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The Role of Chinese *Guanxi* and Arabic *Wasta* in Attracting and Maintaining Customers' Relationships: A Comparative Study

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Abstract

This paper proposes and empirically tests a novel model that links Eastern derived personal-type relationships, Chinese *guanxi* and Arabic *wasta*, to Western relationship marketing and develops theoretical and managerial implications of such linkages. The model uses *guanxi* and *wasta* as a means to attract and recruit potential new customers to the organization. The paper shows how to build organizational relationships with customers beyond the employee-customer dyad to maintain and enhance customer relationships over time. Based on a large-scale survey administrated in China and the Middle East, the initial findings show that *wasta* and *guanxi* enhance relationship marketing variables and relationship quality. The initial findings also suggested that the proposed model will help organizations avoid the pitfalls of solely applying *guanxi* or *wasta* and thus losing connections with customers when employees leave. The paper also shows how to adapt relationship marketing to non-Western cultural characteristics and problems, such as a lack of trust, in less capitalist economies, like China and the Middle East. As such, this study offers new and valuable insights for both Western firms, which tend to apply relationship marketing only, and non-Western firms, which tend to employ only *wasta*.

Keywords: Personal relationship, *Guanxi, Wasta*, Relationship marketing, Relationship quality, Customer retention

Introduction:

Establishing, developing and maintaining quality relationships with customers is important when conducting business around the world, especially in complex and highly competitive markets (Ndubisi and Wah, 2005; Weir et al., 2016). However, building and developing such relationships around the world vary across cultures, with notable differences between the East and the West (Flambard-Ruaud, 2005; Weir et al., 2016). In part, these differences can be explained by what Lusch and Vargo's argued to be "…..relationship value is always uniquely and phenomenologically determined by the consumer" and is also idiosyncratic, contextual and meaning driven (Vargo and Lusch, 2008). Hofstede (1991) stressed the importance of an inter-cultural approach in business as the cultural variations have a crucial effect on all elements of business. As such cultural factors could play an important role in understanding the contextual background of initiating and developing relationships with customers (Gilbert and Tsao, 2000).

Given the importance of culture, it is surprising that the vast majority of literature in customer relationships has been examined through the lens of Western individualist cultures without taking in the consideration the way which social networks are formed in other parts in the world (Ledeneva, 2018). There have been numerous calls to redress this balance with scholars calling for research in different cultures. For example, Abosag and Naude (2014), Berger et al. (2015), Sudani and Thornberry (2013) and Weir et al. (2016) call for further inquiries into the manner in which personal relationships and networks influence business relationships in the Arab world and the practice of *wasta*. Quite apart from a reexamination of linkage of *wasta* to Western management theories, Weir et al. (2016) argue that an inquiry into the role of interpersonal relationships in the development of relationship marketing strategies in collectivist Eastern cultures is timely, given the perceived importance of interpersonal relationships.

Extant research highlights an association between informal social networks or (e.g. Chinese *guanxi*) and relationship marketing strategies, emphasising the importance of the link between

them, and advises that managers can use the linkages between the approaches to achieve business impact and improve customer recruitment and retention (Geddie *et al.*, 2002, 2005, Shaalan et al., 2013). Others recommend the importance of transferring the type of personal relationships involved in informal social networks from the inter-personal level to the organisational level (Flambard-Ruaud, 2005; Zhang and Zhang, 2006, Shaalan et al., 2013). Research also suggests a beneficial association between personal-type relationships found in specific cultures (e.g., Arabic *wasta or Chinese guanxi*) and relationship marketing and called for empirically test a model linking those types of relationships (Flambard-Ruaud 2005; Geddie et al., 2002, 2005; Shaalan *et al.* 2013). Despite some previous attempts to compare and link the concepts of relationship marketing and personal-type relationships (e.g. *guanxi*) (e.g., Shaalan et al., 2013), the exact roles played by these two different types of relationships and its underlying dimensions, particularly their impact on business in general and the customer relationship quality and retention, are still not clear or well understood and not empirically tested.

Against this background, our objective is to examine the role that Arabic *wasta* and Chinese *guanxi* play in business, in attracting, building and retaining customer relationship behaviors. Specifically, we explore how firms can apply *wasta* and *guanxi* to enhance the attraction of customers to the firm, use them to develop and maintain relationships with customers.

Method

Sample and Research Instrument Development: Measures

The target population of this study are customers of SMEs in the trade and service sector in China and 5 countries in the Middle East (Egypt, Jordon, Kuwait, Tunisia and Dubai) who were introduced to the company by a member of the staff. Full details about the data collections will be provided after the data collection completion.

The constructs in our study were measured with multiple-item scales adapted from previous studies and all the items were operationalized using a five-point Likert-type scale. First, in conceptualizing the *wasta*, we used the scale developed by Berger et al., 2015. Second, all relationship marketing factors were borrowed and/or adapted from De Wulf, Odekerken-Schrööder and Iacobucci (2001), Morgan and Hunt (1994), Ndubisi (2007), Ndubisi et al. (2007), Ndubisi and Wah (2005), Sin et al. (2002) and Yen and Barnes (2011). Third, in conceptualizing the relationship quality, the study used the Ndubisi scale (2007). Finally, the customer retention measures came from De Wulf et al. (2001), Liang, Chen and Wang (2008), and Palmatier et al. (2009). The questionnaire was also designed to seek if customers would move their patronage to another company (and why) if the person who had introduced them to the company, left their employment. The objective of this was to identify if the company had built a sufficiently good relationship with the customer for them to be able to transfer the personal type of relationships to an organizational relationship.

Data Analysis Technique and Process

The quantitative data will analyze using successive phases. First, descriptive analysis, which included respondents' characteristics, will conduct. Second, to ensure reliability, composite reliability (CR) and Cronbach's alphas will assess for all constructs. In the next phase, the confirmatory factor analysis (CFA) served to test construct convergent and discriminant validity. Finally, structural equation modelling (SEM) with AMOS v.18 will be used to test the causal relationships between the research variables. SEM is the only data analysis technique

that permits simultaneous and complete tests of all relationships of a multi-dimensional and complex phenomenon (Tabachnick & Fidell, 2007).

Findings

The initial findings based on the data collected so far from China and one Arab country (Egypt) shows that both *wasta* and *guanxi* enhance relationship marketing variables and relationship quality. The initial findings also suggested that the proposed model will help organizations avoid the pitfalls of solely applying *guanxi* or *wasta* and thus losing connections with customers when employees leave.

We hope that by the time of the conference in September we will be finished the data collection and analysis to present the full set of findings along with the discussion.

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