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# **Interpersonal Factors as Drivers of Quality and Performance in Western–Hong Kong Interorganizational Business Relationships**

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## **Interpersonal Factors as Drivers of Quality and Performance in Western–Hong Kong Interorganizational Business Relationships**

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### **ABSTRACT**

The authors report the findings of a study conducted among a sample of 202 Hong Kong–based Chinese importing companies regarding their working relationships with Western export manufacturers. In particular, the study emphasizes the effect of interpersonal factors on financial performance through the intervening roles of intercompany trust and relationship quality. Using structural equation modeling, the authors confirm that (1) several interpersonal relational dimensions—namely, personal communication (*sijiao*), personal credibility (*xinyong*), and personal affection (*ganqing*)—positively influence interfirm trust; (2) trust plays an instrumental role in enhancing the components of the interfirm relationship quality (i.e., cooperation, commitment, and satisfaction); (3) interfirm relationship quality is positively related to superior financial performance; and (4) most of the associations between each of the interpersonal factors and interfirm trust were moderated by the importer’s size and foreign supplier’s origin as well as by the length of the relationship and which party initiated the relationship. The authors extract several conclusions and implications from the findings and provide directions for further research.

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**Keywords:** buyer–seller relationships, exporting/importing, *guanxi*, trust, performance

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Whereas Europe and North America have experienced low rates of economic growth in recent years, the Chinese economy has experienced unprecedented growth (Luo and Tung 2007; Puck, Holtbrugge, and Mohr 2008).<sup>1</sup> Consequently, an increasing number of Western firms are now aiming to capitalize on opportunities identified in the booming Chinese market, particularly as their domestic markets have matured. However, such firms face difficulties when dealing with their Chinese counterparts because they are not accustomed to the idiosyncratic way that business is conducted in the area (Ambler, Styles, and Xiucun 1999). Most of these idiosyncrasies relate to the unique cultural traits, specific politico-economic systems, and institutional characteristics that prevail in the region (Frankenstein 1986; Worm and Frankenstein 2000), which influence the way business relationships are nurtured through interpersonal interactions and social contracts (Davies et al. 1995; Lovett, Simmons, and Kali 1999).<sup>2</sup>

According to Confucian beliefs, which are ingrained in Chinese cultural values, people are relational beings who depend on properly differentiated personal associations with others to maintain some degree of social order and stability (Luo 2007). Thus, establishing and building healthy interpersonal relations represents a key part of day-to-day living in China and tends to consume a significant amount of time, effort, and resources (Buttery and Wong 1999). Through these relations, the Chinese frequently achieve a desired harmonious working environment, which can yield long-term benefits (Shankar and Ronen 1987). The significance of personal connections is highly regarded among the Chinese in achieving long-term business presence and success in the market (Wang, Siu, and Barnes 2008).

Within Chinese communities, informal relationship hierarchies frequently exist that consist of immediate family and relatives and can then expand to friends and friends of friends (Lasserre and Schütte 1995). People located outside the “circle” tend not to be trusted—and this is specifically the case with strangers. To establish relationships in China,

there is a need to consider and pass the in-group/out-group boundaries to be regarded as an insider (Wang 2007). Western companies should therefore be aware that this process represents no simple task, and export managers should make a special concerted effort to develop interpersonal relations with potential Chinese import buyers to secure healthy business relationships at the organizational level (Abramson and Ai 1997).

When trading in China, Western managers frequently encounter business etiquette that differs from daily business negotiations in their domestic market. For example, the decision-making process may be longer, more complex, and less conventional (Davies et al. 1995; Frankenstein 1986). Moreover, behavior that is impersonal, impatient, and critical can damage rather than nurture business with the Chinese, who frequently strive toward lasting and mutual relations that are developed at a personal level (Yan and Sorenson 2004). Furthermore, business dealings with Chinese people tend to be more open-ended and constantly evolving compared with the more rigid contractual frameworks that are often used in Western societies (Lee, Pae, and Wong 2001; Macneil 1974).

Despite the underlying significance of interpersonal factors in building business relationships with firms located in different countries, these interpersonal factors have been somewhat underresearched by academics (Lee and Dawes 2005). Specifically, their important role in facilitating Western–Chinese relationships, though repeatedly emphasized in the business literature, has received scant empirical attention (Ramström 2008). This is probably because research on Chinese buyer–seller relationships is often constrained by issues surrounding the high-context nature of Chinese culture (Tsang 1998; Yen, Yu, and Barnes 2007). Although a plethora of research has examined business relationships in the Western context, particularly in North America (e.g., Anderson and Narus 1990; Mohr and Nevin 1990; Morgan and Hunt 1994) and Europe (e.g., Ford 1980; Håkansson 1982; Selnes 1998), research into Chinese business relations has not followed in the same fashion, with somewhat

different relational attributes playing a more significant role (Tsang 1998; Wang, Siu, and Barnes 2008).

In addition, although business collaboration between firms in countries with different cultural settings has increased exponentially in recent years, relatively few investigations have examined buyer–seller relationships by taking the unique relational idiosyncrasies of a country into consideration, nor has much research explored business relationships across national boundaries in socioculturally diverse settings (Bello, Chelariu, and Zhang 2003; Doney and Cannon 1997). With this study, we aim to fill these gaps in the literature and make a unique contribution by investigating the role of key interpersonal characteristics—namely, personal communication (*sijiao*), personal credibility (*xinyong*), and personal affection (*ganqing*)—that are embedded in the Chinese culture on building organizational trust and the subsequent effect of organizational trust on interfirm relationship quality and performance in Western–Chinese business ventures.<sup>3</sup> We focus particularly on the working relationship between Western exporters and Hong Kong–based Chinese import buyers because Hong Kong’s strategic location makes it an ideal trading entrepôt from which to explore business opportunities not only in China but also in other countries in the region.<sup>4</sup>

The working relationship between exporters and importers has recently emerged as an issue of major concern within the international marketing field, resulting in dozens of studies conducted on the subject (Leonidou et al. 2014). This increased attention reflects the instrumental role of building sound relationships with foreign partners in a firm’s internationalization process. Such relationships are crucial because of (1) the large geographical and psychological distance separating sellers from buyers, which is responsible for increasing risks; (2) the great variety, complexity, and turbulence of the environment surrounding international business operations, which leads to heightened uncertainty; (3) the multifarious and intensive nature of competition in foreign markets, which makes the

implementation of marketing strategies a rather difficult task; and (4) the casual and haphazard approach of many firms in exploiting international opportunities, which endangers their long-term success and even survival (Lages, Lages, and Lages 2005; Leonidou 2003; Samiee and Walters 2003).

This study adds to the international marketing discipline in several ways. First, it transfers concepts, theories, and ideas developed in a domestic buyer–seller context to an international situation and takes an importer–exporter perspective. Second, it introduces new constructs that capture important aspects of interpersonal relations in a Chinese context and play a crucial role in the success of business relationships. Third, it examines the moderating role of several international and relationship-related characteristics on the link between interpersonal relational dimensions and interfirm trust. Fourth, this research includes in its analysis the performance implications of international buyer–seller relationships, a critical business issue that has been only sporadically examined thus far. Fifth, this study helps provide a better understanding of the behavioral interactions between sellers and buyers in one of the world’s most lucrative emerging markets.

To achieve these objectives, this article builds on social exchange theory and cultural issues to provide a theoretical background relating to the area of interpersonal relations. We then propose a hybrid conceptual framework and a set of research hypotheses relating to interpersonal attributes that have been shown to influence interfirm trust and relationship quality, which in turn lead to enhanced financial performance. Next, we explain the method we adopted in designing and implementing the empirical part of the study, with an emphasis on sampling procedures, fieldwork activity, scale development, and questionnaire design. Subsequently, we present the findings, which are based on the hypothesized associations in the conceptual model. Finally, we highlight several conclusions and implications for business managers and academic researchers and discuss directions for further research.

## **THEORETICAL BACKGROUND**

Interpersonal relations and their subsequent impact on interfirm relationships can be explained from a social exchange theory perspective, which argues that the exchange of social and material resources is incumbent on human interaction (Cook and Emerson 1978). The theory—which is rooted in economics, psychology, and sociology—focuses on the exchange of benefits and considers cost and value (Homans 1961). Although all relationships have a “give-and-take” element, the balance of an exchange is not always equal among parties. Social exchange captures how people consider a particular relationship, bearing in mind the relational costs (input) versus the reward (output), the kind of relationship they believe they deserve, and the probability of having a better alternative. In line with the premise that people aim to minimize costs and maximize rewards, social exchange theory posits that relationships are built on the basis of such likely outcomes (Thibaut and Kelley 1952).

A concept directly related to social exchange theory is social capital—that is, the resources derived from strong community ties that exist in cultural settings where these ties are appreciated (Putnam 2000). Social capital can be drawn from different types of social relationships—such as those pertaining to family, neighbors, and friends—which have a collective value based on trust, reciprocity, information, cooperation, and control (Gu, Hung, and Tse 2008). For example, in China, the prevailing collectivistic cultural norm and value system places kinship ties well above all other forms of social ties, creating a powerful governance structure characterized by unique rules, operating mechanisms, and organizational behavior effects (Gold, Guthrie, and Wank 2002). Although family ties also constitute an important social resource in Western societies, they tend not to be so powerfully employed when doing business at the organizational level (Gu, Hung, and Tse 2008).

Another dimension related to social exchange theory refers to ethicality, because the adoption of unethical practices by either party of the exchange process can erode honesty,



undermine respect, stir up conflict, and give rise to opportunistic behavior, among other negative consequences (Filatov 1994; Gundlach and Murphy 1993; Oliver 1999; Murphy, Laczniak, and Wood 2007). Such perceptions are deeply rooted in the values, norms, and traditions that characterize a particular social context and are responsible for shaping a person's understanding of the appropriateness of a specific action (Donaldson and Dunfee 1999). This subsequently leads to the formation of ethical attitudes by the individual, which will depend to a great extent on the degree of his or her involvement in a particular community (Bailey and Spicer 2007). Thus, a person may respond differently to the values and norms shared by a specific community, and this can explain why ethical evaluations and decisions differ among members of a society (Bailey and Spicer 2007). Indeed, the existence of antithetical views regarding ethical principles and judgments among people may create serious problems in the way they collaborate with one another (De George 1993).

Thus, cultural issues (comprising values, norms, and traditions) play an immense role in social exchange relationships, especially if such relationships involve parties characterized by high psychic distance, as in the case of Western export suppliers and their Chinese import buyers. Whereas Chinese culture is of high context (i.e., it relies more on the context of the communication process to convey the message, which is usually less explicit and less detailed), the opposite is true for Anglo-Saxon countries, which represent low-context cultures (i.e., they rely more on the message itself to convey the communication context, which is usually explicit and detailed) (Hall 1976). Unlike those in low-context cultures, people living in high-context cultures tend to make greater use of personal relations to express their views, ideas, and beliefs to other parties (Mehta et al. 2006).

Drawing on Hofstede's (1980) cultural dimensions, compared with people living in Western societies, Chinese people are characterized by more collectivism, greater long-term orientation, and higher power distance. Specifically, the collectivist-based culture of the

Chinese, accompanied by their clearer hierarchical decision-making structure and their long-term relationship focus, contrasts with the more direct, individualistic, and short-term oriented approach in the West. These differences are deeply rooted in ancient Confucian social beliefs, which prevail in the region and emphasize harmony, companionship, hierarchy, moral potential, human interaction, and kinship (Luo 2007). Because of these cultural attributes, the Chinese capitalize on personal interaction and high degrees of trust for forming, building, and sustaining their social and business relationships (Buttery and Wong 1998).

All these unique cultural features of the way Chinese people interact with others are captured by the term *guanxi*, defined as an informal personal connection between two people that is bounded by an implicit psychological contract to maintain a long-term relationship, mutual commitment, loyalty, and obligation (Chen and Chen 2004). It emphasizes the significance of networks in interpersonal relationships and is based on a unique system consisting of the reciprocal exchange of favors and gifts that strengthens personal ties (Yeung and Tung 1996). In other words, *guanxi* is a form of social capital because it is composed of social obligations that can significantly influence one's "face" in society (Xin and Pearce 1996). *Guanxi* can also serve as an alternative mechanism when other formal structures fail and can help overcome institutional barriers and regulatory uncertainties (Luo 2003). As such, it is essential to gain approval or access to almost everything in a Chinese society to facilitate business exchanges (Hoskisson et al. 2000).<sup>5</sup>

Because of these unique cultural traits, Chinese managers often approach business relationships differently than their Western counterparts. For example, they (1) feel and exhibit lower levels of intensity and emotion; (2) avoid discomfort, tension, and difficult situations that can lead to embarrassment; (3) tend to use more questions but fewer threats, warnings, or punishments; (4) think and act in a circular and holistic way, discussing issues simultaneously with less apparent order or structure; and (5) place high value on social

connections, family orientation, age and social hierarchy, face or reputation, and harmony (Fang 2001; Lee, Yang, and Graham 2006). Because of these differences, the Chinese tend to rely more on interpersonal factors for forming relationships with other firms, whereas Western interfirm relationships take more of a political, legal, and impersonal stance (Iyer, Sharma, and Evanshitzky 2006).

This interpersonal nature of how business is conducted in Chinese societies probably best lends itself to the establishment of social ties. Although social exchange and bonding have sporadically appeared in Western discourse (Håkansson 1982), they are particularly valued among the Chinese for leveraging and nurturing such relations (Jacobs 1979). Our framework therefore builds on three interpersonal dimensions (i.e., *sijiao*, *xinyong*, and *ganqing*) that are highly influential and particularly valued among the Hong Kong Chinese for initiating and nurturing relational exchange.<sup>6</sup>

Developing effective lines of communication between exchange partners is often critical for improving interpersonal relations. This has been cited as a factor that not only has a bearing on the quality of business relationships but also invariably affects their success positively (Mohr and Nevin 1990). For example, from a Western perspective, communication is used to facilitate relational interaction, coordinate activities, and exchange company information among organizations (Håkansson and Snehota 1995). In contrast, the Chinese consider communication more as a mechanism that operates at the personal level—that is, *sijiao*, which can generate greater familiarity, closeness, and understanding (Pearce and Robinson 2000).

Whereas in the West, contractual documentation often provides direction for action, high credibility (at a personal level, *xinyong*) between individuals helps bond parties and eradicates the potential loss of face in Chinese societies. Personal credibility is therefore frequently regarded as a social norm and can often form a more effective substitute for

formalized contracts. Because personal credibility takes time to develop, it has been recognized as a foundation on which business relationships are frequently developed in a Chinese context (Mavondo and Rodrigo 2001).

The Chinese describe the degree of closeness, which can incorporate feelings, sentiments, emotion, or affection, as *ganqing* (Jacobs 1979; Tsang 1998). The notion of *ganqing* implies that each party will confront disaster or share fortunes with one another (Luk, Fullgrabe, and Li 1999). The need to maintain social exchange, therefore, has never been as critical for Western firms as when dealing with Chinese firms. This is because the fear of losing face is often an intrinsic key attribute that forms a requirement for people to fulfill their moral obligations in a Chinese cultural context.

In brief, developing social exchange can therefore be regarded as a necessary prerequisite when doing business in a Chinese environment. Western export managers must strategically weigh the input costs associated with initiating such relationships against the potential outcomes—that is, the long-term relational prosperity and financial benefits that such an exchange can provide (Thibaut and Kelley 1959). As a result, the interpersonal dimensions of *sijiao*, *xinyong*, and *ganqing* are critical components and serve as catalysts for facilitating interorganizational exchange. This is because the exchange of financial, material, and allied resources in relationships at the firm level is incumbent on such human interaction (Cook and Emerson 1978).

## **CONCEPTUAL MODEL AND HYPOTHESES**

To capture the effect of interpersonal factors on Western–Chinese interfirm relationship quality and performance, we developed a theoretically anchored conceptual framework with four major parts (see Figure 1). The first part focuses on the three attributes—*sijiao*, *xinyong*, and *ganqing*—that are recognized as key components of Chinese interpersonal relationships. These dimensions are critical in building trust at the company

level, which has often been described as being at the heart of interfirm relationships (Moorman, Zaltman, and Deshpandé 1992). Trust subsequently provides the lifeblood for enhancing the quality of the working relationship between the interacting firms (expressed in terms of cooperation, commitment, and satisfaction) (Seppänen, Blomqvist, and Sundqvist 2007). Relationship quality eventually leads to superior financial performance. Next, we explain the hypothesized linkages between these constructs.

### **Interpersonal Relations and Interfirm Trust**

As previously discussed, the cultivation of harmonious interpersonal relationships is deeply rooted in Chinese society, and relationships are considered important in almost every aspect of life (Gold, Guthrie, and Wank 2002). Sijiao, which encompasses the communication that takes place at an individual level, plays a crucial role in this respect because it helps people better understand and become more familiar with one another (Yen, Yu, and Barnes 2007). According to social exchange literature, interactive parties can develop a common understanding of the motives for the transaction and the goals of the exchange through such communication. This, in turn, cultivates long-term bonding and ties (Ring and Van de Ven 1994) and aids in the development of mutual trust in interorganizational relationships and networks (Olkkonen, Tikkanen, and Alajoutsijarvi 2000; Sheng et al. 2006).

Open and frequent personal communication enhances the feeling that promises and obligations can be delivered as agreed, thus achieving harmony in the relationship (Ring and Van de Ven 1994). This is because personal contacts between the exchange parties provide an opportunity to evaluate both their personal reliability and business potential (Sheng et al. 2006). It also enables partners to learn more about the other person's idiosyncrasies and develop a better understanding of him or her (Young-Ybarra and Wiersema 1999). For the Chinese, such interpersonal communication is instrumental for forging relationship principles, values, and goals, which are essential prerequisites for the development of trust at the

organizational level (Sheng et al. 2006). High levels of interpersonal communication will also lead to greater longevity in a working relationship as feelings of openness, care, security, and stability are cultivated (Creed and Miles 1996). In brief, the Chinese consider effective communication at the individual level as a means for achieving greater familiarity and understanding (Pearce and Robinson 2000), which in turn facilitates greater trust in the working relationship at the firm level (Young-Ybarra and Wiersema 1999). In line with this reasoning, we hypothesize the following:

H<sub>1</sub>: The higher the level of *sijiao* the Hong Kong importer perceives the Western exporter to display, the higher the level of organizational trust the importer perceives the exporter to have.

The second interpersonal dimension is *xinyong*, which refers to a person's ability to rely on another person because that person is considered credible or competent (Leung et al. 2005; Luo 2007). This dimension is expressed in various forms, such as preferring verbal rather than written agreements, allowing credit assistance, and enabling direct negotiations. It is particularly critical in the case of strangers or new acquaintances, in which there is uncertainty concerning their trustworthiness (Xu 1999). In a Chinese context, the notion of trust is based on Confucian values; trust has a significant influence on individual behavior and is associated with successful relationship building (Tsang 1998). *Xinyong* differs from interorganizational trust in the sense that it is personal, emotional, and anthropocentric (Mouzas, Henneberg, and Naude 2007). Moreover, it is not legally binding; for many Chinese people, a formalized agreement may be meaningless if trust is not apparent (Ambler 1995). Therefore, when interpersonal credibility is established between parties, there is a strong desire for the relationship to continue, regardless of whether a legal contract is in force (Luo 2007).<sup>7</sup>

In contrast with their Western counterparts, Chinese managers place great emphasis on *xinyong* in building their commercial relationships (Leung et al. 2005). Indeed, the Chinese prefer to deal with people who have *xinyong* and avoid people with limited or no *xinyong* at

all (Xu 1999). Empirical evidence has suggested that frequent social visits are considered the main building block for a successful business relationship in China, and forming a partnership relationship in China is directly linked with a high level of xinyong (Leung et al. 2005; Ramström 2008). This is because cultivating trust at the interpersonal level among people from interacting organizations will pave the way for building interorganizational trust (Adobor 2006). It then follows that Western managers who want to conduct business in Chinese societies first need to establish their own personal credibility before introducing their company as trustworthy (Ramström 2008). Thus, we formulate the following hypothesis:

H<sub>2</sub>: The higher the level of xinyong the Hong Kong importer perceives the Western exporter to have, the higher the level of organizational trust the importer perceives the exporter to have.

Ganqing is defined as human feelings associated with an enduring and emotional commitment to other people (between, e.g., close friends, parents and children, teacher and students) (Lee and Dawes 2005). It is considered one of the most important elements of interpersonal relations in China and can be an initiating force behind business transactions. It is usually cultivated through informal meetings (e.g., social events, gatherings, social day trips), which are useful for setting a business agenda (Ramström 2008). Having good affective relations with Chinese business contacts, either through friendship or group membership, is usually the key to forming a business relationship. This is because after ganqing is developed, each member is regarded as an insider of the group, and there will be a mutual empathetic understanding of and affection for each member (Leung, Heung, and Wong 2008).

Ganqing is closely linked to social bonding, which represents a degree of mutual personal friendship and liking (Mavondo and Rodrigo 2001). Such personal bonds pressure partners to conform to expectations and successfully collaborate (Adobor 2006). In addition, affective personal relationships with a business partner provide the flexibility needed to handle changing circumstantial conditions (e.g., special needs, special requirements), create a bond that is difficult to break, and safeguard against loss of face (Leung et al. 2005). It is

therefore much easier for two highly affective partners to develop a sense of trust in their business-to-business dealings. Because interorganizational trust depends on the presence of both cognitive and affective factors, ganqing is essential in creating the social affective bonds with which to build this trust (Lee and Dawes 2005). Therefore,

H<sub>3</sub>: The higher the level of ganqing the Hong Kong importer perceives the Western exporter to display, the higher the level of organizational trust the importer perceives the exporter to have.

### **Interfirm Trust and Relationship Quality**

As we have demonstrated, in a Chinese business environment, trust requires personal relationships that transcend the individual contact, and it is reinforced by face-to-face relationships (Malecki and Tootle 1996). The degree to which a Chinese organization trusts a foreign partner is primarily determined by this personal contact (Lee and Dawes 2005). In both Western and Chinese cultures, organizational trust is regarded as the cornerstone of intercompany relationships, and it can greatly contribute to business success (Ambler, Styles, and Xiucum 1999; Tsang 1998; Yan and Sorenson 2004). Organizational trust is defined as the belief that a party's word or promise is reliable and that it will fulfill obligations in an exchange relationship (Coote, Forrest, and Tam 2003).<sup>8</sup> It exists when one party has confidence in the other's reliability and integrity, and it is associated with qualities such as consistency, competency, honesty, fairness, responsibility, helpfulness, and benevolence (Morgan and Hunt 1994).

When trust between both exchange parties in an interfirm relationship is strong, each can cooperate and mutually help the other (Morgan and Hunt 1994). When trust is established, both parties will also have a strong desire to commit more time, resources, and energy to developing an enduring working relationship (Leonidou, Palihawadana, and Theodosiou 2006). In addition, trustworthiness in a relationship is more conducive to engaging in behavior that leads to a positive outcome and/or prevents negative results, thus increasing satisfaction (Anderson and Narus 1990). In other words, trust acts as a driving



force to improve the quality of the working relationship. This is particularly true in a Chinese context, in which business dealings rely heavily on the established reputation and trustworthiness of an organization (Armstrong and Yee 2001). In the Western literature, several empirical studies have validated the positive effect of trust on each element of relationship quality—namely, cooperation (e.g., Anderson and Narus 1990; Morgan and Hunt 1994), commitment (e.g., Ganesan 1994), and satisfaction (Geyskens, Steenkamp, and Kumar 1998; Ha, Karande, and Singhapakdi 2004). Thus, we posit the following:

H<sub>4</sub>: The higher the level of organizational trust embodied by the Western exporter, as perceived by the Hong Kong importer, the higher the importer's perceived quality of the relationship with the exporter.

### **Interfirm Relationship Quality and Financial Performance**

Research has often reported the various dimensions of relationship quality (i.e., cooperation, commitment, and satisfaction) to have a critical impact on shaping the performance of the exchange relationship (Kumar, Scheer, and Steenkamp 1995). Cooperation is defined as the desire of interactive parties to accomplish both intra- and interfirm goals by conceding advantages to each other with the expectation of balanced exchange and reciprocity in the future (Anderson and Narus 1990; Stern and Reve 1980). A good working relationship requires cooperation to achieve these goals; without it, the chance of relationship disintegration is highly likely (Coughlan et al. 2006). Research has indicated that cooperation is prevalent between a Western exporter and a Chinese importer if they engage in joint efforts, provide mutual support, and work toward common goals (Ha, Karande, and Singhapakdi 2004). As such, cooperation helps strengthen the bonds between the parties involved and increase the desire for success (Anderson and Narus 1991; Morgan and Hunt 1994). It also helps each partner realize the performance-related advantages of a good working relationship and be willing to temporarily sacrifice the receipt of his or her own outcomes for the benefit of the relationship itself (Anderson and Narus 1991). Cooperative

actions among exchange parties enable the resulting outcome to exceed that of a firm acting solely in its own interest (Anderson and Narus 1990). The role of management is therefore to promote cooperation to improve the financial aspects of the business venture (Hunt, Ray, and Wood 1985).

Commitment refers to the enduring desire to maintain a valued relationship (Moorman, Zaltman, and Deshpandé 1992). As such, interacting parties in a committed relationship are engaged in activities that exceed precise role prescriptions and aim to achieve superior performance in their role requirements (Kumar, Sheer, and Steenkamp 1995). Gundlach, Achrol, and Mentzer (1995) propose three dimensions of commitment that are pertinent to interfirm relationships: instrumental commitment, which represents some form of investment stake that makes it financially difficult for either firm to dissolve the relationship; affective commitment, whereby partners want to remain loyal; and temporal commitment, a continued pledge to maintain relationships. In congruence with Anderson and Narus (1990), interfirm commitment can also be viewed as consisting of a desire to develop stable relationships, a willingness to make short-term sacrifices to maintain a relationship, and confidence in the stability of a relationship. For these reasons, commitment is at the core of exchange relationships and plays a significant role in enhancing the financial outcomes of the interaction between a firm and its partner (Chu and Fang 2006).

The third component of relationship quality is satisfaction, which is defined as the positive affective state that results from the appraisal of all aspects of a firm's working relationship with its partner (Anderson and Narus 1984). Satisfaction represents a fundamental aspect in business relationships, whereby the focal party considers the outcome as rewarding, instrumental, and pleasing (Ruekert and Churchill 1984). Research has suggested (and empirically tested) that satisfaction positively influences working relationships and cultivates a constructive atmosphere between the exchange partners in which agreements

are met and fulfilled (Selnes 1998). This positive state strengthens the overall desire to maintain and nurture a relationship as well as achieve harmony among the parties involved. As Michie and Sibley (1985) note, satisfaction is particularly pertinent to an interorganizational relationship and is closely associated with its financial performance. Therefore, we can posit the following

H<sub>5</sub>: The higher the level of relationship quality (comprising cooperation, commitment, and satisfaction) with the Western exporter, as perceived by the Hong Kong importer, the higher the level of financial performance.

### **Moderation Hypotheses**

We expect the association between each of the interpersonal relationship dimensions and organizational trust to be moderated by four variables. The first is the size of the importing firm, because previous literature has indicated that firm size is an important factor that affects a firm's resources and capabilities to handle issues relating to both the task and the macro environment (Nadler and Tushman 1988). Compared with their larger counterparts, smaller Hong Kong importers lack the necessary resources (e.g., access to capital) and capabilities (e.g., procurement skills) to compete effectively in the market. However, they are characterized by greater flexibility in cultivating networks with other firms to offset their competitive disadvantages (Park and Luo 2001). As a result, they tend to rely more on interpersonal ties with their foreign suppliers because this will enable them to strengthen their resources and capabilities, which is particularly crucial in overcoming international business hurdles (Leonidou 1999). For this purpose, we expect that smaller Hong Kong importers will use personal communication, credibility, and affection more intensively, which in turn will cultivate higher levels of trust at the organizational level. Thus,

H<sub>6</sub>: The smaller the importer, the stronger the positive effect on organizational trust caused by (a) *sijiao*, (b) *xinyong*, and (c) *ganqing*, and vice versa.

Because personal ties are culturally bound, the ethnic origin of the export supplier is expected to play an important role in the nature of interpersonal interactions. This is because an individual's personal and cultural values, which are influenced by forces prevailing in his home country (e.g., family, school, religious institutions), are responsible for shaping the general nature of his behavior with other people (Oliver 1999). Exposure to foreign ethnic groups can provide some familiarity with their cultural characteristics (as in the case of British firms, which have operated in Hong Kong for a long time due to their colonial ties) and makes for smoother development of interpersonal relations. Conversely, firms that are relatively less familiar with the culture (as in the case of U.S. firms) are at a disadvantage. This is because greater familiarity with the foreign supplier's ethnic traits creates less uncertainty in the working relationship and less distance between the exchange parties. In line with this notion, we posit the following:

H<sub>7</sub>: When the Western export supplier is from (vs. not from) the United Kingdom, there is a stronger positive effect on organizational trust caused by (a) *sijiao*, (b) *xinyong*, and (c) *ganqing*, and vice versa.

The relationship marketing literature has indicated that the behavioral dimensions of a buyer–seller relationship tend to change according to the length of this association (Dwyer, Schurr, and Oh 1987; Ford 1980). The initial phases of a working relationship are typically characterized by high uncertainty, which makes both parties act in a more cautious, suspicious, and reserved manner (Ford 1980). This is more profound in international business relationships because of the great geographic and psychological distance separating buyers from sellers (Cunningham 1980). One would therefore expect the personal interactions between people from the two parties (in terms of communication, credibility, and affection) to have a mild effect on building trust at the organizational level. However, with the gradual accumulation of experience from the working relationship and the reduction of uncertainty,

we expect interpersonal interactions among staff of the importer and exporter organizations to intensify and solidify trust at the interorganizational level. Therefore,

H<sub>8</sub>: The longer the working relationship, the stronger the positive effect on organizational trust caused by (a) *sijiao*, (b) *xinyong*, and (c) *ganqing*, and vice versa.

The firm's proactive (i.e., deliberate behavioral intention to establish a relationship) or reactive (i.e., responding to an unsolicited external request) approach to international business has been the focus of significant research in the past because a firm's approach will largely influence its future success (Leonidou 1998). An importing firm that adopts a proactive stance is often well-positioned to study the background of its foreign supplier, become familiar with its personnel, have an in-depth understanding of its idiosyncrasies, and obtain a clear picture of the long-term viability of the business (Dwyer, Schurr, and Oh 1987). It is also advantageous to eliminate goal divergence, align incentives to enter the relationship, and increase the intention to build relational assets from the very beginning (Heide 1994). These factors will create a fertile ground for the cultivation of personal ties with the foreign supplier's representatives, which will subsequently help enhance interorganizational trust through the development of communication, credibility, and affection at the interpersonal level. We therefore hypothesize the following:

H<sub>9</sub>: When the importer's initiation of the working relationship is proactive rather than reactive, there is a stronger positive effect on organizational trust caused by (a) *sijiao*, (b) *xinyong*, and (c) *ganqing*, and vice versa.

## **RESEARCH METHODOLOGY**

### **Scope of Research**

The investigation analyzes business relationships between Western exporting firms from the United States, Canada, Great Britain, Ireland, Australia, and New Zealand and importers located in Hong Kong, a special administrative region of China. Hong Kong represents a suitable location for this type of research for three major reasons: (1) although

Hong Kong may have been extensively exposed to Western business practices after many decades of British colonial rule, Chinese cultural values and traditions are nonetheless deeply rooted in the ways that business is conducted and society operates at large among the indigenous Chinese people (Tam and Redding 1993; Tse et al. 1988); (2) since the transfer of the administration of Hong Kong from the United Kingdom to China in 1997, Hong Kong's role in developing trade with the mainland has risen dramatically, with many Hong Kong distributors/agents now spending significantly greater amounts of time on the mainland negotiating deals on behalf of their principal suppliers (Wang, Siu, and Barnes 2008); and (3) due to Hong Kong's historical Anglicized ties and geographic location, the market is often regarded as a gateway for many Western firms to enter China and beyond (Feenstra and Hanson 2004).<sup>9</sup> These characteristics make collaboration with Hong Kong trading firms particularly attractive to Western firms seeking business success in the region.

### **Sampling Frame**

The population of firms for this study was identified from the Hong Kong Directory (Hong Kong Trade Development Council 2006). This directory comprises 100,000 companies, of which 44,896 are actively engaged in import. Of these importers, we randomly selected a sample of 500 firms that were purchasing goods from Western manufacturers. The nature of the importing activities of these firms was diverse, ranging from electronics and digital entertainment products to garments and textiles. Each firm was precontacted by phone to assess its eligibility for inclusion, identify appropriate key informants, and secure participation in the study. The key informant was a person within the importing firm whose main responsibility was dealing with people in the Western exporting organization.<sup>10</sup> The outcome of this process was that 267 firms (i.e., 53.4%) agreed to take part in the survey. Some of the reasons cited for nonparticipation were lack of available time, absence of the key informant from the office, and ceasing of business operations.

### **Fieldwork Procedures**

Respondents had the option of answering either a Chinese or an English version of the questionnaire. Following three waves of reminders, 208 questionnaires (an overall 41.6% response rate) were eventually collected over a six-month period. We removed 6 questionnaires due to incomplete or missing data, leaving 202 retained for the analysis. To control for the existence of nonresponse bias, we followed Mentzer and Flint's (1997) recommendations: we randomly identified nine items pertaining to each of the key constructs contained in the questionnaire, and we telephoned a group of 30 randomly selected nonrespondents to provide answers to each of these items. We then compared their responses with those gathered from actual respondents using a t-test; they revealed no statistically significant differences.

### **Scale Development**

We identified appropriate scales for the focal constructs after a careful review of the pertinent buyer–seller literature (see the Appendix). However, the scales for the three interpersonal constructs—*sijiao*, *xinyong*, and *ganging*—were, to a great extent, self-developed in this study because there was limited previous research examining them.<sup>11</sup> We measured interorganizational trust with an eight-item scale adapted from Doney and Cannon (1997). Cooperation comprised five items derived from Leonidou, Palihawadana, and Theodosiou (2006). We used a four-item scale developed by Gilliland and Bello (2002) to measure commitment. We operationalized the construct of satisfaction in line with six items employed in Cannon and Perrault's (1999) study. We measured financial performance on a five-item scale extracted from Lee, Yang, and Graham (2006).<sup>12</sup> We verified the face validity of our scales using the opinions of three academic experts who had extensive experience in the field. The scales were further refined on the basis of insights gained from informal discussions with a group of Hong Kong–based Chinese managers.

## **Research Instrument**

The questionnaire had a structured format and consisted of three sections. The first part included questions relating to the background and history of the working relationship. To eliminate potential selection bias pertaining to the business relationship in question, each respondent was asked to focus his or her response on the fourth-most-significant relationship with a Western exporting firm in terms of business volume (Anderson and Narus 1990; Bello and Gilliland 1997). The second section focused on the key constructs in question and consisted of a series of statements referring to the specific relationship with the Western exporter, measured on seven-point Likert scales (1 = “strongly disagree,” and 7 = “strongly agree”). The final part included organizational demographic questions and further particulars relating to the key informant. To avoid possible key informant bias, we incorporated a set of questions into the end of the questionnaire measuring the familiarity, knowledge, and confidence of the respondent in answering questions relating to the relationship with the Western supplier (Cannon and Perreault 1999). The questionnaire was initially developed in English and then translated into Chinese. To achieve linguistic equivalency, the instrument was later back-translated into English and adjusted accordingly. The questionnaire was pretested with ten trading companies in Hong Kong, and we made minor changes to improve its flow and workability.

## **STUDY FINDINGS**

To test the hypothesized associations among constructs in the conceptual model, we adopted structural equation modeling (SEM) and employed a confirmatory modeling strategy whereby the fit of the conceptual model was considered.<sup>13</sup> The analysis is divided into three parts: the first provides the results of the measurement model, the second highlights the findings derived from the structural model, and the third presents the results of the moderation analysis.



## Measurement Model

To assess the validity and reliability of the measurement scales, we conducted a series of tests. First, all scales were initially purified through item-to-total correlation and exploratory factor analytical procedures (Gerbing and Anderson 1988). We excluded items that exhibited a low item-to-total correlation or high cross-loadings. We then used the remaining items for confirmatory factor analysis. As Table 1 shows, although the chi-square statistic was significant ( $\chi^2 = 1,172.88$ , d.f. = 542,  $p = .000$ ), all other indices revealed an acceptable model fit ( $\chi^2/\text{d.f.} = 2.16$ ; normed fit index [NFI] = .95; nonnormed fit index [NNFI] = .97; comparative fit index [CFI] = .97; root mean square error of approximation [RMSEA] = .07). All items loaded significantly on their designated constructs, providing evidence of convergence validity (Anderson and Gerbing 1988).

We assessed discriminant validity in two ways. First, we observed that the confidence interval around the correlation estimate ( $\pm 2$  standard errors) for each pair of constructs examined never included 1.0 (Anderson and Gerbing 1988), thus providing preliminary evidence regarding the discriminant validity of the constructs (see the correlation matrix in Table 2). Second, following the more stringent procedures Fornell and Larcker (1981) propose, the average variance extracted (AVE) for every latent construct had to be greater than the squared latent correlation of that construct's measure with the measures of all other constructs in the model. All variance extracted estimates compared favorably with the corresponding squared correlations, thus satisfying the criterion for discriminant validity.

To assess the possibility of common method bias, we administered three complementary tests. The first employed Harman's single-factor test, whereby all indicators incorporated in the structural model were included in a principal components analysis (Podsakoff and Organ 1986). Using a Varimax rotation, we extracted the number of factors necessary to account for the variance in the variables from the unrotated factor solution. Eight factors emerged with eigenvalues greater than 1.0, accounting for 73% of the variance, while

no general factor was evident. Second, we estimated a confirmatory factor analysis model in which we restricted all indicators included in the structural model to load on a single factor (Venkatraman 1990). A worse fit for the one-factor model from the measurement model would suggest that common method bias does not pose a serious threat (Olson, Slater, and Hult 2005). The fit indices obtained from this analysis indicated a poor model fit ( $\chi^2(1,080) = 7,307.43$ ,  $p < .000$ ;  $\chi^2/\text{d.f.} = 6.77$ ; NFI = .78; NNFI = .80; CFI = .81; RMSEA = .17). Finally, we administered a third test following Lindell and Whitney's (2001) partial correlation technique, in which a marker variable (i.e., a construct theoretically unrelated to the other constructs in the model) is highlighted in advance, so there is an a priori justification for predicting a zero correlation. For our study, we chose the firm's importing experience (i.e., the number of years the firm has been purchasing from abroad) to serve as a marker variable ( $r_M$ ). To conduct this test, we computed the common method variance (CMV)-adjusted correlation between the variables under investigation using the formulas provided by Malhotra, Kim, and Patil (2006). We identified no significant correlations between the marker variable and any of the study's constructs, and the differences between the original and the CMV-adjusted correlations were small and not significantly different at  $p < .05$ . We can safely conclude that CMV does not seem to be a problem in this study.

We addressed construct reliability by estimating composite reliability scores, the Cronbach's alpha coefficient, and the AVE. The composite reliability for all the factors ranged from .75 to .90, exceeding the threshold level of .60 (Hair et al. 2006). Cronbach's alpha coefficients ranged between .79 and .95, well above the .70 cutoff point (Nunnally and Bernstein 1994). In addition, the AVEs for each construct ranged from .51 to .61, which are also within acceptable levels, in that they capture more than half the variance in their observable measures (Bagozzi and Yi 1988). These results indicate a reliable measurement of the theoretical constructs as elements of the structural model.

## Structural Model

We tested the hypothesized links between the constructs by estimating the structural model, using the elliptical reweighted least squares (ERLS) technique.<sup>14</sup> The analysis revealed a good structural model fit, as demonstrated by the ratio of chi-square to the degrees of freedom ( $\chi^2/\text{d.f.} = 2.47$ ) and the results of the alternative fit indices employed (NFI = .94; NNFI = .96; CFI = .96; RMSEA = .08). The R-square for each major dependent construct was 68% for trust, 84% for relationship quality (a higher-order construct), and 65% for financial performance. These figures point to a strong explanation of the dependent variables by their hypothesized independent variables. Table 3 presents the standardized path coefficients together with the corresponding t-values of the structural model.<sup>15</sup> Importantly, all the hypotheses examined were statistically significant and in the hypothesized direction.<sup>16</sup>

As we predicted, all three interpersonal factors were confirmed to be conducive to the development of interorganizational trust in Western exporter–Hong Kong importer working relationships. Specifically, we found trust to be positively affected by *sijiao* ( $\beta = .29$ ,  $t = 3.61$ ,  $p = .00$ ), *xinyong* ( $\beta = .21$ ,  $t = 3.43$ ,  $p = .00$ ), and *ganqing* ( $\beta = .51$ ,  $t = 6.09$ ,  $p = .00$ ), thus confirming H<sub>1</sub>, H<sub>2</sub>, and H<sub>3</sub>, respectively. This means that Western manufacturers must first have good personal relations with representatives of their Hong Kong counterparts if they want to establish trustful working relationships at the firm level. The findings also support prior research on the importance of interpersonal relations as a critical precondition to cultivating sound interorganizational relationships (e.g., Lee and Dawes 2005; Ramström 2008; Wang 2007).

In line with previous research in a Western context (Ganesan 1994; Geyskens, Steenkamp, and Kumar 1998; Leonidou, Paliawadana, and Theodosiou 2006), we found that trust positively affected relationship quality (which was a higher-order construct comprising cooperation, commitment, and satisfaction), thus confirming H<sub>4</sub> ( $\beta = .92$ ,  $t = 9.63$ ,  $p = .00$ ).

This finding also underscores the central role of trust among the Chinese in achieving harmonious, healthy, and lasting working relationships among business organizations (Yau et al. 2000). Thus, trust is a behavioral trait that is highly appreciated by both Western and Chinese managers as the heart of any business relationship and, as such, must be systematically cultivated and carefully preserved (Gu, Hung, and Tse 2008).

Finally, we found relationship quality to be a statistically significant predictor of financial performance ( $\beta = .81$ ,  $t = 8.70$ ,  $p = .00$ ), thus providing support for H<sub>5</sub>. This validates previous theoretical arguments and empirical findings that working with cooperative, committed, and satisfied parties is conducive to achieving productive, rewarding, and effective results that improve financial performance (Anderson and Narus 1991; Chu and Fang 2006). This is particularly crucial in international buyer–seller relationships, whose chances of financial success are already limited due to high environmental turbulence and competitive intensity (Leonidou 1999).

### **Moderation Analysis**

We employed multigroup analysis to test the moderating effects depicted in H<sub>6</sub>–H<sub>9</sub>. For this purpose, we divided the data into two groups (i.e., small vs. large importer size, U.K. vs. non-U.K. supplier origin, low vs. high relationship age, and proactive vs. reactive relationship initiation) and two models: (1) a free model, in which we allowed all parameter estimates to vary between the two groups, and (2) a restricted model, in which we imposed an equality constraint on the hypothesized moderated link between the two groups (see Table 4, Panels A–D). A moderation effect is evident if a significant chi-square difference ( $\Delta\chi^2(1) > 2.71$ ,  $p < .10$ ) emerges.

With regard to importer size, the results suggest that there is a moderating effect on the *sijiao* and trust link ( $\Delta\chi^2(1) = 4.80$ ,  $p < .10$ ) because this link becomes stronger when the importer is small ( $\beta = .56$ ,  $t = 4.92$ ,  $p = .00$ ), in support of H<sub>6a</sub>. We also obtained similar

results for the xinyong–trust link ( $\Delta\chi^2(1) = 4.00, p < .10$ ), where, again, smaller importers demonstrated stronger effects ( $\beta = .33, t = 3.05, p = .00$ ), thus confirming H<sub>6b</sub>. However, we found no moderating effects in the case of importer size influencing the association between ganqing and trust ( $\Delta\chi^2(1) = .26, p > .10$ ), which does not support H<sub>6c</sub>.

We found exporter's origin to significantly moderate the association between each of the three interpersonal dimensions and trust ( $p < .10$ ), and thus, we accept H<sub>7a-c</sub>. Specifically, there were stronger effects on the paths between sijiao and trust ( $\beta = .37, t = 3.35, p = .00$ ), between xinyong and trust ( $\beta = .25, t = 3.10, p = .00$ ), and between ganqing and trust ( $\beta = .80, t = 4.69, p = .00$ ) when Hong Kong importers dealt with U.K. exporters, as opposed to other Western suppliers.

The age of the relationship between the Hong Kong firm and the Western export supplier was the third moderating variable. Our results show that this variable significantly influenced two paths—namely, those of sijiao with trust ( $\Delta\chi^2(1) = 9.52, p < .10$ ) and ganqing with trust ( $\Delta\chi^2(1) = 2.91, p < .10$ ). In both cases, the effect was stronger when the relationship was longer, in support of H<sub>8a</sub> ( $\beta = .85, t = 4.00, p = .00$ ) and H<sub>8c</sub> ( $\beta = .56, t = 5.90, p = .00$ ). However, we must reject H<sub>8b</sub> ( $\Delta\chi^2(1) = .23, p > .10$ ), despite the finding that the effect of xinyong on trust was also significant ( $\beta = .20, t = 2.73, p = .00$ ) among Hong Kong importers that had long relationships with Western exporters.

Finally, with regard to relationship initiation, our moderation analysis confirmed that a proactive initiation of the working relationship with the Western supplier by the Hong Kong importer strengthens the link between sijiao and trust ( $\Delta\chi^2(1) = 4.58, p < .10$ ) and between xinyong and trust ( $\Delta\chi^2(1) = 2.76, p < .10$ ), thus confirming H<sub>9a</sub> and H<sub>9b</sub>. Notably, we found both paths to be statistically significant (at  $p < .00$ ) in the “proactive initiation” group but nonsignificant in the “reactive initiation” group. We rejected H<sub>9c</sub> because we found no

significant differences between proactive and reactive relationship initiation ( $\Delta\chi^2(1) = .78, p > .10$ ).

## CONCLUSIONS AND IMPLICATIONS

This research has substantially demonstrated that, in a Chinese context, a key prerequisite for the development of successful interorganizational relationships is the prevalence of healthy interpersonal relations. The open communication between people from the interacting organizations, the gradual gaining of personal credibility, and the cultivation of personal affection are paramount in building trust at the organizational level. In general, we found that this effect of interpersonal factors on interorganizational trust became stronger when (1) the Hong Kong importer was smaller rather than larger, (2) the foreign supplier was of U.K. origin rather than from other Western countries, (3) the relationship has existed for a longer as opposed to a shorter period, and (4) the initiation of the relationship was proactively rather than reactively established. We also found that high levels of trust improved relationship quality at the interorganizational level, which in turn is conducive to better financial performance.

Although economic interests are of strategic importance in both Chinese and Western societies, research has suggested that social and personal links must be in place initially for business to prevail. Our findings reiterate the importance of understanding different cultures in international business and advocate the notion that building effective interpersonal relations with Chinese managers can help achieve the benefits that such long-term business can bring. Western firms are therefore encouraged to take note and focus on these dimensions to strengthen their business relations with the Chinese community overall.<sup>17</sup>

This study has helped increase our explanatory leverage in international marketing research on theoretical, methodological, and empirical grounds. Theoretically, although prior buyer–seller literature has examined some of the associations among the constructs (e.g.,

Anderson and Narus 1990; Armstrong and Yee 2001; Morgan and Hunt 1994), the constructs had not yet been assembled in an integrated model, as we propose in this investigation. Most importantly, our study successfully connects interpersonal relationship attributes with interorganizational relationship constructs across countries. It also extends its contribution by demonstrating the impact of these behavioral interactions on financial performance.

Methodologically, our model has successfully transferred theories, concepts, and ideas developed in domestic buyer–seller relationships to an international platform, following the example of previous studies (e.g., Ding 1997; Kim and Oh 2002). We have also assembled, combined, and successfully tested three important interpersonal constructs for their positive effects on enhancing interfirm relational exchanges. Such interpersonal attributes have only received scant attention among business scholars in previous research. Empirically, although there has been an increasing volume of publications on doing business in a Chinese setting in the past decade, there is a dearth of empirical research focusing on the behavioral aspects of the working relationship involving Western–Chinese exchange parties. The particular context of this investigation with Hong Kong Chinese trading firms is critical, bearing in mind the importance of Hong Kong as a gateway for Western firms entering China and the significant growth in trade to and from the mainland since Hong Kong’s handover to China in 1997.

### **Managerial Implications**

Our findings tend to support the prevailing view that the Chinese often initially assess their interpersonal relationships with others quite early and then try to judge whether they can be incorporated into their business strategies and goals (Ambler, Styles, and Xiucun 1999; Mavondo and Rodrigo 2001). At a conceptual level, we observe a proven significant linkage between such interpersonal dimensions and trust at the company level. Exporters are therefore strongly encouraged to bear these factors in mind and initially work on developing such interpersonal nuances—*sijiao*, *xinyong*, and *ganqing*—as facilitators for building

organizational trust, rather than hastily promoting the company at the first opportunity. Inexperienced exporters, particularly those with little cultural understanding of and insights about doing business with the Chinese, would be well-advised to employ or draw on personnel with appropriate interpersonal skills to better manage and facilitate such international relationships.

For Western exporting companies with limited resources, which often do not have the finances available to appoint such personnel, it is critical to maintain, rather than rotate, existing personnel with key contacts in the region for longer periods of time because it would be constructive in cultivating personal relationships with their Chinese counterparts. It is essential to facilitate greater interpersonal interaction between those involved in managing the business relationship, thus facilitating communication, developing credibility, and generating attachment. Such attributes are critical for providing a foundation on which interorganizational trust can develop and the quality of the relationship can be improved. When such trust is established, the Chinese are more willing to commit the organizational resources, time, and energy required to make the venture successful. Our findings do not imply that interpersonal relations cease to play an important role after the interfirm relationship begins. On the contrary, face-to-face relations are used to maintain harmony in the interorganizational relationship through open-ended, constantly evolving relational conduct.

Although, when developing business relationships, interpersonal connections may play a more important role in a Chinese cultural context than organizational affiliations or legal formalities, they take significant time, effort, and resources to be developed (Lee and Xu 2001). Western exporting firms must first help their personnel further understand the idiosyncrasies of the Chinese culture through factual (e.g., books), analytical (e.g., case studies), and experiential (e.g., field trips) training (Black and Mendenhall 1991). The use of a



cultural assimilator could prove particularly useful in this respect because he or she would expose the exporter's personnel to different business scenarios with potential Chinese customers and help them improve their interpersonal skills. Government export promotion schemes can subsidize these training programs as well as organize trade visits or exhibitions to China that would help build familiarity with the personnel of local import buyers.

A key observation of this study is the positive connection between relationship quality and financial performance. Although developing and cultivating relationships with the Chinese represents a social investment that may require a great deal of time and resources to develop, the financial return may well justify the effort made. Western managers should therefore be congenial, patient, and flexible to facilitate the relationship-building process with their Chinese counterparts. This is particularly imperative now because rapid market changes, increasing competitive pressures, and more demanding end users make the formation and nurturing of sound interfirm relationships necessary to achieve competitive advantage and secure a foothold in the lucrative Chinese market.

### **Research Implications**

Our study shows that constructs developed within the more refined field of domestic business relationships (e.g., trust, commitment, cooperation, satisfaction) can be successfully transferred to an international business setting. Of course, the role of cultural differences should be taken into consideration in the application of these constructs, especially if the analysis focuses on such contrasting cultural settings as those of Western societies (low context) and China (high context) (Craig and Douglas 2005). In particular, the study reveals that a buyer–seller relationship perspective can be a useful tool in explaining company internationalization phenomena (Leonidou 2003). For example, the Western firm's export advancement in China could be viewed as a process of establishing, developing, and sustaining relationships with import buyers at both strategic and tactical levels. The degree of

an exporter's success in the Chinese market will therefore largely depend on the performance of its behavioral relationship with these buyers.

The link we identify between interpersonal relations and interorganizational relationships provides a significant research implication. In the relationship management literature, there is often a tendency to examine interfirm relationships in isolation from the interactions taking place among people representing these organizations (Lee and Dawes 2005). However, the nature of these interpersonal interactions is of paramount importance in determining the quality and outcomes of the working relationship at the interfirm level. The study has also confirmed the central role of trust in providing a bridge between relationships at the interpersonal and interorganizational levels. Notably, similar findings have also been reported in other business fields, such as in the case of sales management, in which researchers have found a salesperson's trust to be conducive to organizational trust (Doney and Cannon 1997).

This study also brings to the surface three relatively unknown constructs to the Western literature—namely, *sijiao*, *xinyong*, and *ganqing*—which are particularly crucial in building interpersonal relations in a Chinese context. Despite their importance, these constructs have only received scant and isolated empirical attention among academics, and thus, their instrumental role in laying the foundation to successfully develop interorganizational trust between buyers and sellers has been ignored. Our study has also ascertained the repeatedly cited existence of a positive association between trust and the various dimensions of relationship quality. Our findings are also in line with the findings of other studies examining cross-border buyer–seller relationships (Armstrong and Yee 2001; Kim and Oh 2002).

With regard to performance, the study shows that the financial success of the business venture between Western exporters and Chinese import buyers is dependent on high levels of

interorganizational relationship quality, expressed in terms of commitment, cooperation, and satisfaction (LaBahn and Harich 1997). Thus, financial performance in international (as well as domestic) markets is not an end in itself, but financial success can be achieved if the interacting parties pay more attention to the quality of their relationship. This finding provides support to the notion that export (or import) business performance depends not only on how well economic elements (e.g., products, finance, promotion) are handled but also on how the behavioral interactions (e.g., cooperation, commitment, satisfaction) with buyers (or sellers) are managed (Evangelista 1996). Thus, research on selling and buying organizations operating in international markets should focus not only on their transactional associations but also on their collaborative interactions.

## **LIMITATIONS AND FUTURE DIRECTIONS**

Although we selected Hong Kong as an ideal location for this investigation, we realize that for some mainlanders, Hong Kong is not a typical Chinese market. Further research is therefore needed to extend the study by drawing on a sample of trading firms in key areas of China, such as Beijing, Shanghai, and Guangzhou. Although currently there may be a greater tendency to explore China directly through the mainland, for inexperienced firms and even for those with considerable market knowledge, a Hong Kong company with experience in China is still likely to be valued as a supporting mechanism for geographically disperse exporters. However, exporters must realize that appointing distributors or agents in Hong Kong will come at a cost, and as China becomes increasingly market driven, it may be more cost effective to work directly with buyers or such trading firms on the mainland.

Our research is also limited in terms of the cross-sectional and self-reported measures that we administered in this study. It would therefore be worthwhile to undertake further longitudinal research to explore relationships between the constructs over time and try to incorporate objective financial results. By drawing on a data set of importing firms, the focus

of the research provides views from the buyers' perspective alone; data could also be collected from corresponding exporters to analyze import–export dyadic relationships. In this way, it would be possible to explore whether a common understanding or relationship gap is evident between the exchange parties, and such research might place exporters in a better position to identify and remedy any potential gaps that could harm the relationship's long-term potential.

This study has been confined to the working relationship between Hong Kong Chinese import buyers and their Western exporters. However, Western multinational corporations operating in the region are typically more accustomed to such Chinese cultural nuances, and therefore, we would expect a different handling of such relationships with their local partners compared with small to medium-sized exporters.<sup>18</sup> Apart from investigating these differences between Western exporting firms and multinational corporations operating in the Chinese market, it would be useful to also draw relationship comparisons with Chinese buyers among companies adopting different modes of direct investment (e.g., licensing, joint venturing, wholly owned production) in this market. Such comparative analysis could also be conducted between firms (either exporters or multinationals) based in Western countries and those headquartered in other high-context societies (e.g., Japan, South Korea, India).

Finally, it would also be fruitful to incorporate into the analysis various other constructs that shape interpersonal relationships in a Chinese context, such as *renqing* (reciprocated actions), *mianzi/lien* (face saving), and *tiaohe* (harmony) (Wang 2007; Yen, Yu, and Barnes 2007). The roles of other interorganizational constructs—such as power, dependence, and adaptation—should also be examined in conjunction with interpersonal factors. Of particular usefulness is the construct of “shared values” (Morgan and Hunt 1994), which might have a moderating effect on the association between interpersonal and interfirm factors. It is also important to explore the role of various demographic characteristics of the

business relationship (e.g., relationship stage) in controlling associations between the constructs of the model (Dwyer, Schurr, and Oh 1987).

## NOTES

1. Despite the recent recession of the global economy, the impact on China has been milder than in Western countries, with many experts claiming that its recovery arrived sooner.

Indeed, during the first half of 2014, China's gross domestic product increased by more than 7.3%, and production output experienced growth of 8.7% (*The Economist* 2014).

2. There are idiosyncrasies in each country in the way interpersonal relationships are conducted, ranging from *guanxi* in China (i.e., using personal connections bounded by implicit psychological contracts to maintain long-term relationships, mutual commitments, loyalty, and obligation; Chen and Chen 2004), to *blat* in Russia (i.e., tying together friends/acquaintances in an intricate weave of favors and counterfavors to facilitate access to products/services that are in short supply; Sahlins 1972), to *wasta* in Arab Gulf states (i.e., achieving goals through personal links, often derived from family relationships or close friendships with key people in the society; Smith et al. 2011). Thus, although the use of interpersonal relationships is a universal phenomenon, the way it is practiced in various regions is country specific (Gu, Hung, and Tse 2008). As such, it is important to understand these idiosyncrasies to more effectively and efficiently handle them in a way that benefits interfirm business interactions.

3. Certainly, the three interpersonal relationship attributes used in our study (i.e., *sijiao*, *xinyong*, and *ganqing*) are not the only ones that explain Chinese interpersonal relationships. However, when we discussed these issues with a small sample of Hong Kong-based business executives and academics during an exploratory qualitative research stage, these interpersonal relational dimensions were considered critical in influencing the quality of business relationships. Various publications focusing on Chinese buyer–seller relationships have also

confirmed the importance of these dimensions (Leung et al. 2005; Shou et al. 2011), although in most cases, they were discussed in isolation from one another.

4. Although after 150 years of British rule, Hong Kong has developed into a sophisticated free market where Western lifestyles have influenced the way business is conducted, most of the indigenous population adheres to traditional Chinese cultural values and ethical standards when conducting business (Tam and Redding 1993; Tse et al. 1988). Notably, most Hong Kongers have adopted Chinese traditions, and since the handover to China in 1997, more are speaking Mandarin and have regular interactions with people from the mainland.

5. Although *guanxi* is deeply rooted in Confucian philosophy, which has influenced the societies of many Asian countries, it is a unique sociological phenomenon that stresses the role of personal ties or social bonds in Chinese business ecology (Xin and Pearce 1996). As such, it is applicable, with minor variations, in all countries influenced by the Chinese culture—namely, mainland China (and its special administrative region of Hong Kong), Taiwan, and Singapore (Yeung and Tung 1996).

6. Despite variations in the way interpersonal relations are conducted between Chinese and Westerners, empirical research (e.g., McCrae and Costa 1997; McCrae and John 1992) has shown the existence of five personality traits (i.e., extroversion, agreeableness, conscientiousness, neuroticism, and openness to experience) that are universally applicable. Although it is crucial to understand the role of these personality traits in how interpersonal buyer–seller relationships are conducted, this was beyond the scope of the current investigation.

7. The Chinese judge the credibility of a person by evaluating the extent to which she keeps promises using her past history and reputation (Leung et al. 2005). This is of fundamental importance when initiating a business relationship and must be established before any transactions can take place (Hitt et al. 2000).

8. A person may trust an employee in a specific organization but distrust the organization overall, and vice versa. Indeed, this is the essence of our thesis, in which we examine how interpersonal factors (e.g., personal credibility) affect trust at the organizational level. In their study, Lee and Dawes (2005) elaborate on the difference between interpersonal trust and interorganizational trust.

9. Evidence has suggested that since Hong Kong's handover to Mainland China in 1997, the value of re-exports has more than doubled (from HK\$1.1 billion in 1998 to HK\$3.4 billion in 2012), with re-exports to and from the mainland representing a significant portion (Information Services Department 2013).

10. Although matched paired dyadic relationships between import buyers and their foreign suppliers could provide useful insights in the way behavioral issues are perceived from different angles, the existence of great geographic, cultural, resource, and other constraints involved in carrying out research on a global scale makes such a task difficult (Craig and Douglas 2005).

11. To establish a cross-cultural equivalency of the scales used for *sijiao*, *xinyong*, and *ganqing* developed for our study, we contacted a small group of import managers based in the nearby country of Taiwan and had a qualitative discussion with them regarding our scales' appropriateness. The outcome of this discussion was that these scales would also be applicable, without any modification, in a Taiwanese context.

12. Although it would be more appropriate to complement this subjective scale of financial performance with more objective measures (e.g., sales, profits, return on investment), such measures would be difficult to obtain from either private or public sources. However, there is strong evidence in the literature indicating that both objective and subjective measures of financial performance are highly correlated (Dollinger and Golden 1992; Powell 1992; Shoham 1998).

13. We used SEM analysis for three major reasons: (1) it allows for assessment of relationships between the constructs of the model in a comprehensive, systematic, and holistic manner; (2) it takes a confirmatory rather than an exploratory approach to the data analysis; and (3) it takes into account explicit estimates of measurement error, whereby the fit of the conceptual model is considered (Byrne 2006; Hair et al. 2006).

14. The fact that our study employed Likert-type scales indicates, by definition, that our data are not normally distributed. Indeed, the greater the variance in the data, the closer the central tendency is to the scale's extreme points and the greater the possibility for the data to violate the assumption of normality. Nevertheless, we checked for multivariate normality in our data by examining the Mardia coefficient in our measurement model. The value produced was greater than 5, which suggests that the sample is nonnormal (Bentler 2006). Mardia's kappa coefficient, which gives an indication of nonnormality, was .24, showing that although nonnormality was present in the data set, it did not constitute a serious problem. For this reason, we employed the ERLS estimation technique, which assumes a multivariate elliptical distribution, as opposed to a more generalized form of the multivariate normal distribution assumed by the maximum likelihood estimation procedure (Mohr and Sohi 1995). The reason for using the former technique in our structural model is justified in that the ERLS technique has been proved to perform equally well with maximum likelihood for normal data and to be superior to other estimation methods used for nonnormal data (Sharma, Durvasula, and Dillon 1989).

15. We used the Lagrange-multiplier test in EQS to uncover any additional paths that needed to be added to our structural model. Notably, both univariate and multivariate Lagrange-multiplier tests revealed two additional significant paths (i.e., relationship quality  $\rightarrow$  trust and *sijiao*  $\rightarrow$  financial performance) ( $\chi^2 > 3.84$ , d.f. = 1,  $p < .05$ ). Although changing the sequence of the trust–relationship quality is not consistent with our conceptual



development, the results reveal a significant relationship between the two factors ( $\beta = .72$ ,  $t = 7.49$ ,  $p < .01$ ). Similarly, a subsequent structural model revealed that *sijiao* was a significant predictor of financial performance ( $\beta = .22$ ,  $t = 2.72$ ,  $p < .01$ ). However, in both cases, there was significant deterioration in all fit indices of the model. For this reason, we did not include these paths in the final model.

16. We also reran SEM analysis using the CMV-attenuated correlation matrix. The path results we obtained were similar to those presented in our main structural model, thus providing further credibility that our original results were free of any CMV effects.

17. By default, buyer–seller relationships imply a two-way process, whereby both parties can either benefit or lose from their interaction (Cunningham 1980; Ford 2002). Thus, to have a win–win situation, it is also essential for Chinese managers to understand the Western approach of doing business and appropriately adjust their behavior, tolerance, and decisions. Ultimately, both Western and Chinese firms should be prepared from the beginning to make sacrifices, settlements, and compromises to ensure relationship continuity, prosperity, and success (Worm and Frankestein 2000).

18. Whereas Western multinational firms operating in the Chinese market often directly employ local people who have familiarity with the local culture, most small to medium-sized exporters tend to have a much lower cultural understanding, due mostly to their limited hands-on experience as a result of their great geographical distance and infrequent visits to the market. For these reasons, Western exporters tend to rely more on their local import distributors/agents for providing the necessary in-market feedback to help customize their offerings to local conditions (Chee and Harris 1998).

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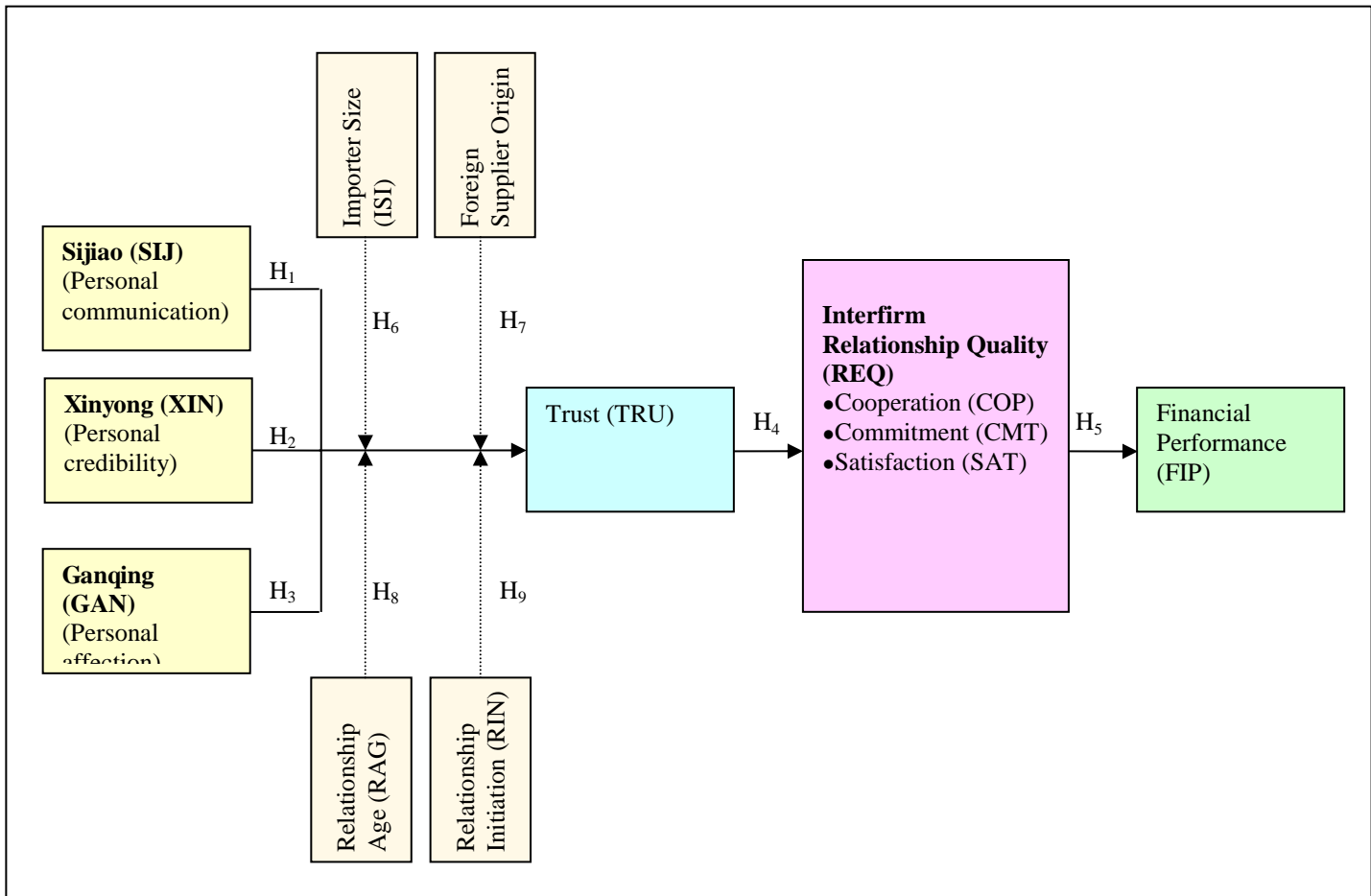
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Figure 1. The Conceptual Model



**Table 1. Summary of Construct Measurement**

Constructs	Scale Items Retained	Standardized Loadings	t-Value	Cronbach's Alpha	Composite Reliability	AVE	Variance Extracted
Sijiao (SIJ)	SIJ1	.85	— <sup>a</sup>	.92	.84	.58	.72
	SIJ2	.88	14.46				
	SIJ3	.87	14.06				
	SIJ5	.78	11.95				
	SIJ6	.76	11.46				
Xinyong (XIN)	XIN4	.77	— <sup>a</sup>	.90	.84	.57	.70
	XIN5	.86	11.46				
	XIN6	.90	12.10				
	XIN7	.82	10.97				
Ganqing (GAN)	GAN 2	.85	— <sup>a</sup>	.95	.90	.61	.76
	GAN 3	.83	13.59				
	GAN 4	.90	15.60				
	GAN 5	.87	14.75				
	GAN 6	.91	16.25				
	GAN 7	.87	14.63				
	Trust (TRU)	TRU 4	.82				
TRU 5		.89	13.85				
TRU 6		.91	14.17				
TRU 7		.70	9.78				

Cooperation (COP)	COP	.79	— <sup>a</sup>	.92	.86	.60	.75
	2						
	COP	.87	12.59				
	3						
	COP	.91	13.30				
4							
	COP	.89	12.94				
5							
Commitment (CMT)	CMT	.81	— <sup>a</sup>	.89	.83	.55	.68
	1						
	CMT	.80	11.56				
	2						
	CMT	.86	12.78				
3							
	CMT	.82	11.96				
4							
Satisfaction (SAT)	SAT	.93	— <sup>a</sup>	.92	.86	.61	.75
	2						
	SAT	.95	21.69				
	3						
	SAT	.81	14.80				
5							
	SAT	.75	12.68				
6							
Financial performance (FIP)	FIP1	.85	— <sup>a</sup>	.91	.85	.59	.73
	FIP2	.92	15.58				
	FIP3	.90	15.13				
	FIP4	.74	11.01				
Relationship quality (REQ; second-order)	COP	.75	— <sup>a</sup>	.79	.75	.51	.62
	CMT	.91	8.25				
	SAT	.68	7.30				

factor)							
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<sup>a</sup>Item fixed to set the scale.

Notes: Fit statistics:  $\chi^2 = 1,172.88$ ,  $p = .000$ ,  $d.f. = 542$ ,  $\chi^2/d.f. = 2.16$ ; NFI = .95; NNFI = .97; CFI = .97; RMSEA = .07.



**Table 2. Correlation (and Corrected for Accentuation) Matrix and Summary Statistics**

Variable	1	2	3	4	5	6	7	8
1. Sijiao	1	(.20)	(.61)	(.55)	(.48)	(.54)	(.54)	(.61)
2. Xinyong	.25	1	(.24)	(.34)	(.17)	(.25)	(.51)	(.27)
3. Ganqing	.63	.29	1	(.62)	(.63)	(.71)	(.41)	(.53)
4. Trust	.58	.38	.64	1	(.59)	(.70)	(.56)	(.60)
5. Cooperation	.51	.23	.66	.62	1	(.66)	(.44)	(.49)
6. Commitment	.57	.30	.73	.72	.68	1	(.48)	(.67)
7. Satisfaction	.57	.54	.46	.59	.48	.52	1	(.63)
8. Financial performance	.64	.32	.57	.63	.52	.69	.65	1
Mean score	4.42	5.02	4.10	4.33	4.94	4.31	4.89	4.32
SD	1.17	1.19	1.42	1.24	1.20	1.41	1.22	1.22

Notes: Correlations greater than  $|\pm.18|$  are significant at the .01 level. Correlations greater than  $|\pm.14|$  are significant at the .05 level. Zero-order correlations are reported below the diagonal; correlations adjusted for common method bias (Malhotra, Kim, and Patil 2006) are reported above the diagonal.

**Table 3. Results of the Structural Model**

Hypothesis	Hypothesized Association	Expected Sign	Standardized Coefficient	t-Value	p-Value	Status
H <sub>1</sub>	Sijiao → Trust	+	.29	3.61	.00	Supported
H <sub>2</sub>	Xinyong → Trust	+	.21	3.43	.00	Supported
H <sub>3</sub>	Ganqing → Trust	+	.51	6.09	.00	Supported
H <sub>4</sub>	Trust → Relationship quality	+	.92	9.63	.00	Supported
H <sub>5</sub>	Relationship quality → Financial performance	+	.81	8.70	.00	Supported

Notes: Fit statistics:  $\chi^2 = 719.76$ ,  $p = .000$ , d.f. = 291;  $\chi^2/\text{d.f.} = 2.47$ ; NFI = .94; NNFI = .96; CFI = .96; RMSEA = .08.

**Table 4. Results of Individual Moderating Effects**

A: Importer Size as a Moderator<sup>a</sup>

Main Effect	Hypothesized Moderating Effect	Small Importer Size Group	Large Importer Size Group	$\Delta\chi^2$ ( $\Delta d$ .f. = 1)
SIJ → TRU	H <sub>6a</sub> : Effect is stronger when importer's size is small rather than large.	$\beta = .56$ $t = 4.92^{**}$	$\beta = .19$ $t = 1.44$	4.8 0 (p < .10)
XIN → TRU	H <sub>6b</sub> : Effect is stronger when importer's size is small rather than large.	$\beta = .33$ $t = 3.05^{**}$	$\beta = .07$ $t = 1.01$	4.0 0 (p < .10)
GAN → TRU	H <sub>6c</sub> : Effect is stronger when importer's size is small rather than large.	$\beta = .40$ $t = 3.88^{**}$	$\beta = .48$ $t = 3.38^{**}$	.26 (p > .10)

B: Foreign Supplier Origin as a Moderator

Main Effect	Hypothesized Moderating Effect	Non-U.K.-Origin Export Supplier Group	U.K.-Origin Export Supplier Group	$\Delta\chi^2$ ( $\Delta d$ .f. = 1)
SIJ → TRU	H <sub>7a</sub> : Effect is stronger when export supplier origin is U.K. rather than non-U.K.	$\beta = .14$ $t = 1.24$	$\beta = .37$ $t = 3.35^{**}$	2.7 2 (p < .10)
XIN → TRU	H <sub>7b</sub> : Effect is stronger when export supplier origin is U.K. rather than non-U.K.	$\beta = -.04$ $t = -.29$	$\beta = .25$ $t = 3.10^{**}$	3.1 8 (p < .10)
GAN → TRU	H <sub>7c</sub> : Effect is stronger when export supplier origin is U.K. rather than non-U.K.	$\beta = .36$ $t = 3.43^{**}$	$\beta = .80$ $t = 4.69^{**}$	4.5 1 (p < .10)

C: Relationship Age as a Moderator<sup>a</sup>

Main Effect	Hypothesized Moderating Effect	Low Relationship Age Group	High Relationship Age Group	$\Delta\chi^2$ ( $\Delta d.f. = 1$ )
SIJ → TRU	H <sub>8a</sub> : Effect is stronger when relationship age is high rather than low.	$\beta = .20$ $t = 2.41^*$	$\beta = .85$ $t = 4.00^{**}$	9.5 2 ( $p < .10$ )
XIN → TRU	H <sub>8b</sub> : Effect is stronger when relationship age is high rather than low.	$\beta = .21$ $t = 1.75$	$\beta = .20$ $t = 2.73^{**}$	.23 ( $p > .10$ )
GAN → TRU	H <sub>8c</sub> : Effect is stronger when relationship age is high rather than low.	$\beta = .10$ $t = .45$	$\beta = .56$ $t = 5.90^{**}$	2.9 1 ( $p < .10$ )

D: Relationship Initiation as a Moderator

Main Effect	Hypothesized Moderating Effect	Proactive Relationship Initiation Group	Reactive Relationship Initiation Group	$\Delta\chi^2$ ( $\Delta d.f. = 1$ )
SIJ → TRU	H <sub>9a</sub> : Effect is stronger when relationship was initiated proactively rather than reactively.	$\beta = .38$ $t = 4.02^{**}$	$\beta = .03$ $t = .24$	4.5 8 ( $p < .10$ )
XIN → TRU	H <sub>9b</sub> : Effect is stronger when relationship was initiated proactively rather than reactively.	$\beta = .37$ $t = 2.85^{**}$	$\beta = .12$ $t = 1.75$	2.7 6 ( $p < .10$ )
GAN → TRU	H <sub>9c</sub> : Effect is stronger when relationship was initiated proactively rather than reactively.	$\beta = .52$ $t = 4.96^{**}$	$\beta = .47$ $t = 3.12^{**}$	.78 ( $p > .10$ )

\* $p < .05$ .

\*\* $p < .01$ .

<sup>a</sup>Groups were divided using a median split.

Notes: SIJ = sijiao (personal communication); XIN = personal credibility (xinyong); GAN = personal affection (ganqing); TRU = trust.

**Appendix: Scales of Constructs and Descriptive Statistics**

Constructs and Scale Items	Mean (SD)
<b>Sijiao</b>	
SIJ1: The exporter's representative keeps us informed of new developments. <sup>a</sup>	4.62 (1.38)
SIJ2: The exporter's representative provides us with timely information.	4.62 (1.31)
SIJ3: The exporter's representative frequently discusses business opportunities with us.	4.41 (1.41)
SIJ4: The exporter's representative often holds back on telling us about business opportunities. (R)	4.76 (1.44)
SIJ5: The exporter's representative communicates well regarding the expectation of the relationship.	4.20 (1.37)
SIJ6: The exporter's representative provides us with frequent positive feedback regarding our expectations.	4.30 (1.30)
<b>Xinyong</b>	
XIN1: This exporter's representative has been frank in dealing with us.	4.80 (1.23)
XIN2: This exporter's representative does not make false claims.	5.05 (1.31)
XIN3: We do not think this exporter's representative is completely open in dealing with us. (R)	4.44 (1.44)
XIN4: This exporter's representative is only concerned about himself/herself. (R)	4.60 (1.45)
XIN5: This exporter's representative does not seem to be concerned with our needs. (R)	4.84 (1.31)
XIN6: The people in our firm do not trust this exporter's representative. (R)	5.19 (1.36)
XIN7: This supplier's representative is not trustworthy. (R)	5.44 (1.30)
<b>Ganqing</b>	
GAN1: I often interact with my exporter's representative on a social basis outside of work.	3.71 (1.62)
GAN2: My exporter's representative and I are able to talk openly as friends.	4.43 (1.59)
GAN3: If I were to change this exporter, I would lose a good friend.	4.01 (1.62)

GAN4: I consider my exporter's representative as being almost as close to me as family.	3.84 (1.64)
GAN5: I would consider whether the feelings of the representative are hurt before making an important decision.	4.26 (1.56)
GAN6: I have a brotherhood feeling towards this exporter's representative.	3.74 (1.57)
GAN7: I would try my best to help out this exporter's rep when (s)he is in need because (s)he is my friend.	4.34 (1.57)
Trust	
TRU1: This exporter keeps the promises (s)he makes to our business.	5.14 (1.25)
TRU2: This exporter is not always completely honest with us. (R)	5.10 (1.52)
TRU3: We believe the information that this exporter provided us.	5.14 (1.21)
TRU4: This exporter is genuinely concerned that our business succeeds.	4.42 (1.39)
TRU5: When making important decisions, this exporter considers our welfare.	3.89 (1.49)
TRU6: We trust that this exporter keeps our best interests in mind.	4.09 (1.51)
TRU7: This exporter is trustworthy.	4.90 (1.26)
TRU8: We find it necessary to be cautious with this exporter. (R)	4.51 (1.39)
Cooperation	
COP1: Our firm is conscientious and responsive about maintaining a cooperative relationship.	4.95 (1.30)
COP2: Our firm is willing to collaborate with this exporter to have a smooth relationship.	5.18 (1.20)
COP3: Our firm often acts in a way that promotes mutual interest and welfare with this exporter.	4.99 (1.34)
COP4: Our firm is interested in assisting this exporter to achieve business objectives and goals.	4.78 (1.41)
COP5: There is a team spirit in the relationship with this exporter in tackling common problems.	4.80 (1.37)
Commitment	

CMT1: Our loyalty to this exporter is a major reason why we continue to work with him/her.	4.46 (1.54)
CMT2: We want to stay associated with this exporter because of our allegiance to him/her.	3.99 (1.69)
CMT3: We will continue working with this exporter because we are “part of the family.”	4.13 (1.75)
CMT4: Given the things we have done with this exporter over years, we ought to continue.	4.66 (1.45)
Satisfaction	
SAT1: Our relationship with this exporter has been an unhappy one. (R)	5.56 (1.39)
SAT2: Generally, we are very satisfied with the overall relationship with this exporter.	4.91 (1.38)
SAT3: We are very pleased with the working relationship with this exporter.	4.77 (1.36)
SAT4: We regret the decision to do business with this exporter. (R)	5.80 (1.35)
SAT5: We are very pleased with what this exporter does for us.	4.86 (1.29)
SAT6: If we had to do it over again, we would still choose this exporter.	5.03 (1.41)
Financial Performance	
FIP1: There were significant cost savings resulting from doing business with this exporter.	4.25 (1.34)
FIP2: Our firm’s profitability has increased because of this exporter.	4.33 (1.41)
FIP3: The relationship with this exporter helped us perform better financially.	4.29 (1.36)
FIP4: This exporter’s products have successfully achieved the sales relative to original objectives.	4.43 (1.35)
FIP5: This exporter’s products have achieved the market share to original objectives.	4.44 (1.38)

<sup>a</sup>The representative refers to the employee in the exporter’s firm who has a direct, personal contact with the Chinese importer.  
Notes: Means are based on a seven-point scale (1 = “strongly disagree,” and 7 = “strongly agree”). (R) = reverse-coded item.