

# **Rethinking *Guanxi* and Performance: Managing the Dark Side of Sino–U.S. Business Relationships**

## **Abstract**

Previous studies on *guanxi* (關係) have focused on how *guanxi* contributes positively to business relationships, without addressing the pivotal role that *guanxi* plays in managing the dark side of business relationships. Such a role includes direct reduction of the dark side in business relationships but *guanxi* also plays a key mediating role providing further reduction of the dark side. Specifically, this study investigates *guanxi*'s influence on conflict, opportunism, and switching intention in Sino–U.S. business relationships. Drawing on data from over 270 Chinese firms, the findings reveal that whilst *guanxi* is undermined by relationship uncertainty and enhanced by performance, *guanxi* does indeed reduce the dark side of Sino-U.S. business relationships. Chinese buyers' *guanxi* with U.S. suppliers significantly reduces their switching intention, opportunistic behavior, and the perceived levels of conflict in such relationships. Chinese buyers therefore employ *guanxi* as a tool to reduce the burden associated with the dark side of business relationships.

**Keywords:** *Guanxi*, Performance, Uncertainty, Opportunism, Conflict, Switching intention.

## Introduction

Along with globalization and rapid economic development in many Far Eastern countries, particularly in greater China, the significance of managing business relationships between Western and Eastern counterparts is receiving heightened interest among both academics and practitioners (Yen & Barnes, 2011; Yen and Abosag, 2016; Aykol & Leonidou 2018; Jiménez-Asenjoa & Filipescub 2019). This has led to a growing number of studies on the Chinese culture-specific construct of '*guanxi*', which briefly translates as a "particularized and personalised relationship tie" (Lee, Pae and Wong, 2001). Over the last 30 years, the notion of *guanxi* has received significant attention because of its overwhelming influence on Chinese firms at both the macro and the micro levels (Bian 2017; Oppen, Nee, & Holm, 2017; Guo et al. 2018; Li, Zhou, Zhou, & Yang 2019).

Despite such interest, three noticeable research gaps have emerged. Firstly, the impact of *guanxi* on performance has consistently been conceptualized as having a one directional relationship i.e., *guanxi* leads to performance (Luo, 1997; Ambler, Styles and Xiucun, 1999; Park & Luo, 2001; Shou, Chen, Zhu, & Yang, 2014). However, since social exchange theory explains that relationship development does not happen spontaneously but is based on a careful weighing of potential benefits (Lambe, Wittmann and Spekman, 2001; Kingshott, 2006; Yen et al., 2017), it is illogical to assume that Chinese buyers would want to invest in *guanxi* building with any Western business partners, especially those whose business relationship performances are considered as low and unsustainable (Wang, 2007). Instead the opposite effect may occur, i.e. the relationship is reversed, whereby performance may influence *guanxi*.

Secondly, relationship uncertainty is the unanticipated changes in the exchange between two parties, making decision making regarding the relationship difficult (Noordeweir et al.,

1990; Gao, Sirgy and Bird, 2005). Previous work showed that relationship uncertainty reduces the level of trust and commitment within business relationships in China (Lai, Bao and Li, 2008). Nevertheless, little research has examined whether relationship uncertainty would also have a negative effect on *guanxi*. Whilst Morgan and Hunt (1994) and Geyskens et al. (1998) found that based on social exchange theory, relationship uncertainty can damage the strength of business relationships; we question whether relationship uncertainty would have a similar negative effect on *guanxi*.

Thirdly, existing *guanxi* studies tended to discuss how *guanxi* enhances business relationships, focusing on trust, commitment, cooperation, coordination, performance and customer loyalty (Kipnis, 1997; Chen, 2001; Zhuang, Xi and Tsang 2010; Luo Huang and Wang, 2012; Berger, Herstein, Silbiger and Barnes, 2018; Lee Tang, Yip and Sharma, 2018). Only a few studies have examined how *guanxi* may influence and reduce negative relationship constructs, such as conflict and opportunistic behaviour (Zhou, Zhang and Yip, 2007). For example, Zhuang et al. (2010) empirically examined how *guanxi* can be used to reduce conflict through the mediating effect of power. Nevertheless, extant studies overlooked the negative constructs such as opportunism and switching intention and as such they failed to address critical issues surrounding why Western firms struggle to successfully nurture on-going business relationships with their Chinese counterparts, despite initial optimism at the beginning of such relationships. Fourthly, the relationships between the dark side constructs themselves have not been fully tested within the Chinese context. Thus, testing the relationship between these constructs is essential in order to prove that the relationships between the dark side constructs are similar to the existing Western literature.

To address these knowledge gaps, this paper aims to investigate how *guanxi* could be employed to mediate and lessen the dark side of business relationships with Chinese counterparts. In particular, three specific research objectives are proposed: 1) to examine the

impact from performance and relationship uncertainty on *guanxi*; 2) to investigate the effect of *guanxi* on decreasing the dark side of business relationships, specifically conflict, opportunism and switching intention; 3) to explore the mediating role of *guanxi* between performance and uncertainty and the dark side variables (i.e., conflict, opportunism and switching intention).

By conceptually arguing and empirically showing how *guanxi* reduces opportunism, perceived levels of conflict, and buyers' switching intention, the study sheds new light on the *guanxi* literature, illustrating *guanxi*'s power in lessening and controlling the dark side of business relationships. Furthermore, by showing how *guanxi* acts as a mediator from performance and uncertainty to the dark side (conflict, opportunism and switching intention), this study provides new empirical evidence to justify and explain the pivotal role of *guanxi* when doing business with Chinese counterparts. The findings offer sound proof in terms of why Western firms must understand and attempt '*guanxi*' when doing business with Chinese counterparts, especially those suppliers who are keen to better develop and nurture long-term collaboration with their Chinese partners.

The remainder of this article is structured as follows. A review of the relevant background literature proceeds by examining the key theory and in particular, it illustrates prior studies relating to *guanxi* and how it can influence business relationships. There is specific focus on its impact in reducing conflict, opportunism and switching intention. Subsequently, the conceptual framework is outlined, which builds on both the Western relationship and the Chinese *guanxi* literature. The research approach and methodology are then explained ahead of the research findings and discussion. Finally, the implications of the study are presented and directions for future research suggested.

## Theoretical background

The Chinese notion of *guanxi* has received significant research attention within the field of management since the 1980s. Prior studies attempted to conceptualise *guanxi* and elaborate on how it is practiced in business (e.g., Jacobs, 1979; Ambler, 1995; Kipnis, 1997; Burt & Burzynska 2017; Du, Gao, & Zhang, 2019). Most studies agree that *guanxi* is embedded within social exchange theory and they define *guanxi* as close-knit ties and networks (Yeung & Tung, 1996; Barnes, Leonidou, Sui, and Leonidou, 2015) that are established through social interactions (Davies, Leung, Luk and Wang, 1995).

While earlier studies tended to be conceptual and explorative in nature, recent studies have begun to empirically investigate *guanxi*'s impact on business relationships, specifically focusing on key relational constructs such as trust, commitment, satisfaction and business performance (Wong & Leung, 2001; Leung, Lai, Chan and Wong, 2005; Liu, Tao and Wang, 2008; Yen & Barnes, 2011; Maio, Newman, Schwarz & Xu, 2013; Lee et al. 2018; Berger et al., 2018). However, most of these studies have two main limitations.

Firstly, despite their effort to collect empirical data to further examine the influence of *guanxi*, prior studies tended to focus only on how *guanxi* could further enhance positive relationship constructs such as cooperation and coordination (Buckley, Clegg, & Tan, 2006; Barnes et al., 2011), commitment (Shi et al., 2011; Chen et al., 2011), trust (Lee & Dawes, 2005; Burt, Bian & Oppen 2018), and firm performance (Standifird & Marshall, 2000; Li & Sheng, 2011; Berger et al., 2018). Few prior studies discussed how *guanxi* could be employed to manage and reduce the impact of negative relational constructs such as conflict and opportunism within business relationships (Zhuang et al., 2010; Yen, Abosag, Huang and Nguyen, 2017). Thus, they overlooked the role of *guanxi* in reducing negative attributes that are often associated with relationships.

Secondly, prior studies tend to discuss and apply *guanxi* principles embedded within the Chinese cultural context in discussing Sino-Western business relationships (e.g. Yen and Barnes, 2011; Yen and Barnes, 2011; Barnes et al., 2011; Berger, Silbiger, Herstein and Barnes, 2015). These findings have shown that when Chinese buyers perceive there to be better *guanxi* with their particular Western counterparts, they tend to rate the business relationships as having higher performance (Yen and Barnes, 2011; Barnes et al., 2011; Berger et al., 2015). This is why most studies tend to consider *guanxi* as a factor that leads to enhanced performance (e.g. Luo, 1997; Luo & Chen, 1997; Ambler, Styles & Xiucun, 1999; Chadee & Zhang, 2000; Park & Luo, 2001). Relatively less research has been conducted on the negative impact between the constructs (Li, Zhou, & Shao, 2009; Liu, Li, & Xue, 2010) and the reverse relationship between these constructs has not previously been examined.

The extant literature suggests that Western counterparts' efforts to strengthen *guanxi* through increased social interactions can lead to better business relationship performance from the Chinese buyers' perspective (Chen and Chen, 2004). However, this does not necessarily imply that Chinese buyers would equally engage in developing and facilitating *guanxi* with their Western counterparts, since *guanxi* works across ranks and does not require both parties to contribute an equal effort (Alston 1989; Yen et al., 2017). Hence, to consistently assume that the *guanxi*-performance link is always one directional may be an over simplification of a rather more complex interaction. From the view of social exchange theory, relationship development does not occur spontaneously. It is only activated with counterparts who are deemed as having the capability of bringing in further economic and utilitarian benefits (Yen et al., 2017). Such particularized and personalized relationships tend only to be developed after a careful weighing of the cost and benefits associated with the *guanxi* building activities, such as the reciprocal exchange of favors (Lee et al., 2001; Warren

and Dunfee, 2004) and the continuous devotion of affection through various social interactions over time (Kipnis, 1997).

In addition, the reported negative *guanxi*-performance relationship discovered by Li et al. (2009) and Liu et al. (2010) begs the question as to whether *guanxi* is contingent on good financial and operational performance, especially with Western counterparts with whom the relationship has less direct personal interactions or little social common grounds (Chen and Chen, 2004). Based upon the reasons stated above, this study therefore argues that Chinese buyers' engagement in *guanxi* development with a particular Western counterpart could be a result of good business relationship performance. Whilst social exchange theory explains that *guanxi* development is only established based on a careful evaluation of possible gains and loss, it makes little sense for Chinese buyers to invest more on further developing *guanxi* with those Western business partners whose business relationship performance is low and deemed unsustainable (Wang, 2007).

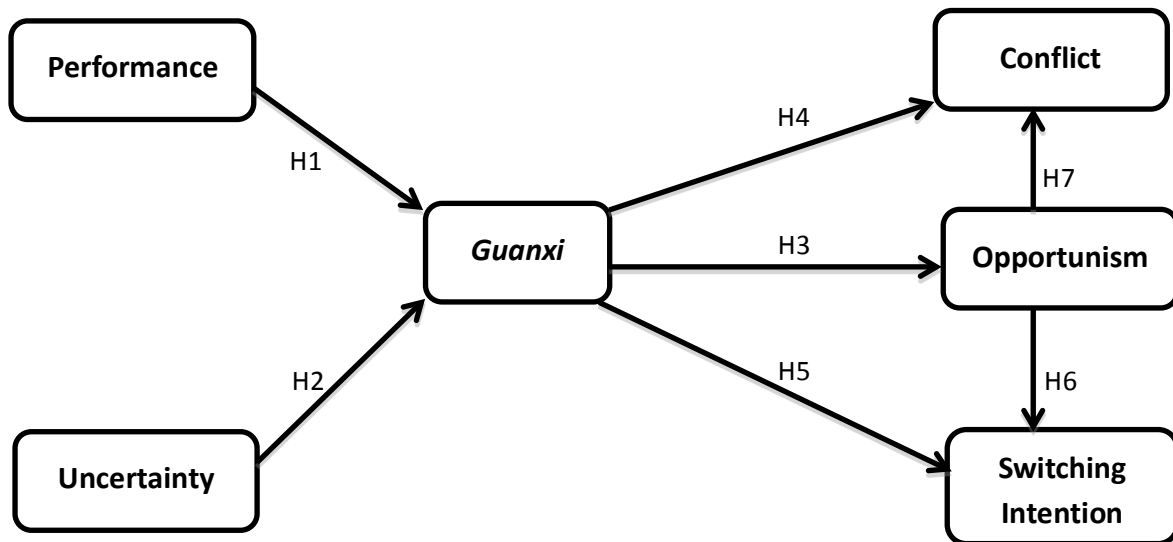
### **Conceptual Model and Hypotheses**

To determine the influence of *guanxi* in reducing negative relational constructs, a conceptual model that has *guanxi* as the focal construct is proposed in this study. Performance and relationship uncertainty are positioned as the antecedents that contribute (positively or negatively) to *guanxi*. While prior studies have positioned performance as an output construct of *guanxi* (Luo, 1997; Barnes et al., 2011; Luo, Huang and Wang, 2012), it is argued here that managing *guanxi* relationships with Western organizations must be driven and directly influenced by business performance.

The context of *guanxi* relationships that involve Western organizations is different from the usual Chinese-Chinese context. Thus, this study investigates whether business performance and relationship uncertainty between managers of the two organizations enhance or undermine *guanxi* between foreign suppliers and local Chinese buyers. Given the geographical and cultural distance between Western and Chinese organizations, relationship uncertainty makes it difficult to predict relational decisions (Kohli, 1989) and its impact on information sharing (Li, 2005), hence the rationale for studying *guanxi* within this Sino-U.S. business context.

We also position *guanxi* as a mediator between the antecedent variables (performance and uncertainty) and the outcome variables (conflict, opportunism and switching intention). In addition, three negative relational constructs i.e., opportunism, conflict and switching intention are positioned as outcomes to determine whether better *guanxi* between business partners reduces opportunistic behavior, the level of conflict and switching intent. Finally, the study aims to test the impact of opportunism on conflict and switching intent. These constructs were determined by Abosag, Yen and Barnes (2016) as the three focal components surrounding the dark side of business relationships. The extant Western literature has overwhelmingly confirmed that opportunism decreases satisfaction, increases conflict and increases switching intention (e.g. John, 1984; Gassenheimer, Baucus and Baucus, 1996; Alajoutsijarvi, Moller and Tahtinen, 2000). Thus, there is a need to test for the impact of opportunism on conflict and switching intention in order to demonstrate that within *guanxi* business relationships negative constructs such as opportunism do indeed increase the level of other dark side constructs such as conflict and switching intent. This conceptual framework is presented in Figure 1, along with the seven hypothesized linkages, which are explained in conjunction with the constructs in the following sub-sections.





**Figure 1:** The conceptual model

### *Performance*

Performance is often viewed as the most significant outcome in studies of business relationships (Luo, 2002; Zhou et al., 2010; Luo, Huang and Wang 2012; Chung & Kuo 2018). Unlike satisfaction, which reflects the relationship manager's subjective evaluation of the relationship, performance is considered as a more objective measure of a successful business relationship (Luo et al., 2012). Prior studies often position performance as the outcome of *guanxi* (Grayson & Ambler, 1999), suggesting that a manager's *guanxi* ties can directly and indirectly increase a company's performance (Davies et al., 1995; Chadee and Zhang, 2000; Luo and Peng, 2000; Shou et al., 2014; Sami, Rahnavard and Tabar, 2019). *Guanxi* ties between two partners could contribute to better financial performance because of the collaboration between the two firms (Yen & Barnes, 2011). According to Lee (2019) existing studies that have examined the relationship between managerial ties and firm performance have reported inconsistent results. Moreover, the relation between *guanxi* and performance has been investigated in some depth (e.g., Grayson & Ambler, 1999; Lee, Pae,

& Wong, 2001; Shou et al., 2014). Prior studies however, have not tended to explore whether good relationship performance between two firms could lead to better *guanxi* between the relationship partners over time. Since good relationship performance between two firms will result in better individual performance appraisals and rewards, this study argues that the sales representatives and procurement managers involved in such buyer–supplier relationships are more likely to work on their *guanxi* with each other. The strong performance achieved will motivate managers from both firms to engage further in social interactions with each other, developing and further nurturing their *guanxi* with each other. Based on the preceding discussion, hypothesis H1 is postulated:

*H1: High levels of performance at the organizational level lead to increased guanxi at the interpersonal level.*

Such enhancement of *guanxi* in the relationship, because of the positive impact of performance, is predicted, through *guanxi*, to further help reduce the levels of opportunism, conflict, and switching intention. Thus, the following hypotheses reflect the mediating role of *guanxi* between performance and opportunism, conflict and switching intention:

*H1a-H1c: Any increase in guanxi caused by high level performance is likely to reduce the levels of (H1a) opportunism, (H1b) conflict, and (H1c) switching intention.*

### *Uncertainty*

Uncertainty refers to the degree to which an organization cannot anticipate or accurately predict the future of its relationship with its business counterpart because of the unavailability of adequate, relevant and timely information (Pfeffer & Salancik, 1978). Business relationships have varying degrees of dynamism; therefore, continuous anticipation,

adaptation and flexibility are required to ensure benign interaction (Park, Lee, Lee, & Truex, 2012). Incompatible interaction causes emotional instability, leading to doubts and uncertainty about the interaction (Berscheid & Walster, 1978). Moreover, it can encourage questions relating to the validity of the counterpart's views (Tedeschi & Lindskold, 1976). Business relationships are therefore not free from uncertainty at any stage of their development (Williamson, 1975; Ford, 1980; Bian 2018). A recent study by Luo et al. (2019) provides additional evidence that adopting close relationships such as *guanxi* relationships not only depends on cultural issues, but also on high uncertainty.

Conflicting and disagreeable interactions can lead to misunderstanding and increased uncertainty about behavioral intention (Zaheer & Venkatraman, 1995). Thus, relationship uncertainty is particularly high at the beginning of the relationship (Ford, 1980), when new products or services are introduced (Park et al., 2012), when there is information inadequacy (Lee, 1998), low levels of joint decision-making (Rosson & Ford, 1980), a lack of clarity (Katsikeas, 1992), as well as high dynamism and complexity in the interaction (Siggelkow & Rivkin, 2005; Child & Rodrigues, 2011). Uncertainty can frequently reduce a relationship's attractiveness and result in a less comfortable and pleasant relationship (Ellegaard, 2012). It therefore poses a challenge to the relationship, as it can encourage partners to withhold information (Williamson, 1975). In response, overcoming uncertainty requires swift action through increased flexibility and the ability to acquire, process and interpret information (Auh & Menguc, 2005).

*Guanxi*-based relationships are not exempt from uncertainty, as these relationships are equally dynamic and complex. Relationship uncertainty therefore influences the ability of exchange partners to predict behavior and future intentions. According to Kiong and Kee (1998), *guanxi* is not static but changes over time. Such changes necessitate the continuous anticipation and prediction of the future of the relationship (Gadde & Snehota, 2000). While

relationship uncertainty is particularly challenging when the relationship involves a foreign buyer or supplier, it is arguably more impactful when evaluating *guanxi* with foreign partners. This is because the relationship exists at a personal level, which requires greater emotional closeness. According to Skarmeas, Katsikeas, Spyropoulou, and Salehi-Sangari (2008), uncertainty can hinder the establishment of a relationship between importers and exporters. Cai, Jun, & Yang (2017) concluded that environmental dynamism and mutual dependence result in the need for interfirm cooperation and thus motivate boundary spanners to practice *guanxi*. Therefore, it is argued that relationship uncertainty undermines the strength of the relationship and can lead to weaker *guanxi*, unlike the case of environmental uncertainty, where it is argued that *guanxi* helps protect against and reduces environmental uncertainty (e.g., Standifird & Marshall, 2000; Fan, 2002; Wellman, Chen, & Dong, 2002; Chu et al., 2019). It is therefore hypothesized (H2) that:

*H2: High levels of relationship uncertainty at the organizational level negatively influence guanxi at the interpersonal level.*

The negative impact of uncertainty on *guanxi* is predicted to weaken the influence of *guanxi* on opportunism, conflict and switching intention. Thus, *guanxi* mediates the relationship between uncertainty and opportunism, conflict and switching intention leading to an increase of the level of these three output constructs. The following hypotheses reflect this:

*H2a-H2c: The negative impact of uncertainty on guanxi is likely to increase the levels of (H2a) opportunism, (H2b) conflict, and (H2c) switching intention.*

### *Guanxi (關係)*

Unlike prior studies on channel relationships which show that relational norms can reduce opportunism (Gundlach, Achrol and Mentzer, 1995; Achrol & Gundlach, 1999; Brown et al., 2000; Lai et al., 2005), most prior research in the Chinese context tends to focus on the negative impact that opportunism has on *guanxi* (e.g., Lee et al., 2001). However, in an engineering study, Zai-xiao and Ming-li (2013) reported that enhancing *guanxi* can reduce opportunism in business relationships. Additionally, Xue, Lu and Shi (2018) indicate that *guanxi*-based interpersonal relationships play an important role in improving the effect of cooperation on partner opportunism. While this provides some support for the long-standing argument that *guanxi* relationships can create the capacity required to reduce transaction costs associated with opportunism (Standifird & Marshall, 2000), this finding has not been tested within the context of Western buyer–Chinese supplier relationships. Therefore, it is posited that *guanxi* can contribute to reducing supplier opportunism. This responds to the call by Ryu, Jang, Lee, and Lee (2012) that relational aspects of *guanxi* may have negative effects on opportunistic behaviour, and that future research ought to determine the influence of *guanxi* and its potential interaction effects on opportunistic behaviour. Buyers may therefore utilize their *guanxi* with suppliers as a tool to reduce opportunistic behavior and emphasize their interpersonal trust, emotional attachment, and the reciprocal exchange of favors with key relationship partners. Based on this discussion, hypothesis H3 is postulated:

*H3: High levels of guanxi at the interpersonal level lead to reduced supplier opportunism.*

According to Zhuang et al. (2010), closer *guanxi* between key relationship partners could help to resolve conflict more easily as managers from both sides could establish effective communication channels in order to reduce areas of disagreement and reduce the intensity of conflict (Su, Yang, Zhuang, Zhou & Dou, 2009). In buyer-supplier relationships, *guanxi* is

likely to be developed between key relationship managers such as procurement officers and sales representatives. When conflict occurs, better *guanxi* could prompt these relationship managers to adopt a more cooperative rather than an antagonistic approach to manage conflict (Wong & Tjosvold, 2010). Cai, Jun and Yang (2017) concluded that the development of interpersonal *guanxi* between firms positively influences the exchange of favors and reduces conflict. It is therefore proposed (H4) that in buyer–supplier relationships, *guanxi* can serve to reduce friction, thus reducing the intensity of conflict:

*H4: High levels of guanxi at the interpersonal level lead to reduced conflict in the relationship.*

### *Switching Intention*

Switching intention refers to a buyer's propensity to switch suppliers (Jones, Busch and Dacin, 2003). Empirical evidence suggests that the costs of acquiring new customers often exceed the investments required to retain or build relationships with existing ones (Berry, 1995). The extant literature illustrates that *guanxi* is often employed as a strategy to strengthen ties between sales and procurement managers (Lee and Dawes, 2005). Yen Barnes, and Wang (2011) reported that better ties between sales representatives and buyers can contribute to better business coordination and cooperation at the organizational level. Within relational exchange, sales representatives are often the primary point of contact with procurement managers (Crosby, Kenneth and Cowles, 1990), and they often have the opportunity for enhancing *guanxi* with such individuals. Gu, Hung and Tse (2008) argued that *guanxi* can inhibit opportunistic behavior as well as the switching intention. In short, sales representatives often contribute to the advancement of *guanxi* and can influence buyers favourably – thus reducing their propensity to switch. A recent study by Lee et al. (2018)

concluded that *guanxi* with a service employee has positive effects on customer loyalty and behavioral intention. Based on this discussion, hypothesis H5 is posited as follows:

*H5: High levels of guanxi at the interpersonal level reduce the buyer's intention to switch supplier.*

### *Opportunism*

Opportunism is often considered to be a negative aspect in the buyer-seller relationship literature (Heide, Wathne and Rokkan, 2007; Hawkins, Wittmann and Beyerlein, 2008; Huo et al., 2019). The most commonly cited definition of opportunism stems from Williamson (1975), who refers to opportunism as self-interest seeking behavior with guile. According to Mooi and Frambach (2012), guile involves exploiting opportunities with little regard for principles or consequences. Typical examples of opportunistic behavior include cheating, breach of contract, dishonesty, withholding information, deception and revealing partial truth to disguise one's other purposes (Anderson & Gerbing, 1988; Morgan & Hunt, 1994; Hawkins et al., 2008). Opportunism is a form of aggressive selfishness (Williamson, 1975; Lai et al., 2005) where one party acts only with its own self-interest in mind. From a buyer's perspective, a supplier's opportunistic behavior does not consider the possible inconvenience or damage to the buyer, thereby inhibiting the attainment of a mutually beneficial relationship. Such opportunistic behavior could easily cause conflict within the buyer-supplier relationship at both the functional and the emotional level (Rose et al., 2007). Therefore, hypothesis H6 is proposed:

*H6: High levels of supplier opportunism lead to increased conflict in the relationship.*

A relationship partner's opportunism may decrease the other party's satisfaction with the relationship (Gassenheimer et al., 1996). This can lead to changes in relational attitude and behavior (Raven & Kruglanski, 1970; John, 1984), which could initiate the relationship termination process (Alajoutsijarvi et al., 2000). Buyers who have suffered because of a supplier's opportunistic behavior are not likely to be pleased with the relationship nor be happy about working with the supplier on a continued basis. Opportunistic behavior by a supplier could easily harm the buyer's business and influence performance in the form of increased costs, reduced profitability and financial performance (Low, 1996; Zaheer, McEvily & Perrone 1998; Doney & Cannon, 1997). Therefore, it is proposed that a supplier's opportunistic behavior can reduce a buyer's willingness to continue in the relationship, thus increasing the buying firm's intention to switch suppliers. Thus, it is hypothesized (H7) that:

*H7: High levels of supplier opportunism will increase buyers' intention to switch supplier.*

## **Method**

Responding to the calls made by Barnes et al. (2011) and Yen et al. (2011), China was selected as the context for this study based on several important considerations. Firstly, *guanxi* may be more prevalent in China than in other Greater China markets such as Taiwan and Hong Kong. Secondly, the sheer size and growth of the Chinese economy have attracted many Western companies to the market. Thirdly, given that the objectives of this study were to understand the mediating role of *guanxi* and its influence on conflict, opportunism and switching intention, as well as the fact that the literature found buyer–supplier relationships to be significantly and negatively influenced by geographic distance that exists (Vaalan, Haugland & Purchase, 2004; Leonidou, Barnes & Talias, 2006), the relationship between Chinese importers and U.S. exporters is ideal for testing the concept.



### *Data collection*

A global marketing research agency specializing in business-to-business data collection in China was employed during 2014 to assist with the data collection process. From the agency's existing panel, Chinese buyers currently involved in procurement from U.S. suppliers were identified. Once the potential participants were identified, an online email invitation was sent to invite buyers to participate in a survey. To encourage participation, reward points were given by the market research agency to those who successfully completed the survey. Two waves of reminder emails were sent over a two month collection period, to help boost the response rate. The total number of returned questionnaires was 302. Cases involving firms at the introductory phase of their relationship were removed because of their lack of sufficient knowledge concerning the business relationships in question. As a result, 29 questionnaires were withdrawn, leaving a final sample of 273.

The questionnaire comprised of three sections. The first focused on identifying the nature and type of relationships relating to the sample. This consisted of questions about the extent and frequency of interaction, the type of goods or services imported and the length of the relationship etc. The second part contained the scales for measuring the constructs in the theoretical model. The third section included demographic type questions. The instrument was first developed in English, then translated into Chinese and in order to ensure clarity and linguistic equivalence, it was back translated (Brislin, 1986). Following some minor modifications resulting from this process, a final version was drafted and passed onto the market research agency, who produced and uploaded an online survey questionnaire. The questionnaire was finally pre-tested successfully with ten post-graduate Chinese students, in order to eliminate any potential operational errors.

### *Sample*

The respondents in the study were all from Chinese companies. In order to avoid positive evaluation bias, each individual was asked to relate their answers to their firm's fourth largest U.S. industrial supplier (Barnes, Leonidou and Talias, 2006). The length of the relationship between the Chinese importers and their U.S. suppliers varied between one and three years (35.3%), four and six years (39.7%), seven to nine years (13.7%), and over ten years (11.3%). The vast majority of the Chinese importers had initiated the relationship (86.7%). Only 13.3% were generated from the U.S. exporter's side of the relationship. Of the 273 respondents, 62.7% stated that they were the sole distributor for their U.S. supplier in China and this may reflect some degree of dependence. The respondents were asked to describe their relationship with their U.S. counterparts and most (62.3%) described their relationship as stable and mature. Around a third (30.7%) stated that their relationship was in a state of rapid growth, less than five percent felt the relationship was at an early stage, and only 2.3% were in declining relationships. The respondents were also asked to comment on the extent to which the goods they traded in were standard or custom made. Around two thirds deal with customised offerings, with less than a third being standardized. Less than ten percent traded in both standard and custom-made goods.

Over two thirds of the respondents described their companies as medium in size (70.3%). Around a fifth of the sample was small companies and less than ten percent represented large firms. The demographic data relating to the size of the U.S. suppliers followed a similar pattern. Most respondents had been working for their companies for between three and nine years (67.6%) and almost a third (27%) had been employed in the same company for over ten years. Most were either owners or senior manager (75.3%) and purchasing managers (22%). The respondents' average age was 38 years, and the majority

(57%) were male. The respondents were all directly involved in managing the relationship with their U.S. supplier and considered well qualified to respond to the questions posed.

### *Measures*

The questionnaire comprised of measures and scales from well-established and reliable studies. All the items were measured by 7-point Likert scales, ranging from 1 “strongly disagree” to 7 “strongly agree”. The scale for measuring *guanxi* (關係) was adopted from Yen et al.’s (2011) GRX model. The first four items captured *ganqing* (感情) i.e., being open, friendly with the supplier and considerate to their feelings. The next four items measured *renqing* (人情), thus reflecting on the exchange of help and the giving and receiving of favors. The final three items measured *xinren* (信任) and used reverse scale items to measure the extent of trustworthiness associated with the supplier.

The scale for conflict was adapted from Jehn (1994) and Rose and Shoham (2004). This contained items to capture both emotional and task conflict in order to measure overall conflict. The measures for emotional conflict reflect friction and personality clashes in the relationship, whereas task conflict focuses more on the disagreement regarding existing or historical tasks and forthcoming tasks. Opportunism reflects the temptation of “self-seeking behaviour with guile” (Williamson, 1975, p. 26). The measurement for opportunism was adopted from Rokkan, Heide and Wathne (2003) which originally consisted of six measures. Two measures related to lying and not performing as promised, these stemmed from John (1984). Two other measures based on Gundlach et al. (1995), reflect on not acting in accordance with contract and breaching informal agreements. The last two measures were developed by Rokkan et al. (2003) and reflect on partners taking advantage of holes in the contract and using unexpected events to force concessions. In this study, it was decided to use

only the two measures developed by Rokkan et al. (2003), as close examination of the other four revealed an overlap with the measures of conflict.

Switching intention was captured using a single item scale, focusing on willingness to substitute this supplier with an alternative in the near future. Given the business-to-business nature of this study, this measure is considered suitable as it is consistent with prior research (Williams, Khan, Ashill, & Naumann, 2011). The scale used for performance includes financial performance and relational performance. In combining these two dimensions of business performance, this study adopted two measures from Skarmeas Katsikeas and Schlegelmilch (2002) for relational performance i.e., the relationship being worthwhile and effective. Two other measures were adopted from Moorman and Miner (1997), Hewett and Bearden (2001), and Lee et al. (2004). These two focused on profitability due to successful sales of the supplier's products.

Uncertainty was measured using the scale developed by Glattebuck (1976) and later modified by Jorgensen and Petelle (1992). The scale contains seven items relating to the ability to predict a supplier's behavior, certainty that the supplier likes to do business with this buyer, the sharing of similar values, accuracy in predicting the supplier's attitude, ability to predict the supplier's preference, knowing the supplier and difficulty in predicting the future of the relationship (reverse scaled).

## **Results**

In order to ensure that the measures were appropriate for testing the hypotheses, they were all subjected to rigorous assessment of reliability and validity. The analysis was conducted using LISREL 8.8. Moreover, structural equation modelling was used to test the main hypotheses as it enables the verification of statistical efficiency and the effective testing of multiple

relationships among constructs simultaneously (Hair, Anderson, Tatham, & Black, 2006). Table 1 presents the scales, the items retained, the mean and standard deviation, Cronbach's alpha, average variance extracted and the factor loadings.

The Cronbach's alphas for all the constructs ranged from .80 to .95 and the average variance extracted (AVEs) for the constructs ranged from 64.05 to 91.9. The results are well above the reliability threshold of .60 (Fornell & Larcker, 1981) and .50 for the variance extracted (Hair et al., 2006). Evidence of convergent validity is provided as the *t*-values for the statement loadings are greater than 2 (Segars, 1996; Diamantopoulos & Schelegelmilch, 2000). The *t*-values ranged between 11.7 and 34.8 and are well above the threshold, thus providing support of convergent validity for all the loadings.

The range of  $R^2$  for all the indicators varied between .40 and .85. Finally, discriminant validity was assessed using Fornell and Larcker's (1981) method, where the shared variance between two constructs was compared with the average variance extracted (AVE) for each construct in the model. An AVE value that is greater than the shared variance provides evidence of discriminant validity. Table 2 presents the correlations, squared correlations and the AVEs. Table 2 shows that the AVEs are greater than the squared correlations for all the constructs. Thus, discriminant validity is established.

**Table 1.** Mean, standard deviation, average variance extracted, Cronbach's alpha, and factor loading

Constructs/Statements	Mean (S.D.)	Cron. <i>a</i>	AVE	Statement Loading
<b>Performance:</b>				
- The relationship between our firm and this supplier has been very productive.	5.6 (.94)	.91	71.4	.887 (*)
- The relationship between our firm and this supplier has been very effective.	5.7 (.89)			.852 (19.4)
- We have a very rewarding relationship with this supplier.	5.6 (.92)			.824 (18.2)
- There were significant cost savings resulting from doing business with this supplier.	5.3 (1.0)			.757 (15.7)
- The relationship with this foreign supplier helped us perform better financially.	5.5 (.94)			.851 (19.4)
- This supplier's brand/products have achieved the market share to original objectives for the most recent annual fiscal period.	5.5 (.92)			.878 (20.7)
<b>Uncertainty:</b>				
- Generally, we are able to predict our supplier's behavior.	2.73 (1.1)	.85	64.05	.692 (*)
- We are sure that our supplier shares the same values as we do.	2.37 (.90)			.777 (11.7)
- We are accurate at predicting our supplier's attitudes.	2.75 (.93)			.814 (12.2)
- We can predict our supplier's preference well.	2.62 (.89)			.815 (12.3)
- We know our supplier very well.	2.35 (.92)			.890 (13.2)
<b>Guanxi:</b>				
- My supplier's representative and I are able to talk openly as friends.	5.5 (1.1)	.81	73.33	.823 (*)
- If I were to change this business supplier, I would lose a good friend.	5.6 (.98)			.840 (15.6)
- I would consider whether my supplier's representative's feelings would be hurt before I made an important decision.	5.5 (.96)			.750 (13.5)
- I feel a sense of obligation to this supplier's representative for doing him/her a favor.	5.7 (1.0)	.80	83.16	.870 (*)
- The practice of "give and take" of favors is a key part of the relationship between my supplier's representative and me.	5.8 (.94)			.840 (17.1)
- This supplier's representative is only concerned about himself/herself (R)	5.1(1.7)			.95
- The people at my firm do not trust this supplier's representative. (R)	5.3(1.7)	.968 (34.8)		
- This supplier's representative is not trustworthy. (R)	5.4 (1.8)	.937(30.6)		
<b>Conflict:</b>				
- There is friction in our relationship with the supplier.	3.0 (1.6)	.93	79.03	.843 (*)
- There is anger in our relationship with the supplier.	2.4 (1.5)			.935 (21.2)
- There are personality clashes in our relationship with the supplier.	2.6 (1.6)			.906 (20.1)
- People in my firm disagree with people from the supplier's firm regarding the work they do for us.	2.7 (1.5)			.857 (18.2)
- We disagree with our supplier regarding the up-coming tasks.	2.9 (1.4)			.841 (17.6)
<b>Opportunism:</b>				
- On occasion, this supplier lies about certain things in order to protect its interests.	2.7 (1.7)	.90	73.86	.857 (*)
- This supplier sometimes promises to do things without actually doing them later.	2.9 (1.6)			.852 (18.2)
- This supplier does not always act in accordance with our contracts.	3.3 (1.8)			.742 (14.5)
- This supplier will try to take advantage of "holes" in our contract to further their own interests.	3.1 (1.7)			.888 (19.6)
- This supplier sometimes uses unexpected events to force concessions from our firm.	2.8 (1.6)			.901 (20.1)
<b>Switching Intention:</b>				
- Our company will try to substitute this supplier with an alternative supplier in the near future.	3.6 (1.4)	n/a	n/a	n/a

\* Value was fixed to 1 to set the metric for the other items.

**Table 2.** Correlation matrix, squared correlations, and average variance extracted

	1	2	3	4	5	6
1- Guanxi	<b>.77</b>	.404	.391	.173	.417	.453
2- Conflict	-.636	<b>.79</b>	.644	.077	.132	.162
3- Opportunism	-.626	.803	<b>.73</b>	.079	.139	.154
4- Switching intention	-.416	.403	.282	-	.067	.078
5- Uncertainty	-.646	.364	.374	.260	<b>.64</b>	.514
6- Performance	.673	-.402	-.392	-.280	-.717	<b>.71</b>

Note: Correlations are below the diagonal (significant at  $p < .01$ ); squared correlations are above the diagonal; AVE estimates are on the diagonal.

Further evidence was established using unidimensionality tests. These were performed as suggested by Anderson and Gerbing (1988). All the constructs passed the tests, and the results are shown in Table 3. Since the scale for *guanxi* contains three dimensions (*ganqing*, *renqing* and *xinren*), these three dimensions were all included in a single measurement model, resulting in the deletion of only two items, thereby achieving a good statistical fit. Since switching intention was measured using a single measure, it was not possible to include switching intention in the unidimensionality tests.

**Table 3.** Unidimensionality tests

	$X^2$ (df)	CFI	NFI	GFI	AGFI	RMSEA
Performance	11.07 (9)	.99	.99	.98	.96	.029
Uncertainty	12.2 (5)	.99	.98	.98	.94	.072
Guanxi	43.89 (17)	.98	.98	.96	.92	.076
Conflict	8.10 (5)	.99	.99	.98	.96	.048
Opportunism	8.51 (5)	.99	.99	.98	.95	.064

To test for mediation, we followed Zhao, Lynch and Chen's (2010) suggestions. Since *guanxi* is the only mediator in the model (opportunism was not found to be a mediator), the structural model had to be subjected to different mediation tests using an unmediated/direct effects model, a partial (direct effects and with mediator) mediation model, and a full mediation model. Of these models, the partial mediation model provided the weakest statistical fit; none of the direct links were found to be significant. The unmediated model

provided a better, but not significant fit. The full mediation model showed a markedly improved statistical fit, and better and significant coefficients for all the hypotheses. Therefore, the full mediation model was used to assess the hypotheses. Table 4 presents the results of the mediation tests.




















**Table 4.** Mediation tests

Relationship	Direct without mediator	Direct with mediator	Indirect mediation
uncertainty – opportunism	.143 (NS)	-.106 (NS)	Sig. (Indirect-only mediation)
uncertainty – conflict	.134 (NS)	-.130 (NS)	Sig. (Indirect-only mediation)
uncertainty – switch intention	.62 (.001)	-.107 (NS)	Sig. (Full Mediation)
performance – opportunism	-.48 (.02)	-.115 (NS)	Sig. (Full Mediation)
performance – conflict	-.61 (.001)	-.107 (NS)	Sig. (Full Mediation)
performance – switch intention	-.20 (.05)	-.154 (NS)	Sig. (Full Mediation)
CFI	.95	.84	.99
GFI	.94	.83	.98
RMSEA	.220	.441	.020
$\chi^2$ (df)	35.1(3)	131(3)	5.63(7)

The hypothesized links among the constructs in the theoretical model were then tested. Following Hu and Bentler's (1999) suggestion for the structural model, the incremental fit measures used were CFI and IFI (greater than .90). For the absolute fit measures, the  $\chi^2$  statistic, RMSEA (less than .06) and GFI (greater than .90) were considered. The estimation of the model resulted in a very good fit:  $\chi^2$  (df) = 5.63 (7),  $p$ -value = .57, GFI = .98, IFI = .99, CFI = .99, RMSEA = .02. All the indices revealed a good fit, reflecting the robustness of the model. Table 5 presents the estimation of the model, including the total, direct and indirect effects.



**Table 5.** Model estimation results

	Hypothesized effect	Estimates
H3: Guanxi  Opportunism	(-)	-.626*
H4: Guanxi  Conflict	(-)	-.220*
H5: Guanxi  Switch intention	(-)	-.190*
H6: Opportunism  Switch intention	(+)	.363*
H7: Opportunism  Conflict	(+)	.665*
Dual effects of uncertainty: total effect		
H1: Uncertainty  Guanxi (direct effect)	(-)	-.320*
H1a: Uncertainty  Guanxi  Opportunism (indirect effect)	(+)	.200*
H1b: Uncertainty  Guanxi  Conflict (indirect effect)	(+)	.204*
H1c: Uncertainty  Guanxi  Switch intention (indirect effect)	(+)	.133**
Dual effects of performance: total effect		
H2: Performance  Guanxi (direct effect)	(+)	.454*
H2a: Performance  Guanxi  Opportunism (indirect effect)	(-)	-.284*
H2b: Performance  Guanxi  Conflict (indirect effect)	(-)	-.289*
H2c: Performance  Guanxi  Switch intention(indirect effect)	(-)	-.189*

\*significant at  $p < .001$ ; \*\*significant at  $p < .0025$  (1-tail)

The estimation of the model provides good support for all the hypotheses in the theoretical model. To answer the research question of this study and as predicted by the theoretical model, *guanxi* plays a significant mediating role between its antecedents (performance and uncertainty) and its outcome (opportunism, conflict and switching intention). Specifically, the results show that uncertainty significantly decreases *guanxi* among Chinese buyers, as predicted (H1:  $\beta = -.320$ ,  $p < .001$ ). The test for whether *guanxi* mediates the relationship between uncertainty and opportunism shows that uncertainty significantly and indirectly (through reduced *guanxi*) increases opportunism (H1a:  $\beta = .200$ ,  $p < .001$ ). Similarly, the mediation test shows that uncertainty indirectly (through reduced *guanxi*) and significantly increases the level of conflict in the relationship (H1b:  $\beta = .204$ ,  $p < .001$ ) and the possibility of switching from the relationship (H1c:  $\beta = .133$ ,  $p < .0025$ ). Thus, the impact of uncertainty on the relationship is negative as it directly reduces *guanxi* and

indirectly increases a dark side effect of the relationship namely opportunism, conflict and switching intention.

Contrary to the role played by uncertainty in the relationship, performance as a key positive driver of relationships was found to directly and positively increase *guanxi* among Chinese buyers (H2:  $\beta = .454, p < .001$ ). Additionally, the mediation test shows that performance indirectly (through *guanxi*) and significantly reduces opportunism in the relationship (H2a:  $\beta = -.284, p < .001$ ), the level of conflict (H2b:  $\beta = -.289, p < .001$ ) and switching intention (H2c:  $\beta = -.189, p < .001$ ). These findings indicate that while uncertainty negatively affects the relationship, performance has a more significant and positive impact on the relationship, both directly and indirectly.

The full mediating role of *guanxi* in the model clearly shows the importance of *guanxi* among Chinese buyers. The direct influence of *guanxi* on the dark side of the relationship is found to be significant. *Guanxi* is found to directly and negatively reduce opportunism in the relationship (H3:  $\beta = -.626, p < .001$ ). Similarly, *guanxi* is found to directly and negatively influence the level of conflict in the relationship (H4:  $\beta = -.220, p < .001$ ). Moreover, *guanxi* significantly reduces the intention of buyers to switch suppliers (H5:  $\beta = -.190, p < .001$ ). Thus, *guanxi* is found to be essential in dealing with the dark side of business relationships, not only directly, but also through mediation effect – *guanxi* reduces the negative impact of relationship uncertainty, whilst facilitating the positive effect of performance. However, *guanxi* is always threatened by uncertainty, which should be understood and managed accordingly. Finally, the output variables are found to have significant influence. Opportunism in the relationship was proven to increase switching intention (H6:  $\beta = .363, p < .001$ ). In turn, opportunism served to significantly increase conflict in the relationship (H7:  $\beta = .665, p < .001$ ).

## Discussion

The findings extend previous work in the area of *guanxi*, as not only can *guanxi* promote positive relationship outcomes such as trust, commitment and satisfaction (e.g., Lee & Dawes, 2005; Yen & Barnes, 2011; Barnes et al., 2011), it is discovered here to be instrumental in reducing the effect of those attributes that can dampen relationships i.e., conflict, opportunistic behavior and ultimately the switching intention in Sino-U.S. business relationships. The findings lead to several theoretical contributions. Firstly, by making an initial attempt to empirically prove *guanxi*'s influence on reducing and minimizing negative relationship constructs such as conflict, opportunism and the buyer's switching intention (Jones et al., 2003; Zhou et al., 2007; Zhuang et al., 2010), the study confirms previous works by Wong and Tjosvold (2010) and Zai-xiao and Ming-li (2013) who found that strong *guanxi* can reduce conflict and opportunistic behavior from taking place. Nevertheless, besides opportunism and conflict, this study also confirms that *guanxi* can reduce switching intention, providing new empirical evidence for the relationship between *guanxi* and switching intention, to support the previous assumption of Gu, Hung and Tse (2008) and Lee et al. (2018), in illustrating the inhibitive effect of *guanxi* on switching intentions.

Furthermore, the findings show that *guanxi* plays a key mediating role on the relationships from performance and uncertainty to opportunism, conflict and switching intention. The effect of uncertainty on switching is fully mediated through *guanxi*, illustrating its critical role in controlling the negative effect of uncertainty on further the dark side. While most of the extant literature has tended to confirm the role of *guanxi* in reducing uncertainty (e.g., Standifird and Marshall, 2000; Fan, 2002; Wellman et al., 2002), this study extends such debate by showing that *guanxi* also lessens the effect of relationship uncertainty that promotes opportunistic behavior, conflict, and switching intention.

By empirically demonstrating *guanxi*'s full mediation effect on the relationships between performance and opportunistic behavior, conflict and switching intention, this study further confirms the pivotal role of *guanxi* in managing the dark side of business relationships. Without *guanxi*, business performance would fail to reduce conflict, opportunism or switching intention. This signals that the inability to nurture *guanxi* or the lack of its cultivation is damaging for the relationship as it allows such dark attributes to prevail. In contrast, enhancing *guanxi* has a positive bearing on the relationship and serves to protect against such dark side attributes.

In extending the debate about the causal relationship between *guanxi* and performance (Barnes et al., 2011; Luo et al., 2012; Yen and Abosag, 2016), the findings also show that business relationship performance can significantly contribute to better *guanxi* development from the Chinese buyers' perspective. This explains why further *guanxi* development is more likely to occur with counterparts who are evaluated based on social exchange theory (Yen et al., 2017), suggesting a new way of examining the interplay between performance and *guanxi*.

Finally, the findings contribute to the existing debate on how opportunism can often lead to negative outcomes by revealing that suppliers' opportunistic behavior significantly increases conflict in the relationship and Chinese buyers' intention to seek alternatives (Morgan & Hunt, 1994; Gassenheimer et al., 1996). When buyers perceive their suppliers as being aggressively selfish (Williamson, 1975; Lai et al., 2005), they often consider the relationship as being more incompatible (Rose et al., 2007), which ultimately leads them to another supplier (Morgan & Hunt, 1994).

## Managerial Implications and Conclusion

Although the notion of *guanxi* has been the subject of a growing number of studies, many of which have focused on how it helps to increase and strengthen trust, commitment, cooperation and performance (e.g., Kipnis, 1997; Chen, 2001; Wong, 2007; Zhuang et al., 2010, Luo et al., 2012), its role and significance in reducing negative aspects associated with business relationships such as conflict, opportunism and switching intention has received relatively little research attention. This study therefore looks to provide fresh insights to practitioners concerning the role of *guanxi* in relation to such negative constructs and how it is useful for reducing the effect of these constructs. The study also articulates the pivotal mediating role that *guanxi* plays, which significantly adds to the practical debate. Addressing how *guanxi* could be best employed to manage the dark side of business relationships therefore yields fruitful findings for managers, especially for Western firms doing business in China.

The findings clearly demonstrate that when Chinese buyers perceive there to be better *guanxi* at the interpersonal level with their U.S. suppliers, conflict is less apparent and suppliers tend not to be opportunistic, and as a result, buyers are less likely to seek alternative supply. The study reiterates the necessity to engage in *guanxi* practices in order to foster greater longevity with Chinese counterparts (Yen & Barnes, 2011). Through participating in social events, including the wining and dining of key individuals, undertaking reciprocal exchange of favors, as well as demonstrating honesty and integrity in daily behavior (Chen, 2001), U.S. managers are able to advance their *ganqing*, *renqing* and *xinren* with Chinese buyers, thus serving to significantly enhance their levels of *guanxi* (Yen et al., 2011). The study advocates that if Chinese buyers acknowledge there to be significant *guanxi* in the relationship, then they are more likely to perceive the relationship as less troublesome with low levels of conflict (Rose et al., 2007). Moreover, these established bonds may help

managers further reduce their buyers' switching intention and thereby secure greater long-term business.

In addition, given the interconnected features associated with relationship performance and *guanxi*, managers should focus their efforts on further enhancing their business relationship performance i.e., their operational effectiveness and economic output. When buyers perceive the relationship to be productive and worthwhile – generating increased profitability, reduced costs and better sales targets (Skarmeas et al., 2002; Hewett & Bearden, 2001; Lee et al., 2004) – they are more willing to invest effort and time to nurture *guanxi*. This is especially important for Western firms that wish to enter the Chinese market. As *guanxi* can only be built up over time, it may be wise for U.S. managers to look at developing social interactions in a wide sense, as they have the potential to facilitate *guanxi* at the interpersonal level. Providing solutions to help the relationship partner perform better will enhance the exchange process.

Moreover, uncovering a link between relationship uncertainty and *guanxi*, as well as the discovery of *guanxi*'s mediating role is significant for foreign firms in helping them to take their relationships with their Chinese counterparts to an even higher level of cooperation. Managers should be vigilant in terms of the sources of relationship uncertainty and focus on providing clarity through clear communication, enhancing joint decision-making, undertaking frequent interaction and sharing information. Managers involved in such international business relationships must also consider the effects of culture and psychic distance on relationship uncertainty. Whilst establishing *guanxi* in a relationship is often helpful, over time, managers must protect themselves from such uncertainties caused by the inability to predict the relationship partner's behavior through a lack of understanding of what each party expects from the other.

## Limitations and Future Research

This study has made a first attempt to conceptualise and empirically test *guanxi*'s potential mediating role, in linking uncertainty and performance on one hand, with conflict, opportunism and switching intention on the other. Future studies could look to decompose *guanxi* and examine the potential mediating roles of *ganqing*, *renqing* and *xinren* (Yen et al., 2011). It is believed that through examining these components separately, the findings are likely to reveal fresh insights that will interest both academics and practitioners alike. Future studies could also examine the potential mediating role of *guanxi* between these constructs within a domestic Chinese context. Such data would make for a useful comparison, in discovering whether such relationships are potentially similar or distinct in domestic and international relationships.

Interestingly, this study revealed that relationship uncertainty had a significant negative influence on *guanxi*, which contradicts the study of Lee et al. (2001). Future studies need to further examine this particular relationship in additional contexts to seek greater clarity and evidence going forward. Finally, future studies could also look at testing the model using further Asian but non-Chinese respondents. Such an examination may reveal interesting data that can be compared to see to what extent certain relationships hold and others differ within various U.S.–Asian contexts.

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