



A Casual Study On The Role Of Guanxi In Maintaining Competitive Advantage In The China Market

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ABSTRACT

An increasing number of papers are discussing the impact of guanxi on business outcomes in the Chinese market. Multiple studies have shown the substantial and beneficial effects of guanxi when used in a business context. On the other hand, theoretical studies on how to strategically use guanxi to gain an edge over the competition are few in the current literature. In addition, the theoretical framework and limits of guanxi-based commercial ability are lacking. Aiming to provide a picture of the conceptual horizon for guanxi-based competence and its associated strategy forms, the author was motivated to conduct this empirical study with the purpose of theory building due to the existing status of research in the area. Using a grounded theory method as its theoretical foundation, this research seeks to better understand the practical implementation of guanxi-based business strategies in the Chinese market. The researchers were able to complete the study and go on with the planned research in our overarching objective of understanding how guanxi-based competitive advantage is strategically positioned. The grounded theory method was used to accomplish this. First, they looked at how guanxi affects the development of a company's strengths. Through its enabling function in strategic company endeavors, guanxi provides an opportunity of quasi-competitive advantages that aid the firm in enhancing its core competence depending on the market. Second, guanxi may indirectly boost the firm's performance because of three crucial business realities: cultural embeddedness, commercial need, and institutional influence. Thus, the paradigm of guanxi-based firm strategy is as important as the industry-based paradigm in the Chinese market.

Keyword: *Guanxi, Chinese market, business strategies, social networks.*

Introduction:

Since China's reforms, the country's market and intuitive growth have come a long way compared to its traditional era. Even if transitional changes have taken place, the many system uncertainties and shortages are still having a significant impact on business operations in this merging market environment. Whether a company is in a transitioning economy or not, the business risks brought on by institutional changes have a significant impact on the strategies that companies choose to implement. A paradigm change is taking place in China's market system right now, moving away from a network-based market and towards a rule-based one. Many parts of Chinese culture, politics, and business increasingly rely on the interpersonal network-based social mechanisms of guanxi. One the one hand, our institutional architecture isn't perfect, but it does promote a market process based on rules, which players are required to follow. To counteract the risks associated with potential institutional changes, Xin and Pearce point out that guanxi ties might be used instead of official institutional assistance. An organization's long-term success and growth in contemporary China depends on its ability to draw on both guanxi-based and based on markets skills. With this study, researchers aimed to fill a gap in our theoretical understanding of guanxi's role in strategy execution and its strategic positioning within business plans. Guanxi is a crucial strategic component that affects (Burt, 2017) organisational outcomes at the human level, according to the latest research in this area. Local empirical study shows that guanxi has unique benefits on improving operational efficiency and risk avoidance capabilities when used as a corporate tool. Since guanxi's strategic importance has been

acknowledged, some empirical research has sought to further investigate guanxi-based strategies and provide some relevant implications for management practice (Lee, 2018).

1.1 Background of the study:

The growing significance of guanxi in Chinese business, however, has received little attention in the literature. Thirty years have passed since China's economic system shifted from planned to market. In late 1978, at the third plenary meeting of the Eleven Central Committee, the Chinese central government arrived at a consensus on a policy framework that would overhaul the state-planned economy and establish a legal framework to facilitate growth in the economy. There have been ongoing attempts to fortify the country's institutions and economy in an effort to hasten and ensure the country's economic growth since then. In this respect, the economic reform in China has been successful thus far. There are essentially three stages to the procedure. In the first stage, which lasted from 1978 to 1984, commodity prices were set by a combination of the scheme and the market. State-owned companies were allowed to sell more than their allotted output during this time. The researchers validated and put into place the main policies, which include opening the economy to foreign investment and using the market-based system to alter the central body of central planning. From 1984 to 1993, the government's role was reduced, and private companies' rules were further loosened during the second phase. Providing more discretion to provincial governors to experiment with new approaches to privatising the public sector and increasing economic development was a huge step towards decentralising state power. In the third stage, which began in 1993 and continues to the present, new institutions were established to support the market system, while the process of reconstructing the former institutions continued (Dobrucal, 2019).

The country's "institutional structure is progressively moving towards a structure that is governed by rules," and an economic framework that integrates Chinese cultural standards has grown. They were analysed the present state of the Chinese market. Emergence of the market and intuitive growth after reform Compared to the country's previous era, China has achieved tremendous progress. Even if transitional changes have taken place, the many system uncertainties and shortages are still having a significant impact on business operations in this merging market environment. Whether a company is in a transitioning economy or not, the business risks brought on by institutional changes have a significant impact on the strategies that companies choose to implement. A paradigm change is taking place in China's market system right now, moving away from a network-based market and towards a rule-based one. Many parts of Chinese culture, politics, and business increasingly rely on the interpersonal network-based sociological mechanism of guanxi (Chen et al., 2021).

1.2 Purpose of the research:

After conducting five to eight interviews in the field and reviewing the relevant literature, a single research issue and two important research questions were identified. The researcher claims that there is a robust relationship between corporate competence and the development of guanxi, as seen in the first round of empirical investigation. The people who participated in this study's interviews gave the impression that guanxi doesn't help firms grow unless they have a distinct advantage over their competitors. But guanxi is still an important strategic asset for businesses that want to expand in the long run by becoming more competent in the market and maintaining exceptional performance. This is why research on guanxi, and core competence is happening together instead of independently. The realities of the market must be included in any study of Guanxi business phenomenon. Given that they are related. As a result, the aims of this inquiry are met by these two concerns and the new research topics.

1.3 Literature Review:

The article's author discusses the early results of a more extensive study on guanxi. Therefore, it was decided that the most interesting subject would be guanxi and business strategy. The author came to the conclusion that there is a lack of theoretical contributions and empirical research in this area after doing a brief literature review. A grounded theory technique is suitable for this examination since there is little previous literature and no good theoretical basis. The difficulty of a researcher being influenced by existing theoretical frameworks before developing an evidence-based theory is one possible cause. The phenomena of corporate strategy leadership within the guanxi environment are best described, according to Glaser, by fundamental structural social process when seen from a grounded theory viewpoint. Thus, the preliminary literature review confirmed that grounded theory approach was an acceptable research strategy for this study. Consequently, moving forward, the grounded theory's principles instruct the researcher to critically use the literature right from the start, without establishing a predetermined study topic or theoretical framework (Liu, 2020).

An organization's long-term aims and objectives are defined via strategic planning, which also involves selecting tactics and allocating resources to achieve them. Chandler The business strategy of a firm is its overarching pattern of aims, purposes, and goals, as well as its primary policies and methods for reaching these ends, laid out in a way that describes how the business will function. Fundamental to the strategic challenge is the need to achieve a resistance match between the firm and its environment. All of these explanations have the commonality of

describing the strategic goal of an organisation in relation to its responses to external factors that are always evolving. everyone agrees that the environment-strategy-performance paradigm is fundamental to the study of strategic management. Despite the fact that there is a lot of interest in literature on both environments and strategies, Bourgeois differentiated between the two. He suggests making a distinction between "what is the strategy?" and "how is strategy enacted?" The strategy process within the framework of guanxi phenomena should be the primary emphasis of this study, rather than the strategy context per se. According to Backhaus, there are essentially three types of strategies: corporate, business, and functional. A company's strategic strategy determines its direction for the future. But most businesses don't aim to improve their position in the market with their plans. A company's strategy should revolve on how the company interacts with its environment. Because it helps to understand how a firm plans to react to outside forces including competitors, regulators, suppliers, and customers, this strategy type will be the center of our study. The major emphasis of functional strategies is on the internal procedures that could affect competitiveness as well. Western business strategy concepts are traditionally based on the free market economy (Snihur et al, 2019).

1.4 Research Objective:

1. Examine the role of guanxi in carrying out corporate plans effectively. Explore the theoretical boundaries of guanxi-based business strategy via the lens of a conventional strategy framework.
2. Learn the theoretical significance of guanxi in business and internalise it.
3. Analyse the reasoning behind how guanxi contributes to the development of a company's core strengths.

1.5 Research Methodology:

They want to know the whys and how's of a certain social event, therefore we're using a qualitative study domain to figure it out. Through a comprehensive analysis of the relevant literature, Eisenhardt elucidated the procedure of deriving theory from examples. Several scholars have argued that theories grounded on observable evidence are more practical. The well-developed comparative method of grounded theory makes it the most straightforward methodological approach to theory building; it relies on continual data comparison, the formation of theoretical categories from evidence, and a gradual strategy to case selection and data gathering.

Although Suddaby acknowledges that grounded theory is useful for some fields of study, he argues that it is best suited to investigations into how actors make sense of intersubjective experience. Holstein and Gubrium state that grounded theory is an approach to research that uses a sequence of inductive techniques to construct a model of the world that researcher's study. The purpose of grounded theory was to generate intermediate hypotheses using qualitative data by using flexible strategies for refining and expediting the processing of collected data. Human dynamics, social connections, and feedback loops between individuals and societal systems may be studied using grounded theory, according to Charmaz. Our research on guanxi in the corporate world is pertinent to all of these settings. Because it is a self-initiated process, guanxi is already a part of people's social life. The second point is that guanxi is based on the reciprocal nature of people's personal connections. At last, guanxi comes into play when members of different groups engage in exchanges that benefit both parties. So, to theories the guanxi phenomenon in Chinese business, grounded theory is the ideal methodological framework, according to Charmaz, Corbin and Strauss, and Glaser and Strauss.

• Quantitative vs Qualitative Research Paradigms:

Researchers should prioritise determining the most suitable research paradigm to place their work under when they are arranging a study. According to Maxwell, a paradigm is a common set of assumptions held by scholars within a certain area or tradition about the foundations of the universe and our ability to comprehend it (epistemology). Before diving into the analysis of the empirical paradigm implemented in this study, it is crucial to have a firm grasp on the essential distinctions amongst both qualitative and quantitative approaches. There was a strong effect from the experimental designs employed in the natural sciences on the early methodology of business and management research, according to Thorpe. The conventional wisdom was that quantitative research methods were inherently more methodical and organised, yielding concrete statistics from statistical data clusters. "This emphasis on quantitative methods of analysis even model creation has benefited a wide range of disciplines, including marketing, organisational behaviour, operations research, and finance." In the 1960s, the ability to make decisions, particularly when faced with uncertainty, was considered the most crucial competency for effective managers.

• Epistemological Foundations:

In a nutshell, Neuman outlined three popular ways of looking at social science from an epistemological perspective. Positivism, interpretivism, and critical social science make up the three major theoretical frameworks in the social sciences. Researchers that have a strong bias towards one approach will inevitably criticise and discard all others as irrelevant or unfounded. Regardless of the debate, researchers should study up on the many philosophical, epistemological, and methodological viewpoints on research. This enables the researcher to understand the theoretical foundations of data collecting, analysis, and interpretation, and to provide an account of the methods used. Here, researchers were focused on two main theoretical traditions: positivism and interpretivism.

There are a lot of books on administration and organisation that explain the differences between interpretive and positive approaches. These two approaches seem to be mutually exclusive in every instance. As pointed out by Morey and Luthans, there are several lenses that may be used to examine these two points of view: objective and subjective, etic and emic, outsider and insider, quantitative and qualitative, nomothetic and idiographic, and so on.

1.6 Conceptual Frameworks:



1.7 Result:

It analyses and evaluates the literature once the completion of the fieldwork in order to contrast and incorporate the key themes that emerged from the field. It follows the initial literature review. Performing a literature study early on in a research project gives the researcher an opportunity to familiarise themselves with the issue before diving into fieldwork. The comparative literature review, on the other hand, aims to determine the study's place in the literature after data conceptualization is complete. As a result, the study results are contrasted with the literature's conclusions. This study's empirical results are based on an emerging conceptual framework that utilises the idea of guanxi as a type of quasi-competitive advantage. The framework is further subdivided into three related categories: socially cultural embeddedness, commercial necessity, and institutional variables. Theoretically, this synthesis underpins the practical consequences of a guanxi-based business strategy. In line with recent results from guanxi-related literature, comparative discussions are structured according to the developing conceptual framework. They begin with a look at guanxi, a social process central to Chinese commercial life. Even in modern China, the emphasis on personal relationships rooted on guanxi remains strong. Many parts of social life are affected by guanxi. There is a positive correlation between guanxi and business success, which is the second point. In the last section, the researchers take a look at how the company's adoption of a guanxi-based strategy—part of its corporate strategy for long-term development in China—was influenced by institutional factors, which are among the most important drivers of business choice in a transitional financial climate. Finally, the resource-based approach is compared to the more abstract concept of. As a defense mechanism against guanxi, the idea of quasi-competitive advantages was developed. They will discuss this fresh information further.

• An Organisational Social Process: Cultural Integration

Gongxi is very important in Chinese society because of the level of organisation and formality in Chinese business practices as well as the influence of China's history of politics, religion, and intellectual underpinnings. The gap between western management techniques and traditional Chinese values has become wider as a result of the transitional economy. Achieving success in Chinese company requires a blend of guanxi and results-driven market procedures. In the early stages of China's market opening, many managers believed that political and cultural variations would make a Western management style ineffective in China. Wong and Maher point out that Western management theories based on healthy competition are generally applicable to the Chinese market, but that there are some cultural differences to keep in mind. An example of a culture that could find it difficult to embrace western-style management techniques uncritically is one that places a high importance of the Confucian dynamics of harmony. Findings from Wood, provide a similar result, stating that contextual explanations are better suited to explain the complex influence of basic cultural conceptions. The Chinese people use guanxi to help them adapt to the ever-changing national environment.

• What makes Guanxi special

Guanxi, a social mechanism, is strongly embedded within conventional Chinese business practices, despite the focus on economic efficiency. Academics have defined guanxi as intangible, personal, long-term focused, reciprocal, and based on prior study in the literature described it as utilitarian. According to Dunning, these traits cannot be understood outside of a certain cultural, societal, and institutional context, which is where guanxi originates. The historical roots of a guanxi-based transaction, which stand at more than two millennia old, continue to shape it, say Standifer and Marshall. Everything above indicates that guanxi is still very much relevant in today's culture. Cultural and moral differences may cause Western and Chinese entrepreneurs to see guanxi differently. "If you ask Warren, who is guanxi appears to be a two-edged sword: it may do good or harm depending

on who you ask". Guanxi in business is further classified by Su and Littlefield as rent-seeking that is institutionally entrenched or favor-seeking that is rooted in culture. In contrast to the latter's reputation for shady business practices, the former represents respectable social action that adheres to an ethical framework. To navigate the intricacies of modern, ever-changing contexts, guanxi may take several shapes. Because of this complex dynamic, it is difficult to establish a common set of ideas to explain it. In an effort to deepen our understanding, several theoretical and empirical studies have sought to portray the guanxi phenomenon from various angles. Scholars may get a better grasp of the features of guanxi and its commercial applications by considering how cultural values impact the effectiveness of management tactics in various contexts.

• Analyse of Observed Data

In accordance with the cultural effects of guanxi on commerce, there are a few main avenues of empirical study in existing literature. The essence of guanxi is practicality and the assumption of reciprocity in the exchange of favors. On the other hand, weaker parties often gain from the transaction in guanxi relationships that are not based on equality. Pursuing one's own self-interest through the promotion of other people is, in the words of Bian, the driving force behind guanxi networks. Furthermore, the guanxi dynamic incorporates the concept of mianzi (face), another significant aspect of Chinese culture. Mianzi is the degree to which other people recognise and appreciate one's social standing. Buckley claims that the Chinese see mianzi, or "face saving," as a way to quickly increase their guanxi connections and tap into other people's social capital. For example, in order to keep mianzi for a guanxi transaction down the road, it's important for everyone involved to be respectful of each other. Mutually beneficial connections form the basis of both mianzi and guanxi. In this view, the abstract reciprocal norm that serves pragmatic objectives within the context of Chinese culture propels a guanxi process. Managers must be aware of the ephemeral cultural disparities as their behaviours might be influenced by nation culture, which can cause conflicts with partners. Durlabhji observes that guanxi practices are greatly affected by the yin and yang of Taoism, which is a major ideology in Chinese culture. Durlabhji contends that in establishing trust in a guanxi environment, the yang traits of haste, aggressiveness, and focus on the end result are offset by the yin traits of patience, cooperation, and focus on the persons involved. Neglecting to keep the peace in a relationship is, "but a certain way to end up in a tragic ending."

1.8 Discussion:

First of all, this research intends to add to the growing body of theoretical frameworks, as previously mentioned. The main objective of this chapter is not to present and describe the substantive results from the fieldwork in detail, but rather to expound on the emerging foundational theory of quasi-competitive advantages and associated theoretical categories. This study's author homed in on analysing how people comprehend the deployment of guanxi-based strategies. With the dictum of emergence in mind, the author used the grounded theory approach to ensure that the theory faithfully portrays the real social process. This study's overarching objective is to provide new light on the function of guanxi in the process of developing business strategies. Researchers may move the theory up a step, from substantive to formative, by drawing on the abstracted basic idea of quasi-competitive advantage. Nevertheless, in order to illustrate the study's conclusion with an advanced substantive theory, the author expands upon the theoretical sorting findings given in the one before it in this article.

10. Conclusion:

To wrap up and draw conclusions about the whole dissertation, this is the last chapter. After seeing the necessity for a study like this after an initial literature analysis, the researcher was compelled to conduct a qualitative investigation on guanxi-based company strategy implementations. Interpersonal networking has recently garnered a lot of interest from Western organisational theories and strategic researchers, claim Zhang and Zhang. From their various angles, several scholars are familiar with the guanxi phenomenon in the corporate world. As pointed out by Zhang and Zhang, the majority of guanxi studies focus on the phenomena's impact on Chinese society, organisational dynamics, and economic efficacy while some scholars have concluded that guanxi is still crucial for China's long-term business success, others have argued that investigating it would be useful to gain a better understanding of the contexts in which guanxi is used and the complexities thereof.

According to the author's literature review, the main limitation of guanxi-based business behaviour is the absence of clear theoretical frameworks and restrictions regarding the placement of guanxi-based competitive advantages. Although guanxi is widely acknowledged as a strategic feature among academics, its theoretical significance as a competitive advantage remains unclear. The foundation of it is genuine, non-linguistic understanding of the world. So, this PhD thesis filled a critical gap in the literature by conducting an empirical investigation that used a grounded methodological approach to theory creation.

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