

The Interface of Chinese Guanxi with Formal Organisational Role System in Chinese firm

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Outline

- Research Problem
- Literature Review
- Research Objective
- Methodology
- Findings
- Discussions



Background

Transfer of Western management in Chinese firms

- Involves formal organisational systems providing coordination and control (Westrup and Liu, 2008): **formal organisational role system**
- Constrained by Chinese culture (Gamble, 2006)

Chinese Cultural Practices of Guanxi

- Fundamental Characteristics of Chinese culture (Ma et al., 2014)
- **Informal interpersonal relationship** (Chen and Chen, 2004).
- Origin from Chinese culture of **Confucianism** and links with Chinese culture of **Collectivism** and **group harmony** (Law and Jones, 2009; Chow and Yau, 2010)



Background

Chinese Guanxi culture leads to relationship-based management system akin to Confucian principles

Western Management	Traditional Chinese Management
Formal processes and systems	Relationship-based system
Formal, rule-by-law obligations	Informal, rule-by-man obligations
Explicit organisational rules	High tolerance for ambiguity
Individualistic, merit-based performance	Group performance, Loyalty

(Yan, 2003; Leung and Kwong, 2003; Shalhoop and Sanger, 2012; Wright et al., 2000)

Background

Coordination Challenges in Chinese firm

- Guanxi undermines **procedural justice** and **merit-based competitiveness** of organisations (Chen et al., 2013)
- Guanxi is viewed as a **competing form of accountability** and control in foreign-invested firms in China (Yi-Feng et al., 2008).

However, does Guanxi has a potential to complement formal role coordination mechanism?

- Guanxi works as **informal coordination mechanism** in Chinese organisations (Child and Warner, 2003)
- Formal coordination mechanisms cannot satisfy emergent coordination demands and are reinterpreted in social interaction (Becky, 2006)




Literature Review

Limited literature on the interface of Guanxi with formal organisational role system:

- Guanxi has an impact on manager-subordinate social exchange (Wong et al., 2003)
- Guanxi promotes cooperation within and between teams (Wong, 2010; Chou et al., 2006; Liu, 2013)

But:

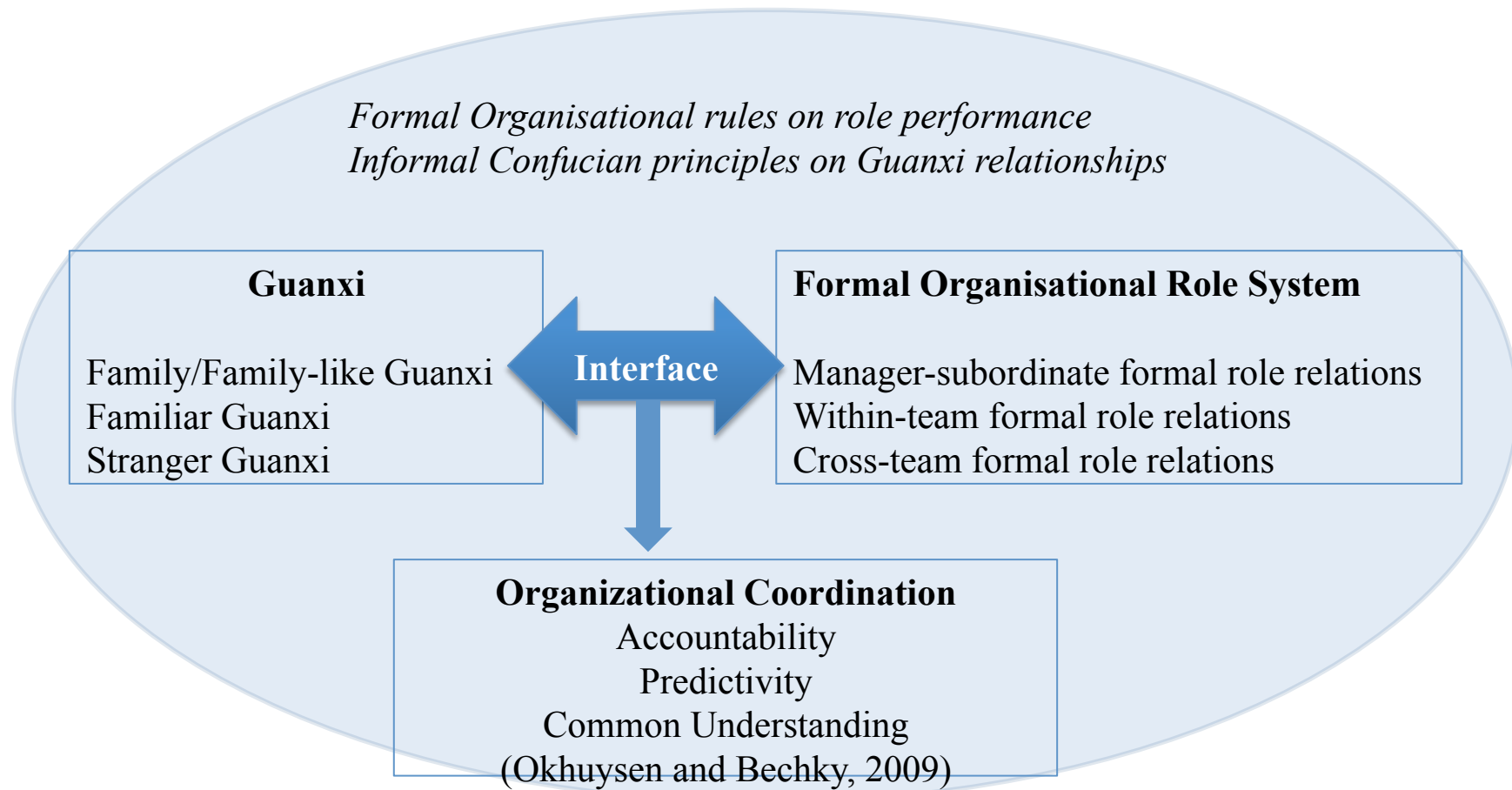
- Mainly based on **survey method**
 - **Fail to explain the mechanism** underlying the effects of Guanxi
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Literature Review

- Lack of literature on how formal and informal coordination mechanism **jointly affect** organisational coordination (Gloede et al., 2013)
- Lack of literature on how Guanxi overlaps and **interplays with formal organisational chart** (Chen et al., 2013)
- Lack of literature on how the influx of Western management practices **affects the working of Guanxi** (Zhu et al., 2008)

Research Question

How Guanxi intertwines with formal organisational role system to affect organisational coordination in Chinese firm?



Methodology

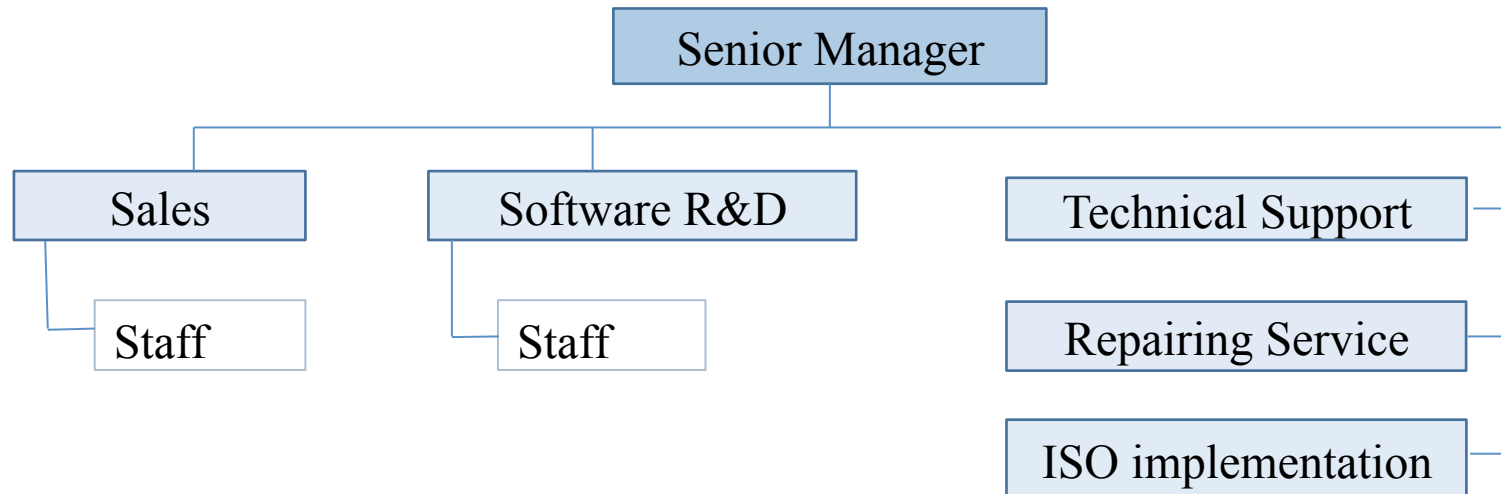
Case Study

- A medium private Chinese firm grown from micro enterprise in last ten years and currently implementing ISO standards

Semi-structured interviews

- 10 interviewees in differentiated roles

Formal organisational role system



Contribution

- Contributing to literature on how formal organisational role system and informal Guanxi interplay with each other
- Contributing to literature by mapping different types of Guanxi with formal role relations
- Examining how formal and informal mechanisms jointly affects organisational coordination, contributing to coordination literature
- Strong practical implications for integrating formal and informal mechanism for an enhanced coordination outcome



Q & A

Many thanks for your attention!

