

The Effects of Conflict and Opportunism on Guanxi

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Abstract. From the perspective of channel destructive behaviors, we examine the impact conflict, opportunism on channel member flexibility, and analyze the effect of contract utilization on above-mentioned effects, and then analyze the impact of contract utilization on Guanxi with channel partners. Using data from firms, this paper finds that conflict and opportunism have significant effects on channel member flexibility. The finding supports the premise that contract utilization moderates relationship between conflict, opportunism and channel member flexibility. In addition, this research shows that channel member flexibility have significant effects on Guanxi.

Introduction

In recent years, with the rise of China, the research on Guanxi has increased gradually, and many studies have found that Guanxi have an important impact on enterprises [1]. Guanxi is a kind of psychological connection formed by communication or connection between people, which will affect both parties or many parties. Guanxi includes three dimensions: human relationship, face and emotion [1]. At present, the main research on Guanxis focuses on two aspects: one is which factors are conducive to the cultivation of Guanxi, including the uncertainty of decision-making, the similarity of perception, the skills of conflict handling, etc. Second, what are the functions of private relations, including improving corporate capacity and financial performance. In the Guanxi between enterprises and channel providers, we need to understand how this kind of Guanxi is destroyed. Some studies have shown that some negative events may destroy the good Guanxi for many years. In order to maintain the long-term good Guanxi, it is more important to prevent the damage of the Guanxi than to add the icing on the cake. Therefore, it is very important for enterprises to explore what is destroying the Guanxi between enterprises and channel providers.

Literature Review

When one enterprise thinks that another enterprise affects the realization of its own goals, conflicts will occur. Rahim (2002) clearly defined conflict as a kind of "incompatibility, inconsistency and disharmony reflected in the process of interaction within or between enterprises" [2]. Although some studies praised the value of functional conflict, many authors suggested that conflict should be reduced or resolved. Opportunistic behavior include attempts to abandon contracts. However, opportunistic behavior does not include egoistic action, such as negotiation[2]. Williamson defined opportunism as "cunning egoism", which is widely used. Opportunistic behavior includes concealing or wrong information, or failing to meet commitments. Williamson describes the concept of cunning as "lying, stealing, deceiving, deliberately misleading, distorting, pretending, confusing or other confusing", which makes it different. Therefore, the nature of opportunistic behavior is the factor of this kind of Deception. We use opportunistic behavior to express perception of the self-interest behavior in a deceptive manner. 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 important phenomenon in China. Guanxi is an invisible cultural phenomenon closely attached to people. Guanxi can't be separated, thrown away, seen or touched, but it really exists. There are two views in the definition of Guanxi. The first view is that the essence of Guanxi is resources that can help and support others. If you want to have Guanxi, you need money and emotional investment. The increase and decrease of Guanxi are directly related to the increase and decrease of this kind of capital, the resource perspective represents the definition that the Guanxi is a valuable thing which has the function of exchanging resources and is the individual social capital. The second view is that the Guanxi is the connection formed in the communication. Guanxi presents the interpersonal network with the path of human turn and the latitude of intimacy. The resource of the Guanxi is based on the connection. According to the representative definition of the connection point of view, Guanxi is a kind of psychological connection formed through communication between people, which has Guanxi an impact on both sides. This definition is more near the essence of Guanxi.

Hypothesis

From the perspective of channel destructive behaviors, we examine the impact conflict, opportunism on channel member flexibility, and analyze the effect of contract utilization, and then analyze the impact of contract utilization on Guanxi with channel partners.

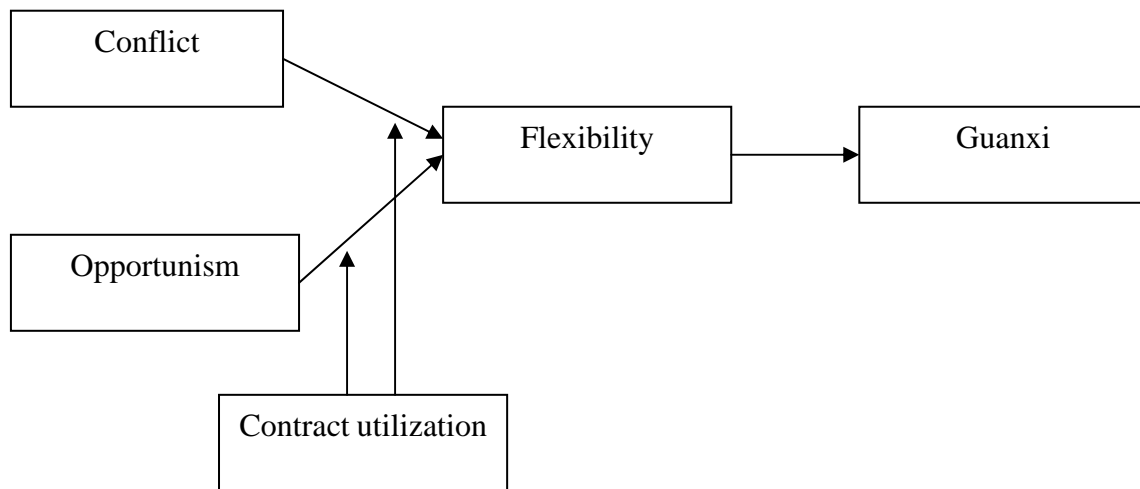


Figure 1. Research model

The flexibility of channel members can also be affected by conflict. In general, channel members respond to conflicts with emotional responsibilities and harsh responsibilities, which will have a negative impact on the flexibility of channel members. In the case of conflict, channel members may conceal information and resources and disagree with the requirements of adaptation, even if they realize that such behavior may be harmful to them (Griffith, Harvey, Lusch, 2006). Therefore, hypothesis 1 is proposed:

Hypothesis 1: the conflict of channel members has a negative impact on the flexibility.

If people find the seller's opportunism, they may be too tolerant and curb it [6]. This limitation and rigidity may reduce the flexibility of channel members. The consequences of opportunism include a reduction in flexibility. Opportunism can lead to punishment. Channel members use their time to punish opportunistic sellers and spend less time and energy to act flexibly. Partners should trust each other and rely on each other. If one party only considers short-term private interests, it will take opportunistic actions. The research shows that cooperation between the two parties can maintain a long-term trading relationship, thus bringing more long-term and more benefits to both parties, and the possibility of adopting opportunism is small. Therefore, hypothesis 2 is proposed:

Hypothesis 2: opportunities have a negative impact on the flexibility of channel members.

Flexibility help channel member to adjust so that they can make full use of resources between company, thereby improving performance. Flexibility is a response to change and unforeseen events. Johnson et al. (2003) proposed that flexible performance improves performance, and the company can take advantage of this flexibility when the opportunity comes. In the absence of opportunities, it actively helps the company to create its own opportunities[7]. They also believe that market-oriented flexibility improves Guanxi, and flexibility has a positive impact on Guanxi after a corporate crisis. Therefore, hypothesis 3 is proposed:

Hypothesis3: the flexibility of channel members has a positive impact on Guanxi of channel members.

Contracts is very important in business: they can clarify roles (Lusch and brown, 1996). However, unlike previous studies on contract management. people often rely on contracts to resolve conflicts. For example, business partners can use contracts to resolve disputes or to ensure that partners meet their obligations[8]. Contracts can help to suppress related negative effects by reducing behavioral uncertainty and encouraging compliance (cell and Frazier, 1996). Contracts may include promise that require the parties to work together to achieve same goal [9]. Therefore, the hypothesis is put forward:

Hypothesis 4: contract utilization restrains the negative influence of conflict on flexibility.

When the dealers make speculation, it will cause objective and possibly greater damage to the buyer's interests. Although the damage will include both economic and social aspects, the seller will be more sensitive and concerned about the economic damage, and the harm it brings will be more easily amplified. Therefore, when there is speculation in the dealers, the seller's vigilance to the dealers increases. In order to reduce the possible exploitation or attack, the manufacturers will tend to view all the behaviors of the manufacturers in a more negative perspective. The more detailed the contract is made, the more specific the punishment measures after the occurrence of speculation will be included. Then one party will be punished by the relevant provisions after the occurrence of speculation[10]. The other party hopes that the contract itself will constitute a restriction on the Speculator and reduce the impact on the flexibility of channel members. Therefore, we propose assumptions5:

Hypothesis 5:contract utilization restrains the negative influence of opportunism on the flexibility.

Method

The data in this study comes from companies (sellers) and their distributors (channel members). The products provided by the seller include electrical appliances, automobiles, clothing, computers, sports products, agricultural products, etc. The diversity of sample helps to reduce particular product category. Data from senior managers of distributors in Dalian, Shenyang, Guangzhou, Shanghai, Beijing and Jinzhou. A total of 280 questionnaires were distributed and 235 valid questionnaires were obtained, with an effective recovery rate of 75%. The above scales are all derived from mature research to ensure that they have good content validity and structural validity. We use statistical method to test common method deviation. the simplest is Harman single factor analysis. It's factor analysis of all constructs in your model. It doesn't need to rotate. It's just the simplest analysis to see the results. If the variance of the first principal component explanation accounts for less than 50% of the total variance, there is no serious common method deviation. the variance of the first principal component explanation accounts for less than 50% of the total variance, so there is no serious common method deviation.

Results

In order to assess model measurement quality, we used LISREL to test discriminate 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. Cronbach's alpha coefficient was used to measure reliability, 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 favour, and affect were specified as first-order factors. It was significant ($p < 0.000$) of the model's chi-square (592; 214 degrees of freedom). The TLI (0.92) 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 0.75, and the second-order was 0.84. This means the convergent validity was significant. The inter-correlations between face, reciprocal favor and affect were between 0.73 and 0.77, which means the discriminate validity was significant. The first-order factors' composite reliabilities were between 0.72 and 0.94, the second-order factors were between 0.77 and 0.86.

The dependent constructs' R^2 was calculated to assess the model. Independent variables were explained by the dependent variables, because the R^2 of flexibility was 51%. We illustrate the model's path coefficients in Table1, and all the results are acceptable. All the hypotheses are supported. For the impact of conflict and opportunism on flexibility, conflict has a significant effect ($p < 0.05$), Opportunism has a significant effect ($p < 0.05$). Further more, the main effect of flexibility on guanxi is supported ($p < 0.05$). Thus H1 and H3 are acceptable. Considering the moderating effects of interdependence, all the hypotheses are supported (H4: $p < 0.05$; H5: $p < 0.05$). So we can learn that contract utilization reduce negative influence of conflict on flexibility, contract utilization reduce negative influence of opportunism on flexibility.

Table 1. Regression Results

Effects	Independents	Hyp.	Dependents			
			Flexibility		Guanxi	
			Estimate	p-Value	Estimate	p-Value
Main effects	Conflict	H1	-0.11	0.01		
	Opportunism	H2	-0.18	0.00		
	Flexibility	H3			0.14	0.00
Interactions with Flexibility	Conflict	H4	-0.06	0.01		
	Opportunism	H5	-0.05	0.02		

Conclusions

This research shows that some negative events may destroy the good Guanxi for many years. In order to maintain the long-term good Guanxi, it is more important to prevent the damage of Guanxi than to enhance it like add the icing on the cake. Therefore, it is very important for enterprises to explore the factors that destroy private relations. The results shows that the results obtained in this study are consistent with theoretical analysis. conflicts and opportunism have significant negative impacts on flexibility. As the contract utilization increase, the negative influence of conflict on flexibility will decrease, and the negative influence of seller opportunism on the flexibility of channel members will decrease.

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