

Empirical Evidences in Linking Guanxi, Renqing and Justice Theory: Doing Business in the Great China Area

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Abstract

This paper utilizes two conceptual frameworks, on the foundation of Hwang's (1987) model and the Justice Theory. It is suggested that businessperson may search for or reinforce Guanxi (tie) by three types of social ties, instrumental, mixed, and expressive. Therefore, resource allocators in Chinese society may deal out their powers to others with varied social ties. This study examines the relationships among the three types of social ties and Renqing giving and returning. Data collected from questionnaires completed by 190 Japanese expatriates in Taiwan. The findings are as follows: (1) businessperson with instrumental Guanxi will apply the equity rule, which excludes Renqing giving and returning; (2) businessperson with mixed Guanxi will use the equality rule, which will request moderate Renqing giving and returning; (3) businessperson with expressive Guanxi will apply the need rule, which will request strong Renqing giving and returning. Managerial implications are discussed in the final section.

Keywords: Guanxi, Renqing, justice theory

1. Introduction

This paper applies two conceptual frameworks, on the basis of Hwang's (1987) model and the Justice Theory. Lu (2012) developed a framework in linking the three types of social ties and Renqing giving and returning. It is considered that the Hwang's (1987) model represents not only behavioral models of Chinese businessmen, but also broad models for demonstrating the process of business interactions in East Asia.

This paper is structured as follows. First, we give a brief review of Justice Theory, which includes three rules: (1) equity, (2) equality, and (3) need. Second, we discuss Guanxi, which is divided into three types: (1) expressive, (2) mixed, and (3) instrumental (Hwang, 1987). Third, we examine the relationships among the three types of social ties and Renqing giving and returning. Data collected from questionnaires completed by 190 Japanese expatriates in Taiwan. In the following section, the research methods are presented. The fourth section shows the results. This paper discusses what Renqing is and its giving and taking in Chinese business culture in the Great Chinese Area in the final section (Yan, 1996).

2. Guanxi, Renqing and Justice Theory

Justice Theory refers to a person's reaction of a benefit obligates the other party to give in return the favor (Gouldner, 1960). Individuals in societies exchange or allocate social resources by the three rules. First, equity rule offers that people in society should be rewarded for their givings. Second, equality rule states that all citizens should contribute to benefits and losses equally not considering of the amount to which, if at all, they actually contribute to the society. Finally, need rule conserves that the sharing of benefits in society should consider each individual's practical needs without considering their actual contributions (Hwang, 1987).

Guanxi is an essential Chinese word with multipart thoughts and has been studied by academics in the field of social sciences (Hwang, 1987; Luo, 1997; Tsang, 1998; Wong & Chan, 1999; Yang, 1994, 2002; Lu, 2012). Anthropologist Fei Xiaotong proposed the Chaxu mode in 1948 to clarify the interactive relationships among the Chinese. He argued that the Chinese typically exercise a diverse standard to treat people with different Guanxi (tie) (Fei, 1992). He suggested that Chinese classify people around them into three groups in mind. First, family members consist of close kinship such as brother (sister), uncle and spouse's brother (sister). Second, in-group persons include classmates, co-workers, and neighbor someone you know for a period of time. Finally,

out-group persons include strangers and (or) somebody you know just for days (Yang, 1994; Tsui & Farth, 1997, Leung et al., 2008).

In traditional Chinese society, social relationships are like ripples. There are lots of circles from a Chinese within his or her society. If we take the ripple as three circles, the inner circle will be his or her family. Individuals within this circle use the need rule. The middle circle includes relatives, classmates, neighbors, and close friends, all of whom use the equality rule to indulgence each other. The outside circle contains strangers, to whom the equality rule is related. For the Chinese, the equality rule applies only to strangers.

It is suggested Guanxi (tie) can be segregated into three types: (1) expressive, (2) mixed, and (3) instrumental, each of which we will deem in the context of their relationship with the Justice Theory Hwang (1987). Expressive Guanxi (tie) is a long-term and stable social relationship. The relationships between members of a core family will be the property of the expressive Guanxi (tie), which mostly satisfies each individual's need for care. However, people may also exercise the Guanxi (tie) to gain materials. In contrast to the expressive Guanxi (tie), the instrumental Guanxi (tie) refers to the social relationship between family members and individuals outer of the family, frequently strangers. For such individuals, the instrumental Guanxi is a kind of tool, which can fulfill their needs in materials, such as shoes or cars and so on. It is, as a result, quite unsteady and short-term. Between the expressive and instrumental relationship is the mixed Guanxi (tie). People within this kind of Guanxi are accustomed to each other's lives. Nevertheless, the depth and extent of the mixed Guanxi (tie) are far less than the relationship between family members. Examples of mixed Guanxi (tie) are relationships among classmates, colleagues, old customers and so on (Fried, 1969; Jacobs, 1979). People hold the three types of Guanxi at the same time within their social network. Individuals build up their social networks, which enclose very completed interactions (Jacobs, 1979; Kapferer, 1969; Mitchell, 1969). The characteristic of a social network in Chinese society is that people need to use public activities, such as eating and drinking, to maintain the mixed Guanxi. When most of the people in the society follow the interactive manner, it becomes a kind of Guanxi culture.

The concept of Renqing can be explained in three ways: (1) Renqing shows the affective reactions of an individual dealing with different situations; (2) Renqing represents a resource that an individual can give to, or accept from, other people as a gift in the course of social interaction; and (3) Renqing implies the social norms by which one has to bear with the reason of living well with other people (Gabrenya & Hwang, 1996; Chen, 2006). Renqing is also a characteristic concept in Chinese culture, in which it refers to individuals' emotional reactions when they manage different situations of daily life. These responses can be treated as a kind of resources, which can give to other person as gifts (Hwang 1987). The process of continued giving and returning generate increasing Renqing between individuals in an exchange relationship (Blau, 1964; Buckley et al., 2006; Chan, 2006; Homans, 1961; Kim & Leung, 2007).

The implication of doing Renqing means that the needs of members of a social network are fulfilled without cost or a lesser price other than through instrumental Guanxi (i.e. the equality rule). In other words, Renqing is a kind of 'resource' to give or swap among the members of a social network. From the viewpoint of Resource-Based Theory, Chinese managers may build up multiple social networks as intangible assets, which will be a firm foundation of their core competence. Once they are on their way toward becoming managerial officers in their companies, these resources will be among their most important advantages. Under the game of giving and returning Renqing, one important rule is that givers expect receivers to pay back Renqing in the future. Without such an expectation, the giving becomes a kind of donation or charity. Giving Renqing usually costs time and money or resources. Consequently, a dilemma may arise regarding Renqing if the givers do not fulfill all of the needs of members in their social networks. In western companies, managers may exercise the equity rule through their authority. However, Chinese managers also play a role as Renqing givers, who may share out resources by the equality rule (Leung & Chan 2003; Lu, 2012).

Hwang (1987) considered that the principle of giving Renqing is based upon the receiver's power or authority. As a result, members in the social networks with superior positions, more power, and greater resources may receive more Renqing. On the other hand, the members without resources are denied Renqing. For instance, as happens in Chinese society fairly often, manager A plays golf often with company boss. One day, the board of directors decides to promote a manager into the top-management team. According to the performance criteria, manager B should be in the first place. However, manager A asks the boss for Renqing. To accommodate manager A, the criteria may be adjusted to include other issues so the manager A obtains the promotion in the final. Recently, Zhou et al. (2015) examine the roles of Renqing and Guanxi as outcomes of relationship marketing investments by a sample of 218 questionnaire respondents sourcing from the database of China Purchasing Managers' Club. It is found that the Renqing and Guanxi are necessary determinants of customer

loyalty in China.

3. The Relationships among Justice Theory, Guanxi, and Renqing in the Great China Area

Based on the theoretical expansion above, a research framework is shown in the Figures 1, and three hypotheses are stated as follow:

- H1: Businessperson with instrumental Guanxi will apply the equity rule, which excludes Renqing giving and returning in the Great China Area.
- H2: Businessperson with mixed Guanxi will apply the equality rule, which will request moderate Renqing giving and returning in the Great China Area.
- H3: Businessperson with expressive Guanxi will apply the need rule, which will request strong Renqing giving and returning in the Great China Area.

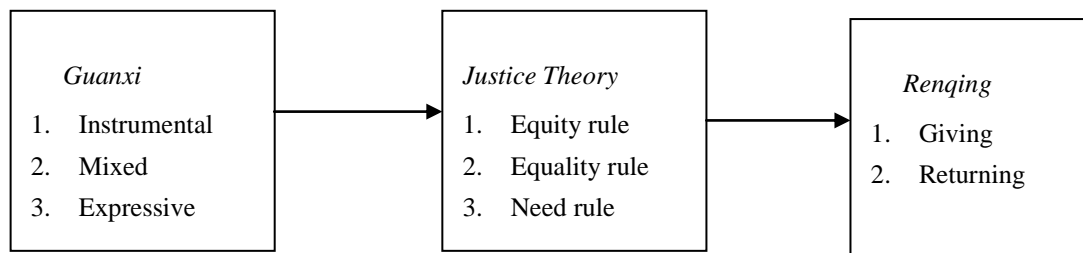


Figure 1. Relationship among justice theory, Guanxi, and Renqing

4. Methods

The hypotheses were tested using data collected from the samples of Japanese managers in Taiwan. Judgmental sampling procedure was applied (Judd et al., 1991). A number of 1214 questionnaires were mailed to the Japanese expatriates in Taiwan. This survey was followed up by one reminder as a result of limited time and costs. 205 useful questionnaires were collected (a return rate of 16.89%), of which 190 are used in the analysis (an utilizable return rate of 15.65%).

Variables of Guanxi and Renqing were measured by previously developed multi-item scales. Following Ang and Leong (2000), we measured three types of Guanxi by 9 questions. Second part of the questionnaire measures Renqing, which includes 3 questions developed by Leung and Chan (2003). Each of the questions in the questionnaire is answered on a 7-point Likert scale from 1 = strongly disagree to 7 = strongly agree. The questionnaire was adopted in an English version originally and then translated into Japanese and Chinese versions. Back-translated method was used in order to ensure item equivalence across the cultures (Usunier, 1998).

5. Results

The correlations and descriptive statistics of the variables are presented in Table 1. The inter-correlations among the central variables of the study were all below the 0.80 value indicates there is no multi-collinearity among these variables (Hair et al., 1995).

Table 1. Correlation matrix of variables (N=190)

| Variables | X1 | X2 | X3 | Y | Mean | SD |
|------------------------|--------|--------|--------|---|------|------|
| X1: instrumental Guanx | 1 | | | | 6.20 | 0.68 |
| X2: mixed Guanxi | .465** | 1 | | | 5.32 | 0.93 |
| X3: expressive Guanxi | .341** | .522** | 1 | | 5.09 | 0.86 |
| Y: Renqing | .169* | .395** | .542** | 1 | 4.61 | 0.96 |

Note. ** $p < 0.01$, * $p < 0.05$.

Tables 1 display the correlations among the variables, means, and standard deviations for Japanese respondents. As shown in Table 2, hypotheses are all supported. Hypothesis 1 predicts that businessperson with instrumental Guanxi will apply the equity rule, which excludes Renqing giving and returning. The result shows instrumental Guanxi is not related to Renqing ($t = -1.133$; $p = 0.259$), H1 is supported. Hypothesis 2 states businessperson with mixed Guanxi will apply the equality rule, which will request moderate Renqing giving and returning. The results indicate that mixed Guanxi is related with Renqing giving and returning ($t = 2.422$; $p = 0.016$). H2 is supported. Hypothesis 3 suggests businessperson with expressive Guanxi will apply the need rule, which will request strong Renqing giving and returning. The result shows support for H3 ($t = 6.578$; $p = 0.00$).

Table 2. Regressions analysis results

| Variables | Beta(β) | t-value | Sig. |
|---------------------|-----------------|---------|-------|
| Intercept | | 2.801 | 0.006 |
| instrumental Guanxi | -0.078 | -1.133 | 0.259 |
| mixed Guanxi | 0.185 | 2.422 | 0.016 |
| expressive Guanxi | 0.472 | 6.578 | 0.000 |

Note. Adjusted $R^2 = 0.304$; $F = 28.548$.

6. Conclusion

This paper develops two conceptual frameworks, on the basis of Hwang's (1987) model and the Justice Theory and examines the frameworks by Japanese and Taiwanese managers. The model suggested that businesspersons may look for or strengthen their Guanxi (tie) by transforming three types of social ties. As a result, resource al-locators in Chinese society may distribute their powers to others with different social ties. Moreover, this study examines the relationships among the three types of social ties and Renqing giving and returning. Data collected from questionnaires completed by 190 Japanese expatriate and 167 Taiwanese managers in Taiwan. All the hypotheses are supported. Unexpectedly, instrumental Guanxi is negatively correlated with Renqing in the Taiwanese group. This finding indicates that businesspersons with instrumental Guanxi not only without renqing but also can damage their business interests.

An old Chinese saying says: The debt of Renqing is very difficult to return. This is true primarily because it depends upon how much and what kind of Renqing a person receives. Renqing is an abstract concept, which is difficult to measure and classify. This study builds up a conceptual framework to link Guanxi, Renqing and Justice Theory. Moreover, three hypotheses are all supported. Leung et al. (2008) suggest that expatriates doing business in China need to transfer themselves from strangers into in-group of their Chinese counterparts.

Chua et al. (2009) found that the indirect social ties appear to have a bigger role for Chinese than for American managers. Consider the case discussed above, in which A in the ABC Company received Renqing from A's classmate, B, in the XYZ Company. One day, A has to pay back B. Wong et al. (2005) utilized Justice Theory to explain employees' responses to job insecurity in the Chinese context. They argue that joint ventures (JVs) and state-owned enterprises (SOE) are characterized by different kinds of employee-employer exchange and workers respond differently to job insecurity in these different types of organizations. By a number of 548 samples, it is found that the effects of job insecurity on organizational citizenship behavior (OCB) and job performance depend on organizational types. Further research can focus on the changing process of the three kinds of Guanxi. On the other hand, Berger et al. (2015) found that western businesspersons view Guanxi and Renqing are important when they do business with their Chinese counterparts. Can western businesspersons practice Guanxi and Renqing well when they do business in China? It may be a raising topic for scholars in the field of cross-cultural research.

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