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

<table>
<thead>
<tr>
<th>Western Management</th>
<th>Traditional Chinese Management</th>
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<tbody>
<tr>
<td>Formal processes and systems</td>
<td>Relationship-based system</td>
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<td>Formal, rule-by-law obligations</td>
<td>Informal, rule-by-man obligations</td>
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<td>Explicit organisational rules</td>
<td>High tolerance for ambiguity</td>
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<td>Individualistic, merit-based performance</td>
<td>Group performance, Loyalty</td>
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(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
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?

Formal Organisational rules on role performance
Informal Confucian principles on Guanxi relationships

Guanxi
- Family/Family-like Guanxi
- Familiar Guanxi
- Stranger Guanxi

Formal Organisational Role System
- Manager-subordinate formal role relations
- Within-team formal role relations
- Cross-team formal role relations

Organizational Coordination
- Accountability
- Predictivity
- Common Understanding
  (Okhuysen and Bechky, 2009)
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
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
Many thanks for your attention!