

CONFUCIAN PRINCIPLES, GUANXI AND JOINT ACTION IN A CONFUCIAN ROOTED SUPPLIER-DISTRIBUTOR DYAD CONTEXT

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Abstract

This research investigates the effect of Confucian principles on joint action, through a mediating role of *guanxi dynamics* in a supplier-distributor dyad. More specifically, the influence of core Confucian principles including *ren* (benevolence), *yi* (righteousness), *li* (propriety), *zhi* (wisdom),

and *xin* (trustworthiness) on *guanxi* dynamics of *mianzi* (face), *renqing* (favor), *ganqing* (emotion), and *xinren* (trust) are examined. This research also explores the relationships among *guanxi* components, as well as the important effects of *xinren* and *zhi* on joint action. Partial least squares (PLS) is employed to analyze the survey data collected from Taiwanese firms. The results show that core Confucian principles significantly affect *guanxi* dynamics and joint action. Specifically, suppliers' *yi* and *li* influence distributors' *renqing* and *mianzi*, respectively. Both suppliers' *ren* and *xin* affect distributors' *xinren*. Suppliers' *ren* also influences distributors' *ganqing*. Moreover, suppliers' *zhi* positively affects distributors' joint action. In the domain of *guanxi*, the findings reveal that suppliers' *mianzi* affects their *renqing* which in turn influence their *ganqing*. Similarly, distributors' *ganqing* toward suppliers positively influences their *xinren*. Importantly, when the *xinren* of distributors with suppliers is established, it will lead to a desirable joint action outcome. Based on the findings presented, theoretical and managerial implications are drawn

Key words: Marketing channels, Confucian principles, Guanxi, Joint action, China

Competitive paper

Introduction

China is currently the world's largest trading nation, the world's number one auto market, and the world's largest emerging economy (Bloomberg, 2013; Leung *et al.*, 2011; Reuter, 2010). Due to the rapid economic growth in China, a large number of multinational enterprises (MNEs) are seeking to penetrate the Chinese market through joint action with local partnerships to reduce risk (Calantone and Zhao, 2001). Prior studies, though limited, have indicated that joint action reduces uncertainty, decreases friction, mitigates safeguarding problems, and resolves conflicts (see, for examples, Homburg *et al.*, 2005; Mukherji and Francis 2008; Wildings and Humphries 2006), all factors that seriously inhibit the development of successful cross-border relationships (see, for examples, Gençtürk and Aulakh 2007; Leonidou, Barnes, and Talias 2006; Skarmees *et al.* 2008). However, in the early stage, such a strategy working jointly with Chinese partners may turn into a major hurdle for foreign enterprises. Prior research indicates that differences in cultural values will make joint action more complicated and eventually may affect the result of joint action (Keller and Loewenstein 2011; Rose-Anderssen *et al.* 2011). *Guanxi* (Chinese relationship) has long been recognized as one of the major factors for success when conducting business in China (Hwang *et al.*, 2009). In the context of China, business activities have been epitomized by *guanxi* that has been viewed as an idiosyncratic cultural phenomenon where Confucianism is the major life philosophy (Leung *et al.*, 2011; Wong, 2007). In fact, Confucianism had been the mainstream of traditional Chinese ideology and provided a foundation for Chinese culture and society. To a great extent, it has shaped the spiritual course of development of Chinese culture (Liu, 2012). In

the fact of internationalization and globalization, there is no suggestion that Confucianism will lose its impact on modern Chinese society (Lu and Ma, 2011). Thus, it is important to examine the influence of Confucianism on joint action which can help MNEs become aware of and improve successful opportunities in entering the Chinese market. Nonetheless, a review of related literature has revealed that studies focusing on this issue are still limited.

In view of the significance of the subject matter and the scarcity of the literature, the current research aims to fill in this gap by investigating the effect of Confucianism on joint action between a supplier-distributor dyad through a mediating role of *guanxi*. More specifically, this research studies the influence of the core Confucian philosophy, Five Principles which include *ren* (benevolence), *yi* (righteousness), *li* (propriety), *zhi* (wisdom) and *xin* (trustworthiness), on *guanxi* dynamics of *renqing* (favor), *mianzi* (face), *xinren* (trust), and *ganqing* (emotion), which in turn have an impact on joint action. Previous research shows that *guanxi* is developed in the uncertain environment for overseas direct investment (Abramson and Ai, 1999) since it can provide an assurance against uncertainty and assistance when problems arise (Fan, 2002). Therefore, *guanxi* relationships based on trust and mutual benefits are an essential foundation for business (Cheng *et al.*, 2012). As such, the current research provides several contributions for scholars and practitioners. Regarding theoretical contributions, this research sheds light on the impact of Confucianism on joint action in a supplier-distributor dyad in Chinese contexts. Moreover, it is one of pioneer works to empirically demonstrate that the core Five Principles of Confucianism significantly influence *guanxi* dynamics. With respect to practitioners, this research provides a framework to help MNE managers better understand Chinese culture and Confucianism, and comprehends that it is very necessary to apply the Five Confucian Principles and set up a *guanxi* network for being successful in entering the Chinese market, as well as penetrating other markets that have Confucian values.

The rest of this paper is structured as follows: First, the authors review the conceptual background and propose the research hypotheses. The following section discusses the methodology and then presents an analysis of the data. The paper concludes with a discussion of theoretical and managerial implications and potential avenues for further research.

Conceptual background and proposed research hypotheses

Confucian Principles

Confucianism is a philosophy or theory of social relations that provides a set of guidelines for proper behavior or conduct in Chinese culture (Jing and Fu 2001). Generally, in order to judge/assess the appropriate conduct of each subject in a relationship, the advocates of Confucianism employ five virtues which include *ren* (humanity/benevolence), *yi* (righteousness), *li* (propriety), *zhi* (wisdom), and *xin* (trustworthiness) (Yan and Sorenson, 2004).

Ren refers to a capability of compassion or benevolence for fellow humans and is basically expressed in social relations (Ip, 2011). Etymologically, *ren* is built up from the structure of the words “human” and “two,” accordingly the fundamentally social embeddedness of *ren* is emphasized. The application of this capability leads to *ren* attitudes and ethical emotions, and then *ren* actions and behaviors (Ip, 2009).

Yi means that a person must pay back for favors received, and sometimes even repay with a higher value than the favors done for him (Hwang and Staley, 2005). In Confucian societies, people are encouraged to cultivate these reciprocal behaviors, so as to become a righteous person (*yi-ren* in Chinese) (Hwang *et al.*, 2009).

Li stands for rites or ceremonial propriety. The term “*li*” is interpreted as “ritual, decorum, good manners and proper conduct and indicate appropriate behavior in the essential relations” (Cua, 2002). Also, *li* implies that the internal and external factors of human life have a connection, incorporation, and are indivisible, *thus* it highlights ethical obligation and dutiful behavior (Steffen, 2012).

Zhi represents the self-conscious active power of decision-making and that is based on the recognition of a goal, and thus expresses more than a common will but a will to value (Cheng, 2004). *Zhi* comprises not only learning, but also the recognition of the manner and a capacity to understand situations precisely and make accurate assessments (Woods and Lamond, 2011).

Xin is regarded as loyalty to one’s superiors in hierarchical relationships and also indicates loyalty to moral principles, to ritual and social rules of propriety (Despotidou and Prastacos, 2012). However, the focal point of *xin* pertains to standing by one’s promise, or, more deeply, being a reliable support for others (Woods and Lamond, 2011).

Guanxi and its dynamics

Guanxi

The concept of *guanxi* is frequently discussed in terms of four closely related constructs, including *renqing* (favor), *mianzi* (face), *xinren* (trust) and *ganqing* (emotion) (e.g., see Rui *et al.*, 2011; Shou *et al.*, 2011; Yang and Wang, 2011, Yen *et al.*, 2011). These four constructs collectively reflect the quality of *guanxi* (Bedford, 2011; Yen *et al.*, 2011).

As the traditional Chinese word, *renqing* generally resembles the word ‘favor’ in English and can be perceived through the stable exchange of favors in the form of providing gifts. *Renqing* goes along with the strict regulation of reciprocity, which is highlighted in the Confucian philosophy (Barnes *et al.*, 2011).

Mianzi is conceptualized as the recognition by others of a person's social standing and position (Liao and Wang, 2009). In Confucian societies, it is critical to protect an individual's *mianzi* (i.e., dignity and prestige) because the need for *mianzi* is inherent in several aspects of personal and interpersonal relationship development. Consequently, saving *mianzi* is a shortcut

by Chinese to develop their network and access to other's social resources. As a result, *mianzi* is a key component in the dynamics of *guanxi* (Buckley *et al.*, 2006).

Ganqing denotes the feelings of emotional attachment among members of networks (Barnes *et al.*, 2011), and is considered as an indicator of the closeness of *guanxi*. In a business relation, *ganqing* is typically formed through a socialization process wherein members of *guanxi* share their thoughts towards general subject matters (e.g., experiences, judgments, and opinions, etc.) (Shi *et al.*, 2011).

Xinren is a Chinese word pertaining to trust. It concentrates on the interpersonal dynamics and means credibility and benevolence between individuals (Barnes *et al.*, 2011). In a *guanxi* network of businesses, *xinren* is steadily built up among members of the network, through replicating behaviors of favor-exchanges (Yen *et al.*, 2011).

Joint action

In business-to-business relationships, joint action refers to the degree to which the involved parties carry out focal transaction activities in a cooperative and coordinative manner to achieve their individual or common objectives (Johnston *et al.*, 2012). Joint action occurs when the organizational boundaries of business partners are interpenetrated (Heide and John, 1990) so that the parties engage in joint decision making and problem solving (Nielson, 1998).

Confucianism and Guanxi relationship

Confucianism is described as long-term orientation which refers to the acceptance of the legitimacy of hierarchy and harmony, the valuing of perseverance and thrift, all without undue emphasis on tradition and social obligations. The values that have been appreciated by the advocates of Confucianism include affection, trust, commitment, and mutual benefit investment among members of a network (Lin, 2011; Wang, 2007). According to Tsang's (1998) study, a *guanxi* network may not have its own value, scarcity, and the characteristic of not being able to be completely imitated; it basically may not provide any competitive advantages to enterprises as a consequence. Instead, these characteristics need accurate recognition and long-term cultivation of *guanxi*. Thus, the maintenance of *guanxi* necessitates long-term efforts of affection, trust, commitment and mutual benefit investment. Moreover, in Chinese societies, *guanxi* is a unique cultural construct which is considered as a product of Confucian values (Wong, 2010). Therefore, it is possible that some of the Confucian principles/virtues may have a positive influence on *guanxi* (Lin, 2011). Based on the above arguments, this study proposes the following hypotheses:

H₁: The higher the supplier's *ren* is, the higher the distributor's *ganqing* with the supplier will be.

H₂: The higher the supplier's *ren* is, the higher the distributor's *xinren* towards the supplier will be.

H₃: The higher the supplier's *yi* is, the higher the supplier's *renqing* perceived by the distributor

will be.

H₄: The higher the supplier's *li* is, the higher the *mianzi* perceived by the distributor will be.

H₅: The higher the supplier's *zhi* is, the higher the distributor's ganging with the supplier will be.

H₆: The higher the supplier's *xin* is, the higher the distributor's *xinren* towards the supplier will be.

Relationship among guanxi dynamics

Being an essential factor for *guanxi* development and maintenance, *mianzi* is a social asset and can be banked and exchanged for favors at times (Leung *et al.*, 2011). Saving *mianzi* is an important activity for the Chinese in their social lives (Tsang *et al.*, 2013). Besides, they also need to save others' *mianzi* in addition to their own because saving others' *mianzi* implies *renqing* giving (Tsang *et al.*, 2013) or demonstrates a person "know *renqing*"-meaning that a person can understand and empathize with other's emotions-is seen as an appropriate social behavior (Hwang, 1987). Prior research indicates that *mianzi* has a positive effect on the formation of *renqing* (e.g., see Hwang, 1987).

In connection between *renqing* and *ganqing*, prior study indicates that *renqing* plays an important role in the development of the feeling component of *guanxi*, which is *ganqing* (Bedford, 2011). More specifically, when considering Chinese family relationships, *renqing* has a place in a lineage relationship while *ganqing* is established on pedigree and lineage is extremely tight and unbreakable (Leung *et al.*, 2008). Nonetheless, this kind of relationship may not exist between new friends, especially in business relationships. Therefore, an MNE manager may need to carry out *renqing* in order to create *ganqing* with his Chinese partnerships at the first business stage because *renqing* is a valuable social technique for managers to set up an instrumental tie with them (Leung *et al.*, 2011).

Ganqing is described as an expressive tie emerging from an accretion of *renqing* through various human connections (Leung *et al.*, 2011) and the deeper level of *xinren* is established on emotional or *ganqing* ties (Rugimbana and Nwankwo, 2003). As a result, the summary of *ganqing* may lead to *xinren* (Zhai *et al.*, 2012). In fact, previous research has showed the positive influence of *ganqing* on *xiren* (e.g., see Leung *et al.*, 2011).

Based on the above discussions, the current research postulates the following hypotheses:

H₇: The higher the *mianzi* perceived by the distributor is, the higher the supplier's *renqing* perceived by the distributor will be.

H₈: The higher the supplier's *renqing* perceived by the distributor is, the higher the distributor's *ganqing* with the supplier will be.

H₉: The higher the distributor's *ganqing* on the supplier is, the higher the distributor's *xinren* with the supplier will be.

Guanxi and Joint Action

Guanxi relationships are characterized by shared goals and cooperation and can lead to improved cooperation and coordination when based on strong ties (Fu *et al.*, 2006). A study of Barnes *et al.* (2011) indicates the significant impact of *guanxi* dynamics (i.e., *renqing*, *ganqing*, and *xinren*) on cooperation and coordination. This study showed that a high level of *xinren* will lead to both increased cooperation and coordination in the relationship. As stated by Sheu *et al.* (2006), persons who confide in each other are likely to share ideas, exchange information, make clear goals and problems, consider the relationship with a problem-solving orientation, and more willing to cooperate and coordinate their actions. Therefore, in case of joint action that may arise when the organizational boundaries of business partnerships are interpenetrated, and joint decision making and problem solving the parties may engage in, the current research proposes the following hypothesis:

H₁₀: The greater the distributor's *xinren* with the supplier is, the higher the joint action between the two sides will be.

Study I: Scales development of the five Confucian principles

Item generation and refinement

Based on an extensive literature review and experts' opinion, an initial list of the individual five Confucian principle scale items was formed. First of all, this research conducted a thorough literature review to collect existing/equivalent scale items of the five Confucian principles. An initial list of 71 items was generated. Then, five Taiwanese experts in Confucian philosophy were requested to have a personal in-depth interview, thus to add more items, if necessary, and to adjust these existing items to fit the Confucius cultural societies. These five experts helped to clarify the five Confucian principles including *ren*, *yi*, *li*, *zhi* and *xin*, as well as the in probing on aspects and terms that would be equivalently translated into English. Based on their comments and suggestions, this research removed or rephrased problematic items. This process resulted in a list of 28 items.

Scale construction and reliability

Next, since the field study would be conducted in Taiwan, 80 Taiwanese EMBA students were invited to participate in a polite test to test these 28 items, thus to generate reliability of the initial scale structure and scale items. These 80 EMBA students did not participate in the main data collection. The items were factor analyzed using a principle component analysis with Varimax rotation which aimed at establishing the principal constructs of those Confucian principles. An iterative process eliminated items that had a factor loading below 0.50, high cross-loading above 0.40, and low commonalities below 0.30 (Hair *et al.* 2009). The exploratory factor analysis (EFA) resulted in 25 items, out of 28 items, with a five-dimension/factor solution, with a cumulative explained variance of 69.0%. The five factors were consistent with the description of the five Confucian principles, termed as *ren*, *yi*, *li*, *zhi* and *xin*. The Cronbach's α for all the five

factors/constructs were all above the threshold of 0.70 recommend by Nunnally (1994).

Validity

This study proceeded with the scale validation by testing for discriminant and nomological validity. Since the theory for a nomo-logical framework is limited (Rapp *et al.* 2013), this study argued that there was causal relationship between five Confucian principles and *quanxi* dynamics, including *ganqing*, *renqing*, *mianzi*, and *xinren*. Consequently, this research created causal framework and found that all four factors of *quanxi* dynamics offered acceptable reliability (Cronbach $\alpha > 0.70$). This research then performed confirmatory factor analysis (CFA) using the LISREL 8.80 statistics software package to evaluate the overall fit of five Confucian principle scales in the presence of the other constructs. All the goodness-of-fit value was acceptable (RMSEA < 0.08 , NFI > 0.90 , NNFI > 0.92 , CFI > 0.91 , and IFI > 0.90).

To assess the discriminant validity, this study compared the square root of the average variance extracted (AVE) with the correlation among constructs. The results showed that the square root of the AVE value for each scale was higher than the construct's respective correlation with all constructs. All the AVE values were above threshold of 0.50 (Fornel and Larcker, 1981).

Study II: Testing the conceptual framework

Data collection

The data were collected from Taiwanese firms/distributors that had business relationships with MNEs across various countries. In this research, MNEs refer to selling firms that originate from foreign countries other than Chinese societies. The Taiwanese firms are import agents and distributors in different industrial sectors who had direct and active working relationships with MNEs. Taiwan was chosen as a suitable context for the current research because it has a strong Confucian cultural background (Barnes *et al.*, 2011), as well as a strategic position for western firms, as a significant market in its own right and as a springboard for China (Chen, 2001). Taiwan has a traditional Chinese heritage and is sometimes known as the “little brother” of China, and the business etiquette in Taiwan conspicuously follows Confucian and *guanxi* principals, and, in fact, one of the earliest articles on this subject matter, written by Jacobs (1979), was based on research in Taiwan. Economically, according to WTO (2011), Taiwan ranked the 17th largest importing and the 16th exporting economy in the world, moreover its per capita GDP and household disposable income rank among the highest in Asia (US Foreign Commercial Service and D.O.S., 2006).

To collect data for testing the proposed research hypotheses, 215 distributors were targeted and the main research's questionnaire consisted of three sections: the first part consisted of generic questions about the firm's profile, general business activities, and details of the relationship with a typical MNE. In the second part of the questionnaire, 52 questions measuring

the ten constructs were listed using seven-point Likert scales, ranging from strongly disagree to strongly agree (see also the “scale and measurement” subsection). Finally, section three consisted of key informant questions and contact details. 215 questionnaires were distributed, 210 were successful returned, and 200 completed forms were eventually used for the analysis.

Measures

As mentioned in Study I, except for the scales of the five Confucian principles including *ren*, *yi*, *li*, *zhi* and *xin* which were self-developed in this research, the measurement of the other constructs were adapted and slightly modified from established studies. All the constructs were reflective and measured via a series of between 3 and 7 multi-item seven-point Likert-type scales, ranging from strongly disagree to strongly agree. The EFA results indicated that each of the five Confucian principles (i.e., *ren*, *yi*, *li*, *zhi* and *xin*), as the antecedents of the model, were measured by a 5-item scale index. The mediators, *guanxi*, include four constructs of *mianzi*, *renqing*, *gangqing* and *xinren* in which the measurement of *gangqing* and *renqing* were 7 and 6-item scales indexes, respectively, adapted from Barnes *et al.* (2011). Whereas that of *mianzi* was a 4-item scale taken from Mavondo and Rodrigob (2001) and *xinren* was a 7-item scale borrowed from Doney and Cannon (1997). The final outcome variable, joint action was measured by a 3-item index drawn from Heide and John’s (1990) study.

To eliminate possible sources of systematic errors that may bias the analysis results, some control variables such as relationship length, firm size, and firm age were included as well. Consistent with Skarmeas *et al.* (2008), relationship length refers to the number of years the distributor and its typical MNE have been doing business with each other, while firm size is communicated as the number of employees. Firm age was operationalized as the number of years the firm had been doing business. All three are reported to affect exchange relationships in prior international channel research (Johnson *et al.*, 2009; Skarmeas *et al.*, 2008).

As the data was collected in Taiwan, the measures were translated into the local language using a double back-translation procedure to verify its content. Bilinguals translated the questionnaire into the target language (i.e., Chinese Mandarin), and other translators then back-translated this version into the source language (i.e., English). The original and back-translated versions were compared and made modifications until no differences existed.

Data analysis and results

This study used Partial Least Squares (PLS) - specifically, the software application *SmartPLS* (Ringle *et al.*, 2005) - for the analysis of scale accuracy, the structural model, and the research hypotheses.

Data analysis and results-Scale accuracy analysis

The accuracy testing results of PLS indicated that all the constructs of the structural research model had acceptable scale reliability indexes which were above their respective thresholds of

Cronbach's alpha coefficient of 0.7, a composite reliability (CR) index of 0.7, and an average variance extracted (AVE) value of 0.5. Besides, the convergent validity of those constructs was examined via the respective factor loadings of all scale items on their corresponding constructs, and all item loadings exceeded the threshold value of 0.7. After that, discriminant validity was tested in three ways, including the assessment of correlation values, AVE values, and factor structure (using EFA). First, all correlation values were less than 1 by an amount greater than twice their respective standard error. Second, the square root of the AVE value for each scale was higher than the construct's respective correlation with all other constructs. Third, we conducted an EFA. As a result, all items loaded on their intended factors, and there was no item cross-loading. The nonexistence of cross-loading was also confirmed by the results of PLS analysis, while a confirmatory factor analysis confirmed the factor structure obtained with exploratory factor analysis. Thus, both convergent and discriminant validity were evident.

Moreover, in order to avoid common methods bias which poses a threat to the analysis and interpretation of the data, the approach adopted by Podsakoff *et al.* (2003) was employed to verify the precursor variables (i.e., antecedents and mediators) using principal components analysis. No serious problems occurred, as the result suggests five individual Confucian principles, four *guanxi* mediators - no one general factor emerged to account for most of the covariance when testing those precursor variables. Thus, common method variance did not appear to be a problem in our research.

Data analysis and results-Hypotheses testing

The model fit of the proposed structural model was assessed by an evaluation of R-square, followed by a bootstrapping re-sampling procedure (500 samples) to test the proposed hypotheses using t-tests. The R-square value for joint action was 0.712, suggesting 71.2% of the variance in the final outcome variable, while the R-square values for *mianzi*, *renqing*, *gangqing* and *xinren* were above .400. The R-square values were between moderate and high (Hair *et al.*, 2011), indicating a satisfactory and substantive model.

The bootstrapping re-sampling analysis results indicated that all hypotheses coefficients were statistically significant and in the proposed direction. Therefore, the results supported all the hypotheses. Furthermore, analysis of the control variables revealed that firm size had a significant effect, while relationship length and firm age had significant effects on joint action.

Conclusion

In Chinese societies, Confucian principles play a very important role in establishing *guanxi* among business firms, which in turn affects their joint action. Thus, understanding those principles and relational concepts specific to the Chinese business environment is very essential for MNEs who want to build up business ties with Chinese firms. The current research extends the current literature by developing new scales for the five Confucian principles including *ren*, *yi*,

li, *zhi* and *xin* which are very helpful for academicians when operationalizing and measuring these constructs. Moreover, this research provides insight into the effects of those principles on joint-action through another Chinese literature's constructs of *guanxi* (i.e., *mianzi*, *renqing*, *ganqing* and *xinren*). The findings reveal that five core Confucian principles have significant effects on *guanxi* dynamics. In particular, MNEs' *yi* and *li* are positively associated with Chinese importers' *renqing* and *mianzi*, respectively. Both MNEs' *ren* and *xin* significantly increase importers' *xinren*. MNEs' *ren* also has a positive impact on importers' *ganqing*. Within the domain of *guanxi* dynamics, the findings reveal that importers' *mianzi* considerably affect their *renqing* which in turn influences their *ganqing*. Similarly, importers' *ganqing* has a positive effect on their *xinren*. Importantly, if MNEs behave with *zhi* and when there is *xinren* of Chinese importers established with those MNEs, then effectiveness of joint action is attained.

The research findings imply that joint-action between MNEs and Chinese importers can be achieved directly through the improvement of the Chinese partners' *xinren* and *zhi*. However, in order to gain *xinren*, MNEs should develop their *ren* and *xin*, which facilitate the Chinese partner's *ganqing*, and then increase *xinren*. MNEs can also build up their *yi* and *li*, so as to acquire *renqing* and *mianzi* from Chinese firms, which in turn increase *ganqing*, and eventually achieve joint action of those firms. In short, the managerial implication of the current research is that MNEs' managers should understand Chinese culture and Confucianism better, and comprehends that it is very necessary to apply the Five Confucian Principles as well as set up a *guanxi* network for being successful in penetrating and running business in the Chinese market, plus entering other markets that have Confucian values.

Although this research has contributed to the channel literature by extending several relational constructs into the context of *guanxi* network and Confucianism, some cautions should be noticed when interpreting the results. As data were collected solely from importers, the findings fail to consider those views from MNEs. Future research can therefore be undertaken at an international dyadic level to identify whether there is any difference between different data collection perspectives. Moreover, the data collection of this research is from Taiwanese firms only, then the generalization of the research findings is limited, the development and validity testing of Confucian concepts and *guanxi* should be therefore validated in other Confucian societies such as mainland China, Japan, Korea, and Vietnam.

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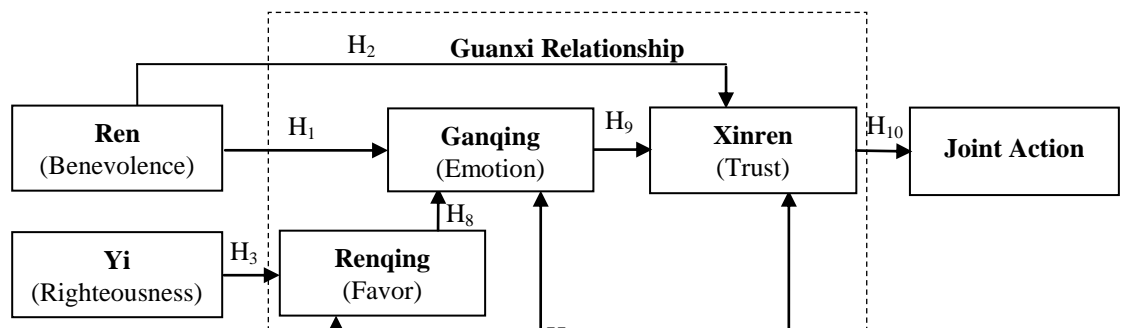
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Confucius Five Principles Application	The Development of Guanxi Relationship	Relationship Consequence
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Figure 1: Research framework and proposed hypotheses