

The Effects of Destructive Behaviors on Channel Cooperation and Guanxi

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ABSTRACT From the perspective of channel destructive behavior, we examine the impact of members' conflicts, seller's opportunism and unfair behaviors on channel cooperation, and analyze the moderating effect of channel members' interdependence on the above-mentioned effects, and then analyze the impact of channel cooperation on boundary persons' relationship with channel partners (Guanxi).

1. INTRODUCTION

As companies pay more attention to the development and construction of long-term channel cooperation, "relational channels" are also increasingly accepted, and long-term cooperation is the key to improving the competitiveness of channel members and achieving the ultimate goal of the company [1]. But in fact, more than 50% of business relationships have not been maintained [2]. The reason is that the destructive behavior in the channel is extremely harmful to the channel cooperation. This kind of harm may make the relationship between the channel members not only stay in the contradiction or friction stage, but more likely a fatal blow to the cooperation between the two sides. Special research on destructive behaviors in marketing channels can help reveal the underlying causes behind these acts and provide a theoretical basis for channel members to develop appropriate strategies. So in-depth study of destructive behavior's impact on channel members in the Chinese marketing background extends the range of applications and theories of channel management.

2. CONCEPTUAL FRAMEWORK

We posit in Figure 1 that destructive factors influence channel cooperation then influence guanxi further. Also these influences may be moderated by the interdependence of channel members.

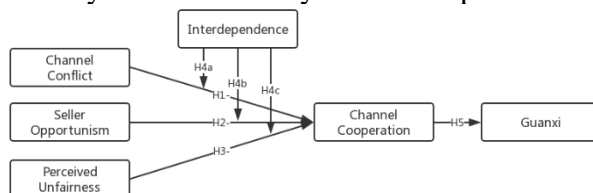


Figure1 Research Framework

2.1. Destructive Factors of Channel Relationship

Previous studies have found that factors that have a destructive effect on channel relationships are channel conflicts, opportunism, and perceived unfairness. In order to achieve their own business goals, sellers and downstream channel members often have conflicts and inconsistencies in their business interactions. We define such conflicts and inconsistencies as channel conflicts. Due to the deceptive nature of opportunism, we suggest that opportunism in channel relationships refers to the degree of perception by channel members of improper means to sellers for personal gain. Fairness

theory believes that if a person finds that their Input-output ratio is relatively low through comparison, they will think that they have been treated unfairly, thereby inspiring tension or anger. Therefore, we define the perceived unfairness in the channel relationship as the perception of the channel members' unfairness of the distribution of channel rewards by the seller.

2.2. Perceived Interdependence of Channel Members

In a binary relationship structure, it includes the self-dependence of each relationship subject, the degree of interdependence between relationship subjects, and the degree of symmetry of interdependence between relationship subjects. The total interdependence in the channel relationship refers to the sum of the interdependence between two channel members. When the degree of interdependence between the two channel members is different, an asymmetry of interdependence will occur. The power of channel members comes from the relationship between the other party's dependence on them. Therefore, the overall interdependence and symmetry of interdependence between channel members is also equal to the overall power and symmetry of channel members. Because in this study we take interdependence as a moderator and the channel relationship as a whole, the interdependence in this article refers to the total interdependence and does not include the dimension of interdependence symmetry.

2.3. Channel Cooperation

Channel cooperation refers to mutually beneficial behaviors and willingness to act for channel members to achieve common goals. According to the marketing channel behavior theory, channel cooperation is rooted in the interdependence of channel members. In other words, high levels of channel cooperation often mean low-level conflicts between channel members, but low-level channel conflicts do not necessarily mean high levels of cooperation among channel members, because between two people or organizations that do not intersect. There is no direct conflict, but there is no cooperation. This study treats channel collaboration as an important variable and will help to clarify its relationship with other variables.

2.4. Guanxi

Interpersonal relationships are also called "guanxi" in China. Guanxi refers to the relationship or connection between people, and it includes both relatives, friends, and social relationships [3]. Literally, "guanxi" is a kind of social connection, which is intended to mean special favors and obligations to the relationship circle. Guanxi are based on common interests [4]. Park and Luo (2001) point out that guanxi embody utilitarianism rather than emotionalism [5]. It is based on the exchange of interests rather than the attachment of emotions. Guanxi is the most important, most discussed and studied phenomenon in China, and it is the core of China's social order, economic structure, and changing institutional structure. From politics to business, from officialdom to markets, guanxi play an important role in every aspect of life. In this study, we define interpersonal relationships as relationships between familiar people.

3. Hypothesis

3.1. The Effects of Destructive Factors on Channel Cooperation

The negative impact of conflicts between channel members on cooperation has been supported by relevant empirical research [6]. Channel conflicts can have many consequences, such as reluctance to share relevant information, broken relationships, etc. Reduce the willingness of both parties to cooperate. Conflicts often arise when a party member believes that a partner is preventing him from achieving performance or goals. Leaving from channel partnership is one of the most important responses to channel conflicts [7]. When the channel conflict becomes more severe and cannot be controlled in time, the willingness to cooperate between the two channels will be greatly reduced, and may even lead to the dissolution of the relationship [1].

H1: All else being equal, the higher the level of conflict between a company and its channel partners, the less cooperation there is between them.

Opportunism reflects the phenomenon that some channel members strive for their own interests at the expense of other channel members' interests [8]. According to the transaction cost theory, channel members are likely to invest a large amount of cost to protect proprietary trading assets such as equipment and knowledge to prevent and suppress opportunism. When a company's partners target more opportunism, the more damage they have to their own interests, the willingness of both channel members to continue to maintain a cooperative relationship with each other will decrease. Therefore, channel opportunism will reduce the cooperation of channel members and undermine the existing cooperation effect. Therefore, the following assumption is made:

H2: All else being equal, the more speculative behavior a corporate channel partner has, the less cooperation there is between them.

In the channel relationship, when one party to the transaction compares the other party's way of treating itself with other partners and finds that their own treatment or the conditions they have proposed are not satisfied, they will feel unfair. Unequal sharing or procedural opacity in the relationship management process [9]. Even when the perception of unfairness is serious, it even stimulates the dissolution of the relationship [10]. When the channel relationship is lack of fairness, it is easy to raise doubts about the motives or commitments of partners and affect the cooperation between the two parties. Therefore, when there are more unfair behaviors among channel members, it is not conducive to good cooperation between channel members. The following assumption is made:

H3: All else being equal, the more unfair behaviors an enterprise channel partner has on them, the less cooperation there is between them.

3.2. The Moderating Role of Interdependence on the Effects of Destructive Factors

Deterrence theory argues that greater power can help reduce conflict and increase cooperation under the same conditions. Conflicts are affected by the parties' fear of retaliation and the anticipation of attacks. Under the condition that the symmetry of interdependence remains unchanged, as the overall interdependence increases, the threat of retaliation to both sides of the relationship will become greater. Because in a highly interdependent relationship, each party is afraid of retaliation and knows that the other party in the relationship has similar fears, so the expectation of being attacked will be reduced. Therefore, as the overall interdependence increases, the possibility of conflict among the parties to the relationship decreases, and the possibility of seeking cooperation increases. The existence of interdependence between the two sides of the relationship inhibits the occurrence of conflicts. In fact, each party in the relationship has the ability to cause fatal blows to the other party. If a systemic conflict occurs, it will undoubtedly cause serious harm to all parties in the relationship. Therefore, we make the following assumptions:

H4: All else being equal, total interdependence of channel members suppresses the negative effects of (a) channel conflict; (b) Seller Opportunism and (c) Perceived Unfairness on channel cooperation.

3.3. The Effects of Cooperation on Guanxi

Channel member representatives are also known as boundary employees. They are at the edge of the company and often spend more time with other company employees than with their own company employees. Cooperation between channel member companies creates more opportunities for interaction between boundary employees, which helps to increase guanxi between boundary employees, so we make assumptions:

H5: All else being equal, the more cooperation between channel members, the closer the guanxi between marginal employees.

4. Method

4.1. Sample and Data Collection Procedure

This study takes the relationship between a large company in the pharmaceutical wholesale industry where the researcher is located and its downstream retailers as the research object, obtains information from all the downstream retailers from the wholesale company, and collects data from the perspective of the wholesaler. Strictly control the scale and format of the surveyed enterprises, including large, medium and small-scale retail enterprises, including chain pharmacies, general pharmacies, multi-functional convenience stores, automatic drug dispenser owners, etc., and ensure that the questionnaires are filled in by sales managers familiar with the company. The questionnaire is mainly distributed by email. We keep communicating with the managers after the release to ensure that valid data is obtained. We distributed 280 questionnaires and took back 235 questionnaires. Finally, 211 valid questionnaires were used with an effective rate of 75.4%.

4.2. Operational Measures

According to the operation of Samaha et al. (2011), channel conflicts are mainly measured by the frequency inconformity between buyers and sellers [6]. Seller opportunism is mainly measured by four items, "1" means strongly disagree, and "7" means strongly agree. Perceived unfairness is measured primarily through three items, including the responsibilities and obligations assumed by the retailer; the profit earned by the retailer from the wholesaler is reasonable; the retailer's feedback on the dealer's marketing strategy is reasonable. Channel members interdependence is measured by three items. The channel cooperation is mainly measured by four items. Lee and Dawes (2005) proposed that *guanxi* is a multi-dimensional concept, which includes face, reciprocal favor and affect, where face can be measured by three items, reciprocal favor two and affect four [11]. The above scales are all derived from mature research to ensure that they have good content validity and structural validity.

5. Results

5.1. Assessment of the Measurement

In order to assess model measurement quality, we used LISREL to test discriminant validity and convergent validity. First, we used one-factor analysis to assess the unidimensionality of multi-item constructs. For the purpose of assessing each item's correlation with total relevant construct, we used correlation analysis. And Cronbach's alpha coefficient was calculated to measure the internal consistency, and results show that all the alphas are more than 0.70. Consistent with our conceptualization, *guanxi* was specified as second-order factors; face, reciprocal favor, and affect were specified as first-order factors. It was significant ($p < 0.000$) of the model's chi-square (567.87; 210 degrees of freedom). The TLI (0.91) and the CFI (0.90) were all more than 0.90, which means the overall fit was acceptable. It was significant of all the factor loadings. The first-order loading was at the average level of 0.74, and the second-order was 0.85. This means the convergent validity was significant. The inter-correlations between face, reciprocal favor and affect were between 0.71 and 0.75, which means the discriminant validity was significant. The first-order factors' composite reliabilities were between 0.71 and 0.93, the second-order factors were between 0.78 and 0.89.

5.2. Hypothesis Testing

The dependent constructs' R^2 was calculated to assess the model. Results showed that the independent variables were well explained by the dependent variables, because the R^2 of channel cooperation was 49%. We illustrate the model's path coefficients in Table 1, and all the results are acceptable.

Almost all the hypotheses are supported except these with black background depicted in Table 1. For the impact of the three channel destructive factors on channel member cooperation, only seller opportunism has an insignificant effect (path coefficient = -0.04, $p > 0.05$). Channel conflict and

perceived unfairness are all have significant effects on channel member cooperation (path coefficient = -0.21, $p < 0.05$; path coefficient = -0.19, $p < 0.05$). Further more, the main effect of channel cooperation on guanxi is not supported (path coefficient = 0.03, $p > 0.05$). Thus H1 and H3 are acceptable, but H2 and H5 are rejected.

Considering the moderating effects of interdependence, all the hypotheses are supported (H4a: path coefficient = -0.08, $p < 0.05$; H4b: path coefficient = -0.07, $p < 0.05$; H4c: path coefficient = -0.11, $p < 0.05$). So we can conclude that channel destructive factors' effects on channel member cooperation will be weakened as the degree of total interdependence between channel members increase.

6. Discussion

6.1. Conclusions

Most of the results obtained in this study are consistent with theoretical analysis and past empirical research. Channel conflicts and perceived unfairness in channel destructive behavior have significant negative impacts on channel cooperation, but this influence will depend on the interdependence of channel members. As the interdependence increase, the forementioned influence will decrease. The impact of channel member opportunism on channel cooperation in the study was not supported by data, which maybe because the company sometimes can't completely eliminate the opportunistic behavior of the party, so it will form a certain tolerance for the other party's opportunism. On this basis, the two sides can cooperate. As a result, the cooperative behavior of both sides is more important than opportunism. In addition, it may be related to the data we use that comes from the evaluation of the opportunistic behavior of a wholesaler by more than 200 retailers, and the opportunistic behavior of the wholesaler may not be obvious, so the result is not significant.

In previous studies, guanxi were often used as an antecedent or intermediate variable, and this study used it as an outcome, but the impact of channel cooperation on guanxi was not supported by data. This shows that the channel boundary person did not show more intimate guanxi because of the increased cooperation among channel members. The cooperation between channel members may provide opportunities for the establishment of guanxi between boundary persons, but the relationship maintenance is more thereafter depends on the personal interaction between the boundary persons, and does not rely on normal business dealings.

Table 1 Regression Results

Effects	Independents	Hyp.	Dependents			
			Channel Cooperation		Guanxi	
			Estimate	p-Value	Estimate	p-Value
Main effects	Channel Conflict	H1	-0.21	0.00		
	Seller Opportunism	H2	-0.04	0.12		
	Perceived Unfairness	H3	-0.19	0.00		
	Channel Cooperation	H5			0.03	0.09
Interactions with Interdependence	Channel Conflict	H4a	-0.08	0.01		
	Seller Opportunism	H4b	-0.07	0.01		
	Perceived Unfairness	H4c	-0.11	0.00		
Intercept			0.04	0.43	0.01	0.78

6.2. Managerial Implication

The conclusions of this study have certain reference significance for management practice. First, the unfair behavior in the channel has a very significant destructive effect on channel cooperation. Once the channel members think they have been treated unfairly, there will be fierce conflicts and contradictions with the other party, and may even lead to the termination of cooperation, even if they can gain profits from the relationship. In this process, the company does not care about its own interests, but only hopes to find a solution to achieve a fair reconstruction. Therefore, the managers of enterprises in the channel should try their best to avoid unfair appearance. Wholesalers should adopt uniform standards for all retailers, and wholesalers should try to understand the preferential policies or benefits allocated by other wholesalers to the same retailer, in order to prevent retailers from unfairly perceiving them. Although the main purpose of channel governance is to curb opportunism, but for channel members, opportunism may be an inevitable behavior in the process of maximizing the pursuit of self-interest, and both parties may have a certain degree of tolerance for each other's opportunism. This has led to opportunism that has no material impact on channel cooperation. Therefore, in the specific channel management practice, enterprises need to attach great importance to the destructiveness of unfair behavior, and correspondingly reduce their attention to opportunism.

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