value and bribery (Yen *et al.*, 2011).

Limitations and Future Directions

With data collected from 299 Chinese buyers regarding their relationships with US suppliers, this paper reveals how *guanxi* as a tool of localization facilitates successful Sino-US business relationships. The contributions made by this study open avenues for further research. Recognizing how foreign firms' engagement with *guanxi* reflects their understanding of the local Chinese cultural context in b2b relationships, future studies are advised to measure *guanxi* as a tool of localization from both sides of the relationship dyads (Barnes, Naudé, & Michell, 2007). This will enhance the empirical discussion, taking account of the perceptual difference from US suppliers' *guanxi* engagement to Chinese buyers' evaluation of their supplier's *guanxi* implementation.

Whilst this paper confirms that adopting the cultural-specific construct of *guanxi* as a localization tool significantly contributes to b2b relationship success in terms of financial performance and relationship longevity in China, future research is recommended to explore other cultural-specific notions such as 'Et-moone' in Saudi Arabia (Abosag & Lee, 2012; Abosag & Naudé, 2014), 'Blat' in Russia (Michailova & Worm, 2003), and 'Jugaad' in India (Berger, 2014) by investigating how they could be employed as tools of localization to facilitate successful business outcomes in their respective markets.

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Appendix: Constructs, Items and Sources

Constructs	Item description	Source
Trust (α= 0.83)	This supplier keeps the promises s/he makes to our business This supplier is not always completely honest with us (R) We believe the information that this supplier provided us with This supplier is genuinely concerned that our business succeeds When making important decisions, this supplier considers our welfare We trust this supplier keeps our best interests in mind This supplier is trustworthy We find it necessary to be cautious with this supplier (R)	Doney and Cannon (1997)
Commitment (α= 0.83)	Changing this supplier would be too disruptive for our business so we continue to work with this one Even if we wanted to shift business away from this supplier, we couldn't as our losses could be high We need to keep working with this supplier since leaving would create hardship Our loyalty to this supplier is a major reason why we continue to work with him/her We want to stay associated with this supplier because of our allegiance to him/her We will continue working with this supplier because we are 'part of the family' Given the things we have done with this supplier over years, we ought to continue	Gilliland and Bello (2002)
Communication (α= 0.75)	Between the two firms, it is easy to talk to anyone we need to regardless of ranking or position There is ample opportunity for informal talk among individuals from our firm and our supplier People from the two firms feel comfortable to call each other when the need arises Our managers discourage employees from talking to supplier counterparts unless it is work related (R) People from our supplier are quite accessible to those in our firm Junior managers in our firm can easily schedule meetings with the supplier counterparts	Parente, Pegels and Suresh (2002)
Cooperation (α= 0.90)	Our firm is conscientious and responsive about maintaining a cooperative relationship Our firm is willing to collaborate with this supplier to have a smooth relationship Our firm often acts in a way that promotes mutual interest and welfare with this supplier Our firm is interested in assisting this supplier to achieve business objectives and goals There is a team spirit in the relationship with this supplier in tackling common problems	Leonidou *et al.* (2002)
Emotional Conflict (α= 0.93)	There is friction in our relationship with the supplier There is anger in our relationship with the supplier There are personality clashes in our relationship with the supplier There are emotional tensions in our relationship with the supplier	Jehn (1994); Rose *et al.* (2004)
Task Conflict (α= 0.92)	We hold different opinions from our suppliers regarding the tasks that they are required to do People in my firm disagree with people from the supplier's firm regarding the work they do for us We disagree with our supplier about their task performance We disagree with our supplier regarding the up-coming tasks	Jehn (1994); Rose *et al.* (2004)
Opportunism (α= 0.92)	On occasion, this supplier lies about certain things in order to protect its interest This supplier sometimes promises to do things without actually doing them later This supplier does not always act in accordance with our contracts This supplier sometimes tries to violate informal agreements between two parties to maximize their own benefit This supplier will try to take advantage of "holes" in our contract to further their own interest This supplier sometimes uses unexpected events to force concessions from our firm	John (1984); Gundlach *et al.* (1995); Rokkan *et al.* (2003)
Uncertainty (α= 0.87)	Generally we are unable to predict our supplier's behavior We are uncertain that our supplier likes doing business with us We are unsure that our supplier shares the same values as we do We are inaccurate at predicting our supplier's attitudes We can predict our supplier's preference well (R) We know our supplier very well (R) We find it difficult to predict our future relationship with this supplier	Jorgensen and Petelle (1992)
Financial Performance (α= 0.90)	There were significant cost savings resulting from doing business with this supplier Our firm's profitability has increased because of this supplier The relationship with this supplier helped us perform better financially This supplier's products have successfully achieved the sales relative to original objectives This supplier's products have achieved the market share to original objectives	Moorman & Miner (1997); Hewett & Bearden (2001); Lee *et al.* (2004)
Long-term Orientation (α= 0.88)	In the long run our relationship with this supplier will be profitable If we had our way, we would attempt to strengthen the relationship with the supplier Maintaining a long-term relationship with this supplier is important for us We focus on the long-term goals of the relationship with this supplier	Ganesan (1994)

	We are only concerned with our outcomes in the relationship with this supplier (R) We expect this supplier to be working with us for a long time Any concessions we make to help out this supplier will even out in the long run	
Guanxi (α= 0.91)	My supplier representative and I are able to talk openly as friends If I were to change this business supplier, I would lose a good friend I would consider whether my supplier representative's feeling will be hurt before I make an important decision I would try my best to help this supplier representative when he/she is in need because he/she is a friend of mine I feel a sense of obligation to this supplier representative for doing him/her a favor I think that "calling in" favors is part of doing business with this supplier representative The practice of "give and take" of favors is a key part of the relationship between my supplier representative and me I am happy to do a favor for this supplier representative when he/she is in need This supplier representative is only concerned about himself/herself (R) The people at my firm do not trust this supplier representative (R) This supplier representative is not trustworthy (R)	Yen *et al.* (2011)

(R) indicates a reversed scale measure.

Figure 1: The proposed framework

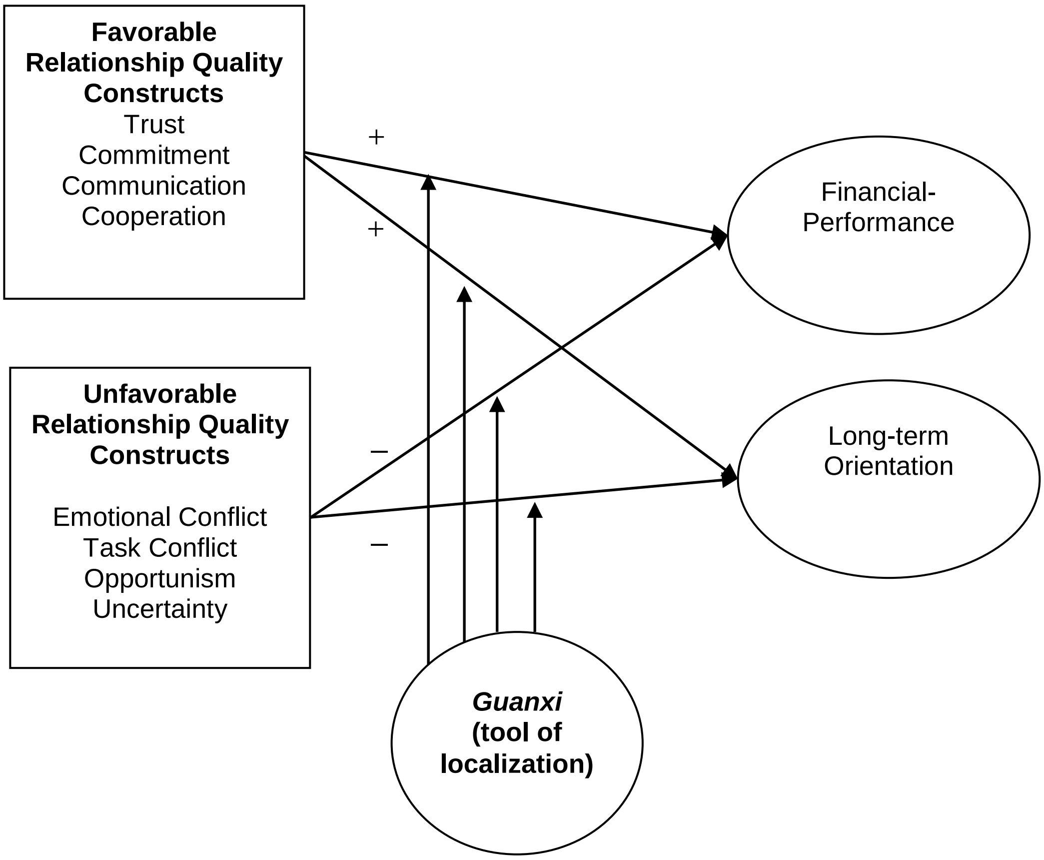

Table 1: An Overview of the Chinese Buyers and Businesses

N = 299	%
Age	
• 18-29	23
• 30-39	47
• 40-49	26
• 50 and above	4
Gender	
• Male	57
• Female	43
Position in the company	
• Owner	6
• One of the senior managers	69
• One of the buyers	22
• Others	3
Length of working in this company	
• Less than 2 years	5
• 2-5 years	33
• 6-9 years	35
• 10 or more years	27
Length of trading with the supplier	
• Less than 2 years	20
• 2-5 years	37
• 6-9 years	35
• 10 or more years	8
Size of the firm	
• Small	22
• Medium	70
• Large	8
Industry sector	
• Manufacturing	55
• Services	35
• Construction	4
• Others	6
Business relationship stage	
• Introductory stage	4
• Growth stage	31
• Mature stage	63
• Decline stage	2
Level of *Guanxi*	
• Modest (Mean 3-4.99)	35
• Good (Mean 5-5.99)	26
• Very good (Mean 6-6.99)	39

Table 2: *Guanxi* of Relationships

Relationship Constructs	Moderate *guanxi*	Good *guanxi*	Very good *guanxi*	Summary	*F*-value	*Pearson r*
Trust	4.70	5.37	6.08	+	127.71***	0.77**
Commitment	4.82	5.40	6.05	+	93.46***	0.70**
Communication	4.81	5.17	5.86	+	41.38***	0.55**
Cooperation	5.10	5.85	6.54	+	158.01***	0.80**
Emotional Conflict	3.82	2.82	1.75	-	83.34***	- 0.60**
Task Conflict	3.92	2.90	2.02	-	76.81***	- 0.60**
Opportunism	4.05	3.16	2.11	-	76.13***	- 0.58**
Uncertainty	3.45	2.84	2.02	-	119.53***	- 0.75**
Financial Performance	4.77	5.25	6.02	+	73.02***	0.66**
Long-term Orientation	4.80	5.47	6.17	+	112.11***	0.76**

Notes:
*** $p \leq 0.001$; ** $p \leq 0.01$; * $p \leq 0.05$
+, denotes an increasing mean between Low, Moderate and Good
-, denotes a decreasing mean between Low, Moderate and Good

Table 3.1 – *Guanxi* Moderated Regression Analysis on Financial Performance

		Model 3A *Guanxi*	Model 3B *Guanxi* Multivariate	
	Univariate β	Multivariate β	Main effect β	Interaction β
		R^2 = .68 ***	R^2 = .69 ***	
Guanxi → FP	. 60 ***	-. 13 *	-1.27 **	-
Communication → FP	. 53 ***	. 10 ***	.15	-
Trust → FP	. 72 ***	. 13 ***	-. 60	.13 **
Commitment → FP	. 78 ***	. 25 ***	-. 29	-
Cooperation → FP	. 78 ***	. 28 ***	. 53	-
E-conflict → FP	-. 20 ***	. 15 ***	. 20	-
T-conflict → FP	-. 24 ***	-. 15 ***	-. 10	-
Opportunism → FP	-. 23 ***	. 01	-	-
Uncertainty → FP	-. 75***	-. 39 ***	- .81 ***	-

****** p ≤ 0.01; ** p ≤ 0.05; * p ≤ 0.1;*

Table 3.2 – *Xinren* Moderated Regression Analysis on Financial Performance

		Model 3C GRX	Model 3D *Xinren* Multivariate	
	Univariate β	Multivariate β	Main effect β	Interaction β
		R^2 = .68 ***	R^2 = .69 ***	
Ganqing → FP	. 69 ***	. 03	-	-
Renqing → FP	. 67 ***	. 01	-	-
Xinren → FP	. 19 ***	-. 08 ***	-.47	-
Communication → FP	. 53 ***	. 10 ***	.03	-
Trust → FP	. 72 ***	. 13 ***	-.06	.06*
Commitment → FP	. 78 ***	. 21 ***	.11	-
Cooperation → FP	. 78 ***	. 24 ***	.25	-
E-conflict → FP	-. 20 ***	. 13 ***	.03	-
T-conflict → FP	-. 24 ***	-. 15 ***	.06	.06**
Opportunism → FP	-. 23 ***	. 01	-	-
Uncertainty → FP	-. 75***	-. 36 ***	-.45***	-

****** p ≤ 0.01; ** p ≤ 0.05; * p ≤ 0.1;*

Table 4.1 – *Guanxi* Moderated Regression Analysis on Long-term Orientation

		Model 4A *Guanxi*	Model 4B *Guanxi* Multivariate	
	Univariate β	Multivariate β	Main effect β	Interaction β
		R^2 = .70 ***	R^2 = .70 ***	
Guanxi → LT	.71 ***	. 13**	-.87*	-
Communication → LT	. 49 ***	. 06	-	-
Trust → LT	. 67 ***	-. 06	-	-
Commitment → LT	. 71 ***	. 12 ***	-.10	-
Cooperation → LT	. 81 ***	. 37 ***	.03	-
E-conflict → LT	-. 31 ***	-. 09 ***	-.20	-
T-conflict → LT	-. 30 ***	. 04	-	-
Opportunism → LT	-. 29 ***	-. 02	-	-
Uncertainty → LT	-. 70 ***	-. 25 ***	-.77 ***	.09 *

**** p ≤ 0.01; ** p ≤ 0.05; * p ≤ 0.1;*

Table 4.2 – *Renqing* Moderated Regression Analysis on Long-term Orientation

		Model 4C GRX	Model 4D *Renqing* Multivariate	
	Univariate β	Multivariate β	Main effect β	Interaction β
		R^2 = .72 ***	R^2 = .72 ***	
Ganqing → LT	.64 ***	-. 07	-	-
Renqing → LT	.73 ***	. 32 ***	.06	-
Xinren → LT	.26 ***	-. 02	-	-
Communication → LT	. 49 ***	. 06	-	-
Trust → LT	. 67 ***	-. 04	-	-
Commitment → LT	. 71 ***	. 09	-	-
Cooperation → LT	. 81 ***	. 28 ***	.22	-
E-conflict → LT	-. 31 ***	-. 11 ***	- .35***	. 05**
T-conflict → LT	-. 30 ***	. 03	-	-
Opportunism → LT	-. 29 ***	-. 02	-	-
Uncertainty → LT	-. 70 ***	-. 22 ***	- .25	-

**** p ≤ 0.01; ** p ≤ 0.05; * p ≤ 0.1;*