An Examination of Determinants and Performance Implications of Relational Norms in Supply Chains: Evidence from China

WANG Luning

A thesis submitted in partial fulfillment of the requirements for the degree of
Master of Philosophy

Principal Supervisor: Dr. SHI Xinping

Hong Kong Baptist University

January 2012
ABSTRACT

The concept of relational norms is gaining its popularity among Chinese firms seeking cooperation with other firms. Chinese enterprises are facing fierce competitions from both Chinese counterparts and international rivals. In order to compete with more power and synergy, firms are now proactively involved in cooperation with alliances. Thus, relational norms as one crucial mechanism to govern inter-firm relationships are receiving attention in both academic and practical fields. The concept of relational norms has also evolved from western context to a oriental circumstance. The flexibility, solidarity and information exchange required during cooperating constitute the major components of relational norms. Rich literature evidences the impact of relational norms on buyer-supplier channel relationships, while little support is available to the impacts on supply chain partnerships. This study proposes a research model and hypotheses to extend relational norms into supply chain paradigm, explores their impacts on supply chain performance in Chine context - an emerging marketing economy, and examines the moderating effects of Guanxi, environmental uncertainty and relationship specific investment on the inter-organizational relationships.

Drawing on previous literatures and empirical findings, an integrated model is developed to address determinants and consequences of relational norms. This study extends the transaction cost theory and social exchange theory into a supply chain context to model the impact of relation specific factors on supply chain performance (relational performance and operational performance). Inter-firm trust, resource complementarity as determinants of relational norms in the research model. In addition, moderators including guanxi, environmental uncertainty and relationship specific investment are comprehensively reviewed and articulated, and carefully measured.

I use survey to collect data from those supply chain boundary spanners and supply chain managers in China where relation specific factors are more prominent given its cultural uniqueness. In addition, I also consider how supply chain integration will play a role in this paradigm in order to bridge the relational outcomes with operational improvement. In this study, I deploy structural equation modelling (SEM) to verify the hypotheses. AMOS software package is used for data analysis, the mediating and moderating effect are examined using multiple regression which SPSS package is deployed in the study.

Most proposed hypotheses are found to be significant except moderating effects. The results show that inter-firm trust and resource complementarity are supportive to norms development. The positive impacts of relational norms on performance are also evidenced. This study also contributes to articulate the moderating roles of Guanxi and environmental uncertainty on the relationships. Additionally, we believe that the study also provides practical implications and directions for future research. We find both managerial implications and theoretical extensions for these social factors in supply chain perspective.

Keywords: Relational norms, resource based view, guanxi, inter-firm trust, firm performance
TABLE OF CONTENTS

DECLARATION ........................................................................................................ i

ABSTRACT ............................................................................................................... ii

ACKNOWLEDGEMENTS ...................................................................................... iii

TABLE OF CONTENTS ....................................................................................... iv

LIST OF FIGURES ............................................................................................... vii

LIST OF TABLES ................................................................................................... viii

CHAPTER 1 INTRODUCTION .............................................................................. 1

1.1 Research background ................................................................................... 2

1.1.1 Transaction cost theory .............................................................................. 2

1.1.2 Social exchange theory ............................................................................. 3

1.1.3 Extended Recourse Based View ................................................................. 4

1.1.4 Definition of relational norms .................................................................... 4

1.1.5 China as the context of study ..................................................................... 5

1.1.6 Supply chain as the context of study .......................................................... 6

1.2 Research questions and objectives ............................................................... 7

1.3 Contribution of this study .............................................................................. 11

1.4 Organization of the dissertation .................................................................... 15

CHAPTER 2 LITERATURE REVIEW .................................................................. 17

2.1 Relational norms ............................................................................................ 17

2.1.1 TCT and relational norms ......................................................................... 18

2.1.2 Major models and theories underlying relational norms ......................... 20
2.2 Studies on antecedents of relational norms ................................................. 21
  2.2.1 Inter-firm trust as determinant of relational norms ................................. 22
  2.2.2 Resource complementarity as determinants of relational norms ............ 25

2.3 Studies on performance implication of relational norms ............... 27
  2.3.1 Theoretical and empirical perspective underlying relational norms and
       firm relational performance ........................................................................... 29
  2.3.2 Theoretical and empirical perspective underlying relational norms and
       firm operational performance ....................................................................... 29

CHAPTER 3 RESEARCH OF RELATIONAL NORMS IN CHINA .......... 31
  3.1 Research of China specific factors .............................................................. 31
  3.2 Guanxi in China .......................................................................................... 31
  3.2 Guanxi and trust ......................................................................................... 34

  3.3 Contextual variables influencing relational norms in China ............. 35
  3.3.1 Environmental uncertainty ...................................................................... 35
  3.3.2 Transaction Specific Investment .............................................................. 36

CHAPTER 4 RESEARCH MODEL AND HYPOTHESE ............ 38
  4.1 Interview design and outline ...................................................................... 38
  4.2 Findings of the interview ............................................................................ 41
     4.2.1 Determinants of relational norms ......................................................... 41
     4.2.2 Performance implications of relational norms ..................................... 42
     4.2.3 Contextual factors influencing relational norms ................................. 43
  4.3 Theoretical model of the study ................................................................. 44
     4.3.1 Inter-firm trust as determinants of relational norms ............................ 46
4.3.2 Resource complementarity as determinants of relational norms ........ 49
4.3.3 Link between relational norms and performance .............................. 51
4.3.4 Contingency effect of guanxi, environmental uncertainty and TSI .... 56

CHAPTER 5 METHODOLOGY ................................................................. 64
5.1 Research design .................................................................................. 64
5.2 Measurement .......................................................................................... 66

CHAPTER 6 RESULTS AND DISCUSSION ............................................. 84
6.1 Descriptive information .......................................................................... 84
6.2 Data Analysis .......................................................................................... 86
   6.2.1 Reliability and Exploratory factor analysis ......................................... 86
   6.3.2 Construct validity ................................................................................ 87
6.4. Hypothesis testing .................................................................................. 93
   6.4.1 Determinants of relational norms ....................................................... 95
   6.4.2 Relational norms and performance link ............................................ 95
   6.4.3 Moderation test .................................................................................. 98

CHAPTER 7 IMPLICATIONS AND CONCLUSION .................................. 106
7.1 Discussion and implication ...................................................................... 107
7.2 Limitation and future research .............................................................. 112
7.3 Conclusion .............................................................................................. 114

REFERENCES ............................................................................................ 121
CURRICULUM VITAE ............................................................................. 133