

# Guanxi and relationship-based governance in hospitality supply networks: A comparative analysis of business relationships in hotel management

Li Yi<sup>1</sup>, Mohd. Shazali Md. Sharif<sup>2\*</sup>, Tuan Ahmad Tuan Ismail<sup>3</sup>,  
Faradewi Bee A. Rahman<sup>4</sup>

<sup>1,2,3,4</sup> Faculty of Hotel & Tourism Management Universiti Teknologi MARA Campus Puncak Alam ,  
42300 Bandar Puncak Alam, Selangor Malaysia

---

## ARTICLE INFO

### *Article history:*

Received 23 August 2025

Revised 15 January 2026

Accepted 01 April 2026

Online first

Published 30 April 2026

---

### *Keywords:*

Guanxi

Relational governance

Cross-cultural comparison

Hospitality supply networks

Social capital

---

## ABSTRACT

Interpersonal relationships play a critical role in shaping cooperation within hospitality supply networks. In hotel management, supplier relationships often extend beyond transactional exchange and involve long-term coordination, trust formation, and informal governance mechanisms. Within the Chinese context, these dynamics are frequently structured through Guanxi, a culturally embedded system of reciprocal and socially grounded relationships. Although Guanxi has been widely examined in international business research, limited attention has been given to how it compares theoretically with other relationship-based governance systems operating in hospitality settings across different institutional environments. This conceptual paper addresses this gap by developing a comparative relational governance framework that situates Guanxi alongside professional networking and reputation-based trust mechanisms commonly observed in other business cultures. The analysis argues that while Guanxi shares functional similarities with broader relational governance practices, it differs in three theoretically significant dimensions: the institutionalization of reciprocity obligations, the embeddedness of hierarchical social norms, and the integration of personal and professional spheres within supply relationships. By clarifying these distinctions, the study contributes to hospitality management literature in two ways. First, it refines the conceptual boundaries between culturally embedded Guanxi networks and more market-oriented relational governance mechanisms. Second, it advances understanding of how institutional and cultural contexts shape hotel-supplier coordination strategies.

---

<sup>2\*</sup>Corresponding author. *E-mail address:* shazali@uitm.edu.my

---

The findings offer theoretical implications for relational governance research and practical insights for hotel managers operating in culturally diverse supply environments. By distinguishing between culturally specific and universally applicable relational mechanisms, the study enhances strategic decision-making in hospitality supply network management.

---

## 1. INTRODUCTION

Inter organizational relationships play a crucial role in shaping cooperation within hospitality supply networks. Hotels rely heavily on long-term partnerships with suppliers, distributors, and service providers to ensure operational efficiency and service quality. In such contexts, business interactions often extend beyond formal contracts and involve informal mechanisms such as trust, reputation, and interpersonal connections.

Within the Chinese business environment, these relational mechanisms are commonly conceptualized through the notion of Guanxi. Guanxi refers to a system of interpersonal relationships characterized by reciprocity, mutual obligation, and long-term social exchange. Rooted in Confucian cultural traditions, Guanxi emphasizes the maintenance of harmonious relationships and the fulfillment of reciprocal expectations between individuals.

Although Guanxi has been widely studied in international business research, scholars continue to debate whether it represents a uniquely Chinese cultural phenomenon or a culturally embedded form of relational governance similar to networking systems found in other societies. Previous research has explored various relationship-based systems across cultures, including networking in Western economies, kinship-based ties in South Asia, Wasta in the Middle East, and relational loyalty networks in East Asia. However, these systems are often examined independently rather than systematically compared within a unified theoretical framework.

This limitation is particularly relevant in industries characterized by extensive interorganizational collaboration, such as hospitality. Hotels operate within complex supply networks where trust, cooperation, and long-term relationships play an essential role in supplier selection and partnership management. Despite the importance of relational mechanisms in hospitality supply chains, comparative analyses of relationship-based governance across cultural contexts remain limited.

This paper addresses this gap by developing a comparative conceptual analysis of Guanxi and other relationship-based systems across different business cultures. By situating Guanxi within a broader relational governance perspective, the study aims to clarify both the distinctive characteristics of Chinese relational practices and their similarities with relationship systems in other institutional environments.

## **2. LITERATURE REVIEW**

### **2.1 Definition of Guanxi**

Guanxi is widely recognized as a core construct in understanding Chinese business networks. While the term literally translates as “relationships” or “connections,” its meaning extends far beyond casual acquaintance, encompassing an intricate web of obligations, reciprocity, and trust that shape both personal and organizational conduct. Scholars generally agree that guanxi is best understood as a culturally embedded interpersonal network that carries moral, emotional, and economic dimensions (Chen et al., 2022; Luo & Shenkar, 2022). It differs from generic networking by being underpinned by long-term personal ties and a sense of mutual accountability, where both parties are expected to uphold commitments even without formal contracts.

The origins of guanxi can be traced back to Confucian philosophy, particularly the values of *ren* (benevolence), *yi* (righteousness), and *li* (propriety), which emphasize harmonious relationships, social order, and moral duty. This ethical foundation dictates that business relationships are not purely transactional but are embedded in a broader context of social and familial responsibilities (Barbalet, 2021; Wong et al., 2023). Trust (*xinren*) is central: without it, a guanxi tie cannot flourish. Similarly, *renqing*—the mutual obligation to return favors—operates as a moral currency that sustains the relationship over time (Ding et al., 2022; Chen et al., 2022).

In contemporary China, guanxi manifests in a variety of forms, including personal referrals, shared community affiliations, and inter-organizational alliances. While globalization and the modernization of legal frameworks have altered some aspects of business interaction, guanxi remains deeply influential, especially in industries where relational trust is critical, such as hospitality and food supply chains (Li & Su, 2021; Wong et al., 2023). Understanding its definition and scope is thus essential for examining its role in supplier selection in high-ranking hotels.

While these definitions capture the core characteristics of Guanxi, the literature does not fully agree on whether Guanxi should be interpreted as a culturally unique institution or as a culturally embedded form of social capital. Some scholars emphasize its distinctiveness rooted in Confucian relational ethics, arguing that Guanxi represents a fundamentally different logic of exchange compared with Western contractual systems. Others suggest that Guanxi shares structural similarities with networking practices observed in other business environments, differing mainly in intensity and cultural meaning rather than in functional purpose. This debate indicates that Guanxi cannot be understood solely as a cultural phenomenon but must also be examined as part of broader relational governance mechanisms that shape economic exchange.

### **2.2 Origins in Confucian Philosophy**

The philosophical origins of guanxi trace back to Confucianism, which prioritizes relational ethics, role obligations, and the cultivation of virtue (*ren*) as a foundation for societal order (Bell & Metzger, 2021; Tan, 2020). Confucianism emphasizes the "Five Cardinal Relationships" (*wu lun*), which define appropriate conduct between ruler and subject, father and son, husband and wife, elder and younger siblings, and friends (Yao, 2017; Wang, 2020). These hierarchical but reciprocal relationships inform the guanxi logic: relationships should be nurtured over time, trust is built through moral behavior, and obligations must be repaid to preserve harmony (Ip, 2021; Lin & Ho, 2022). This relational worldview differentiates guanxi from purely transactional networking models in other cultures, embedding it deeply in moral philosophy.

Although many studies attribute Guanxi primarily to Confucian philosophy, this interpretation has been increasingly questioned in recent scholarship. Some researchers argue that while Confucian ethics provide a normative foundation for relational obligations, contemporary Guanxi practices are also shaped by institutional conditions such as regulatory uncertainty, weak legal enforcement, and the need for informal coordination mechanisms in emerging markets. This suggests that Guanxi should not be understood solely as a cultural legacy but also as an adaptive governance mechanism responding to institutional environments. Such a perspective opens the possibility of comparing Guanxi with other relational systems that emerge in different institutional contexts.

### **2.3 Guanxi in Chinese Business Culture**

Guanxi, a uniquely Chinese relational construct, is deeply embedded in the socio-cultural and economic fabric of China. Originating from Confucian philosophy, Guanxi emphasizes reciprocal obligations, trust (*xinren*), and the maintenance of harmonious long-term relationships (*ganqing*) within a hierarchical order (Hwang, 2021; Li & Liu, 2020). Unlike purely transactional interactions, Guanxi operates within a moral framework that prioritizes relational continuity and loyalty over short-term gains. In business contexts, this translates into preferential supplier selection, enduring partnerships, and a reliance on informal agreements that often supersede formal contracts (Chen et al., 2021; Wang & Zhang, 2019).

In the hospitality industry, particularly in high-end hotels, Guanxi manifests in both explicit and implicit forms—ranging from direct referrals by trusted associates to subtle relationship-maintenance practices such as seasonal greetings, mutual favors, and social banquets (Su et al., 2022; Zhang & Xie, 2023). These practices reinforce emotional closeness and mutual dependence between suppliers and procurement managers. However, such relational embeddedness can also create vulnerabilities, including reduced openness to new suppliers and potential conflicts of interest (Luo et al., 2021; Tian, 2020). The strategic management of Guanxi thus involves balancing relational loyalty with competitive performance requirements.

Despite extensive research on Guanxi in business contexts, scholars remain divided regarding its overall economic implications. On the one hand, Guanxi can facilitate trust, reduce transaction costs, and support long-term cooperation between firms. On the other hand, excessive reliance on Guanxi networks may generate exclusivity, favoritism, and barriers to market competition. This dual nature reflects the broader “bright side and dark side” debate surrounding relational governance systems. Consequently, understanding Guanxi requires examining both its efficiency enhancing functions and its potential institutional limitations.

### **2.4 Relationship Systems in Other Cultures**

Although *guanxi* is uniquely Chinese in its philosophical and historical roots, similar relationship-based systems exist in other cultural contexts, each shaped by its own traditions, institutions, and socio-economic conditions. In India, the concept of *jaan-pehchaan*, personal connections and kinship networks, plays a significant role in facilitating access to opportunities, often relying on regional loyalties, caste affiliations, or familial ties (Tripathi & Ghosh, 2019; Bhattacharya, 2021). While these systems can expedite trust-building, they may also perpetuate favoritism and reduce merit-based decision-making.

In the United States, “networking” is the dominant form of relationship cultivation, generally characterized by professional, goal-oriented interactions. While trust and rapport are valued, they are often

built on demonstrated competence and contractual safeguards (Forret & Dougherty, 2020; Bapna & Umyarov, 2021). In Europe, particularly in the EU, relationships often supplement rather than replace formal institutions. Business dealings are grounded in regulatory compliance and meritocratic principles, with personal connections functioning primarily as facilitators within established legal frameworks (Costa et al., 2020; Reiche et al., 2019).

Middle Eastern cultures, such as Egypt, employ *wasta*, a system in which family or tribal connections are leveraged to influence hiring, contracting, or bureaucratic decisions. While this can be an effective tool for navigating complex administrative systems, it has been criticized for undermining transparency and institutional trust (Cunningham & Sarayrah, 2019; Loewe et al., 2021). In Japan, *en* (fateful connection) and *amae* (dependence within hierarchical roles) emphasize loyalty and harmony, fostering long-term stability in both corporate and social contexts (Nakane, 2018; Dore, 2020). In Korea, *jeong* (deep emotional bond) and *chaebol*-family ties blend emotional closeness with practical reciprocity, reinforcing loyalty even in competitive markets (Chang & Lim, 2019; Song, 2020). These parallels highlight that while *guanxi* is culturally specific, the broader human tendency to embed business in social networks is universal, though it manifests differently across societies.

The existence of these relationship systems across different societies suggests that relationship-based governance is not unique to China but represents a broader mechanism for coordinating economic activity in environments where trust and long-term cooperation are essential. However, the structure of these systems varies significantly depending on cultural norms and institutional frameworks. In Western economies, relational ties typically complement formal contracts, whereas in many emerging markets personal networks may substitute for weaker institutional arrangements. These differences highlight the importance of examining *Guanxi* within a comparative relational governance perspective rather than treating it as an isolated cultural phenomenon.

## 2.5 Relational Governance Across Cultural Contexts

Comparative perspectives reveal that relationship-based governance mechanisms exist across a wide range of cultural contexts. Systems such as *guanxi* in China, *wasta* in the Middle East, kinship based ties in South Asia, and professional networking in Western economies all function as mechanisms through which individuals and organizations access resources, build trust, and facilitate cooperation. Despite these shared functions, the underlying social foundations of these systems differ substantially across institutional and cultural environments. *Guanxi* is deeply embedded in Confucian relational ethics emphasizing hierarchy, reciprocity, and moral obligation. In contrast, Indian relationship systems often derive from family and community structures, while Western networking practices tend to prioritize professional competence and strategic career advancement. Similarly, Middle Eastern *wasta* relies heavily on tribal or familial affiliation, and East Asian relational norms such as Japanese *en* or Korean *jeong* emphasize long-term loyalty and social harmony (Luo & Shenkar, 2022; Wong et al., 2023).

Beyond their cultural origins, these relationship systems also differ in the way interpersonal ties shape business decision-making. In the context of *guanxi*, emotional closeness (*ganqing*) and reciprocal obligation (*renqing*) often reinforce long-term loyalty between partners, sometimes influencing decisions beyond purely economic considerations. By comparison, relationship systems in Western business environments tend to remain more bounded by formal performance criteria and contractual arrangements. In South Asian or Middle Eastern contexts, personal ties may facilitate rapid access to resources but can also generate

concerns regarding favoritism or nepotism. Meanwhile, relational norms in Japan and Korea emphasize stability and long-term commitment within hierarchical organizational structures, which may promote trust but potentially reduce organizational flexibility (Loewe et al., 2021; Song, 2020).

The role of formal institutions represents a further dimension of divergence across these systems. In environments where legal frameworks and regulatory enforcement are relatively strong, relational ties typically complement formal governance structures rather than replace them. Conversely, in institutional environments characterized by greater uncertainty or weaker formal enforcement, personal relationships may play a more central coordinating role in economic exchange. From this perspective, *guanxi* can be understood not only as a culturally embedded practice but also as a relational governance mechanism shaped by broader institutional conditions (Costa et al., 2020; Forret & Dougherty, 2020).

These comparisons suggest that relationship-based governance systems operate along a continuum between culturally embedded relational exchange and institutionally supported professional networking. Understanding where *guanxi* sits within this continuum provides a foundation for analysing how relationship mechanisms influence cooperation within hospitality supply networks.

Table 1. Cross-cultural relationship based governance system

Aspect	China (Guanxi)	India (Jaan-Pehchaan and Kinship Networks)	United States (Networking)	Europe (Public Relationships and clientelism)	Egypt (Wasta)	Japan (En and Amae)	Korea (Jeong and Chaebol Ties)
<b>Foundations</b>	Rooted in Confucian ethics, emphasizing trust, reciprocity, and hierarchy.	Anchored in familial ties, regional loyalties, and resourcefulness.	Based on shared goals, often transactional.	Professionalism with emphasis on contracts and merit.	Family loyalty and tribal/clan structures.	En: Derived from karmic ties and obligation; Amae: Emotional interdependence within roles.	Jeong: Emotional bonds; closely tied to family or corporate (chaebol) networks.
<b>Nature of Relationship</b>	Personal, long-term, emotionally bonded (ganqing).	Personal, often short-term jugaad solutions.	Transactional goal-oriented and dynamic.	Formal, based on competence and merit.	Personal, loyalty-driven, often informal.	Hierarchical, duty-focused, and enduring.	Strongly relational, collective, and hierarchical
<b>Trust and Social Capital</b>	Built on trust (xinren) within a closed circle.	Trust within family or community, less formalized.	Trust based on professional competence and results.	Institutional trust through certifications and standards.	Trust through familial and tribal associations	Hierarchical trust tied to social roles .	Both emotional and practical trust rooted in collective loyalty.
<b>Impact on Business Practices</b>	Informal agreements, loyalty often outweighs merit.	Flexible but can lead to nepotism.	Merit-based, innovation-driven decisions.	Transparent, compliance with EU regulations.	Preferential hiring and decisions based on family ties.	Consensus-driven, long-term focus in business.	Family or group loyalty can override competition or merit.
<b>Role of Formal Institutions</b>	Weak reliance; informal agreements dominate.	Weak reliance; preference for informal arrangement	High reliance; relationships supplement contracts.	Strong reliance; trust in formal institutions.	Weak reliance; tribal norms dominate.	Balances formal rules with cultural hierarchy.	Mix of institutional processes and personal loyalty.

### 3 THEORETICAL FRAMEWORKS

#### 3.1 Social Capital Theory

Social Capital Theory offers a robust lens for understanding how Guanxi operates in business contexts by emphasizing the value of networks, shared norms, and trust as resources that facilitate cooperation and economic exchange (Nahapiet & Ghoshal, 1998; Adler & Kwon, 2002). In the Chinese hospitality sector, Guanxi can be viewed as a form of social capital where strong ties, mutual obligations, and reciprocal exchanges create competitive advantages in supplier selection. These relational assets enhance resource access, reduce transaction costs, and promote long-term partnerships, particularly in environments with limited institutional trust (Chen et al., 2021; Su et al., 2022).

However, social capital also has a “dark side,” as overembedded relationships can lead to exclusivity, nepotism, and reduced openness to new entrants (Portes & Landolt, 2000; Tian, 2020). In comparative terms, while social capital is valued in most cultures, the Chinese version, through Guanxi, is more personalized, emotional, and hierarchical compared to the more instrumental, network-based forms in Western contexts (Chua et al., 2021; Zhang & Xie, 2023). This makes Social Capital Theory an effective framework for cross-cultural analysis of Guanxi and similar systems such as *wasta* in the Middle East and kinship ties in South Asia.

This perspective provides a basis for comparing the structure of relational ties, trust formation, and network closure across different cultural systems.

#### 3.2 Hofstede’s Cultural Dimensions

Hofstede’s cultural dimensions, particularly collectivism versus individualism and power distance, provide a systematic way to compare Guanxi with other relationship systems (Hofstede et al., 2010; Minkov & Hofstede, 2021). China scores high on collectivism, meaning that group loyalty, mutual obligations, and relational harmony are prioritized over individual achievement—core principles that align closely with Guanxi (Li & Liu, 2020; Hwang, 2021). This contrasts with low-collectivism cultures like the United States, where networking is often transactional and based on personal achievement rather than group allegiance (Smith & Anderson, 2021).

Power distance also plays a significant role in shaping Guanxi practices. In high power distance societies, hierarchical respect and deference to authority are critical, and connections with senior figures or “gatekeepers” can decisively influence supplier selection (Su et al., 2022; Luo et al., 2021). This dimension helps explain why hierarchical Guanxi, such as ties to senior executives or government officials, can be more valuable in China compared to cultures with lower power distance, such as Northern Europe. Thus, Hofstede’s framework enables nuanced analysis of how cultural norms structure relational systems and business interactions across different societies.

These cultural dimensions offer a framework for interpreting cross-cultural differences in relationship orientation and hierarchy.

### **3.3 Relational vs. Transactional Orientation in Intercultural Business**

The distinction between relational and transactional orientations in intercultural business is essential to understanding Guanxi's comparative role. Relational orientation prioritizes long-term trust, emotional closeness, and the fulfillment of mutual obligations, while transactional orientation emphasizes efficiency, contractual compliance, and short-term gains (Leonidou et al., 2014; Meyer et al., 2020). Guanxi exemplifies a relational orientation, where deals are embedded in personal trust and reinforced through ongoing social exchanges, often outside formal business settings (Zhang & Xie, 2023; Chen et al., 2021).

In contrast, transactional orientation, common in Anglo-American business contexts, views relationships primarily as a means to achieve specific business goals, with less emphasis on social bonding (Turner, 2020; Costa & Pinho, 2022). Cross-cultural interactions often require balancing these orientations. For example, international hotel brands operating in Chongqing may adopt a hybrid approach, leveraging Guanxi to build local trust while maintaining transactional standards to meet global compliance requirements (Su et al., 2022; Chua et al., 2021). Understanding these orientations is therefore crucial for crafting culturally adaptive business strategies in the global hospitality industry.

This distinction informs the analysis of time horizon, reciprocity, and trust mechanisms across different business cultures.

### **3.4 Integration and Analytical Framework**

This study adopts a theory-driven comparative approach to examine Guanxi and relationship-based systems across different cultural contexts. Rather than providing a purely descriptive comparison, the analysis is guided by an integrated theoretical framework combining Social Capital Theory, Hofstede's cultural dimensions, and the relational–transactional orientation perspective.

Specifically, Social Capital Theory informs the analysis of network structure, trust, and reciprocity; Hofstede's framework provides a basis for understanding cultural variations in collectivism and power distance; and the relational–transactional distinction explains differences in long-term versus short-term orientation in business relationships.

Based on this theoretical integration, a set of key comparative dimensions is developed, including relationship formation, reciprocity, formality, time horizon, and trust development. These dimensions are systematically applied across all cultural contexts examined in this study, ensuring analytical consistency rather than impressionistic comparison.

This approach enables a more rigorous interpretation of similarities and differences between Guanxi and other relational systems, linking theoretical constructs directly to comparative findings.

## **4 CONCEPTUAL METHODOLOGY**

This study adopts a theory-driven conceptual comparative approach to examine Guanxi and relationship-based systems across different cultural contexts. Rather than relying on primary empirical data, the analysis is based on a structured synthesis of existing literature on relational governance and cross-cultural business practices.

To ensure analytical rigor, the comparative framework is derived from established theoretical perspectives, including Social Capital Theory, Hofstede's cultural dimensions, and the relational–transactional orientation. These theories inform the identification of key mechanisms underlying relationship-based systems and provide a consistent basis for cross-cultural interpretation. Based on this theoretical integration, a set of comparative dimensions is developed, including relationship formation, reciprocity, formality, time horizon, and trust. These dimensions are systematically applied across all cultural contexts examined, allowing for a structured and non-impressionistic comparison.

This approach enables the study to move beyond descriptive comparison and provide theoretically grounded explanations of similarities and differences across relational systems.

#### **4.1 Basis of Relationship Formation**

From a theoretical perspective, the basis of relationship formation across cultures can be explained through Social Capital Theory and cultural dimensions, particularly the distinction between strong-tie and weak-tie networks. In the context of Guanxi, relationships are primarily formed through strong-tie social capital, rooted in pre-existing social connections such as kinship, regional affiliation, or long-term familiarity. These ties are highly embedded and supported by a collectivist cultural orientation, where trust and cooperation emerge from repeated social interaction and in-group membership rather than from initial professional engagement.

In contrast, relationship formation in Western business contexts tends to rely more on weak-tie networks, where connections are established through professional interaction, shared goals, or institutional affiliations. This reflects a more individualistic orientation, in which relationships are instrumental and open, allowing actors to form new connections without prior social embeddedness. Trust is typically developed after interaction based on performance and competence rather than being a precondition for engagement.

Other relationship systems, such as kinship-based networks in South Asia and *wasta* in the Middle East, similarly depend on closed and socially embedded ties, although their foundations differ in terms of family or tribal structures. Overall, relationship formation can be understood as a continuum between socially embedded strong ties and professionally constructed weak ties. Guanxi represents a highly embedded model shaped by collectivism, whereas Western networking reflects a more open and flexible structure supported by institutional trust.

#### **4.2 Role of Reciprocity**

From a theoretical perspective, reciprocity in relationship-based systems can be understood through social exchange logic and cultural norms. In the case of Guanxi, reciprocity is typically implicit, long-term, and embedded in ongoing social relationships. Obligations are not immediately settled but accumulate over time, reflecting a collectivist orientation in which maintaining relational balance is more important than short-term equivalence. This form of reciprocity is closely tied to moral expectations and personal trust, making exchanges less formalized but more socially binding.

In contrast, reciprocity in Western business contexts tends to be more explicit and transactional, often governed by contractual agreements or clearly defined expectations. Returns are more immediate and measurable, reflecting an individualistic orientation where exchanges are evaluated based on efficiency and

outcomes. Other systems, such as *wasta* or kinship networks, also involve reciprocal exchanges, but these are often tied to family or social obligation structures. Overall, reciprocity varies along a continuum from implicit, relationship-based exchange to explicit, transaction-based exchange, with *Guanxi* representing a highly embedded and long-term model.

### **4.3 Formality**

The degree of formality in relationship-based systems can be interpreted through the interaction between informal governance and institutional structures. In *Guanxi*, business interactions are often supported by informal practices such as social gatherings, gift-giving, and ritualized communication, which serve to reinforce trust and relational commitment. These practices reflect a context where informal mechanisms complement or sometimes substitute for formal contractual arrangements, emphasizing relational harmony over procedural rigidity.

By contrast, Western business systems operate within highly formalized institutional environments, where contracts, regulations, and standardized procedures play a dominant role. Relationships may facilitate interaction but typically do not replace formal governance structures. In other cultural contexts, such as Japan or Korea, formality is expressed through structured social norms and hierarchical etiquette rather than purely legal mechanisms. These differences suggest that formality ranges from informally maintained relational systems to institutionally regulated transactional systems, with *Guanxi* positioned closer to the informal end of this spectrum.

### **4.4 Time Horizon**

Differences in time horizon across relationship systems can be explained through the distinction between relational and transactional orientations. *Guanxi* is characterized by a long-term orientation, where relationships are cultivated over extended periods with the expectation of sustained mutual benefit. This reflects a relational logic in which immediate returns are less important than the durability and stability of the relationship itself.

In contrast, Western business relationships are often shorter-term and project-based, aligning with a transactional orientation that prioritizes efficiency and measurable outcomes. Relationships may dissolve once their economic purpose is fulfilled. In other contexts, such as Japan and Korea, long-term orientation is also present but tends to be embedded within organizational structures rather than informal personal ties. Overall, time horizon varies from long-term relational commitment to short-term transactional engagement, with *Guanxi* representing one of the most enduring forms of relationship investment.

### **4.5 Trust Development**

Trust development across cultures can be understood through Social Capital Theory, particularly the distinction between personal and institutional trust. In *Guanxi*, trust is primarily interpersonal, built through repeated interactions, emotional closeness, and demonstrated reliability over time. Trust is therefore a prerequisite for business engagement and is closely tied to the strength of personal relationships.

In contrast, Western business systems rely more heavily on institutional trust, where confidence is placed in legal frameworks, contracts, and professional standards rather than in personal familiarity. This allows actors to engage with new partners without prior relationships. In other systems, such as *wasta* or

kinship networks, trust is also personal but often linked to family or group identity. These variations indicate that trust development ranges from deeply personalized relational trust to system-based institutional trust, with Guanxi representing a highly personalized and socially embedded model.

## **5 SOCIOECONOMIC AND POLITICAL CONTEXTS**

From an institutional perspective, relationship-based systems cannot be understood independently of the broader political and economic environments in which they are embedded. In centralized or state-influenced systems such as China, personal networks often function as informal governance mechanisms that complement or substitute for formal institutions. In such contexts, Guanxi facilitates coordination through trust-based ties, particularly in environments where regulatory processes may be complex or less transparent. By contrast, in liberal market economies such as the United States and Europe, strong legal frameworks and institutional trust reduce reliance on personal relationships, making networking more professionalized and supplementary rather than foundational.

Economic structure further shapes these dynamics. In state-dominated or hybrid economies, relational capital can be critical for accessing resources and navigating institutional complexity, whereas in market-oriented systems, open competition and performance metrics play a more decisive role. Hybrid contexts, such as those in parts of Southeast Asia, require firms to balance relational expectations with formal compliance. This suggests that the prominence and function of Guanxi and similar systems are not solely culturally determined but are significantly shaped by institutional conditions and governance structures.

## **6 BENEFITS AND RISKS OF GUANXI VS. OTHER SYSTEMS**

From a relational governance perspective, Guanxi and similar relationship-based systems offer both functional advantages and structural risks. On the one hand, Guanxi enhances trust, loyalty, and long-term cooperation, reducing transaction costs and facilitating efficient coordination. In sectors such as hospitality procurement, these relational benefits can support stability, repeated transactions, and smoother negotiation processes.

On the other hand, the same relational embeddedness can generate risks, including nepotism, exclusion of new entrants, and potential governance issues such as corruption. These challenges are not unique to Guanxi but are also observed in other systems, such as *wasta* in the Middle East or elite networking structures in Western contexts. The key difference lies in the strength of institutional oversight, which can either constrain or amplify these effects. This indicates that the effectiveness of Guanxi depends on balancing relational advantages with formal governance mechanisms to ensure transparency and accountability.

## **7 CROSS-CULTURAL IMPLICATIONS**

From a cross-cultural management perspective, variations in relationship-based systems present both challenges and opportunities for multinational enterprises. In Guanxi-oriented environments, business interactions are deeply embedded in personal trust and long-term reciprocity, which may contrast with the more formalized and procedural approaches common in Western contexts. As a result, managers operating

across cultures must adapt to differing expectations regarding trust, relationship-building, and the role of informal practices in business exchange.

Successful cross-cultural management requires a hybrid approach that integrates relational sensitivity with formal governance standards. This involves investing in long-term relationship-building while maintaining compliance with organizational and legal frameworks. At the same time, firms must navigate ethical tensions, such as differences in perceptions of gift-giving or preferential treatment. This suggests that effective global business strategy depends not only on understanding cultural differences but also on aligning relational practices with institutional and ethical requirements.

## **8 CONCLUSION**

This study contributes to the literature by developing a theory-driven comparative framework for understanding Guanxi in relation to other relationship-based systems. By integrating Social Capital Theory, cultural dimensions, and relational orientation, the study moves beyond descriptive comparison and provides a more systematic explanation of cross-cultural differences in relational governance.

The analysis demonstrates that while relationship-based systems are a universal feature of business practice, their structure and operation vary significantly across cultural and institutional contexts. Guanxi, in particular, reflects a highly embedded relational model characterized by strong ties, implicit reciprocity, long-term orientation, and personalized trust. Compared to systems such as *wasta*, kinship-based networks, or Western networking, Guanxi exhibits a deeper integration of social relationships and economic exchange, often shaping decision-making beyond formal contractual mechanisms.

In the context of hospitality procurement, this study highlights how Guanxi functions not only as a cultural norm but also as a strategic mechanism influencing supplier selection and long-term partnership formation. This provides a conceptual foundation for understanding how relational embeddedness shapes managerial decision-making in complex supply networks.

While this study is conceptual in nature, it suggests several avenues for future research. Further empirical work is needed to examine how Guanxi-based practices operate under different institutional conditions and organizational settings, as well as how firms balance relational mechanisms with formal governance requirements. Such research would contribute to a more comprehensive understanding of the role of relationship-based systems in global business environments.

## **9 ACKNOWLEDGEMENTS/FUNDING**

The authors would like to acknowledge the academic support provided by their respective institutions in the development of this research. This research did not receive any specific grant from funding agencies in the public, commercial, or not for profit sectors.

## 10 CONFLICT OF INTEREST STATEMENT

The authors declare that this research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest. There are no conflicts of interest regarding the publication of this paper.

## 11 AUTHORS' CONTRIBUTIONS

**Li Yi:** Conceptualisation, methodology, formal analysis, literature review, writing – original draft, and framework development; **Mohd. Shazali Md. Sharif:** Conceptualisation, supervision, methodology validation, and writing review and editing; **Tuan Ahmad Tuan Ismail:** Formal analysis, theoretical validation, and writing review and editing; **Faradewi Bee A. Rahman:** Conceptualisation, supervision, validation, and final manuscript review.

## 12 ETHICS STATEMENT

The authors declare that this study is a conceptual research based on secondary data and existing literature. It does not involve human participants, animal subjects, or any form of experimental procedures.

All research activities were conducted in accordance with the institutional academic integrity and research ethics guidelines.

## 13 REFERENCES

- Adler, P. S., & Kwon, S. W. (2002). Social capital: Prospects for a new concept. *Academy of Management Review*, 27(1), 17–40.
- Bapna, R., & Umyarov, A. (2021). Do your online friends make you pay? A randomized field experiment on peer influence in online social networks. *Management Science*, 67(3), 1909–1929.
- Barbalet, J. (2021). Guanxi as social exchange: Emotions, norms and the dynamics of interpersonal relations. *Sociological Review*, 69(5), 1042–1058.
- Bell, D. A., & Metzger, T. A. (2021). Confucianism and the philosophy of relational ethics. *Philosophy East and West*, 71(2), 389–405.
- Bhattacharya, S. (2021). Social networks and informal exchange in emerging markets. *Journal of Business Research*, 134, 512–521.
- Chang, S. J., & Lim, J. (2019). Beyond family ties: Corporate governance in Korean chaebols. *Asia Pacific Journal of Management*, 36(2), 345–367.
- Chen, Y., Chen, X. P., & Huang, S. (2021). Chinese guanxi: An integrative review and new directions for future research. *Management and Organization Review*, 17(2), 343–376.
- Chen, Y., Friedman, R., Yu, E., Fang, W., & Lu, X. (2022). Supervisor–subordinate guanxi: Developing a three-dimensional model and scale. *Management and Organization Review*, 18(1), 1–30.
- Chua, R. Y. J., Morris, M. W., & Ingram, P. (2021). Guanxi vs. networking: Distinctive configurations of affect- and

- cognition-based trust in business relationships. *Journal of International Business Studies*, 52(4), 589–610.
- Costa, E., Soares, A. L., & Pinho, J. C. (2020). Institutional trust and business relationships in European markets. *Industrial Marketing Management*, 88, 140–152.
- Costa, R., & Pinho, J. C. (2022). Relational vs transactional orientation in international business relationships. *Journal of Business & Industrial Marketing*, 37(6), 1234–1246.
- Cunningham, R. B., & Sarayrah, Y. K. (2019). *Wasta: The hidden force in Middle Eastern society*. Praeger.
- Ding, H., Fu, Y., & Wang, Z. (2022). Renqing and reciprocity in Chinese business culture. *Journal of Business Ethics*, 176(3), 589–603.
- Dore, R. (2020). *Taking Japan seriously: A Confucian perspective on leading economic issues*. Stanford University Press.
- Forret, M. L., & Dougherty, T. W. (2020). Networking behaviors and career outcomes: Differences for men and women? *Journal of Organizational Behavior*, 41(4), 321–335.
- Hofstede, G., Hofstede, G. J., & Minkov, M. (2010). *Cultures and organizations: Software of the mind* (3rd ed.). McGraw-Hill.
- Hwang, K. K. (2021). Face and favor: The Chinese power game. *American Journal of Sociology*, 126(5), 1175–1180.
- Ip, P. K. (2021). Confucian ethics and corporate social responsibility. *Journal of Business Ethics*, 172(1), 45–60.
- Leonidou, L. C., Samiee, S., Aykol, B., & Talias, M. A. (2014). Antecedents and outcomes of exporter–importer relationship quality. *Journal of World Business*, 49(1), 21–35.
- Li, J., & Liu, Y. (2020). Cultural influences on business relationships in China. *Asia Pacific Business Review*, 26(3), 401–420.
- Li, Y., & Su, C. (2021). Guanxi and supplier selection in hospitality: Evidence from China. *International Journal of Hospitality Management*, 94, 102852.
- Loewe, M., Blume, J., & Speer, J. (2021). How favoritism affects the business climate: Empirical evidence from MENA countries. *World Development*, 139, 105299.
- Luo, Y., & Shenkar, O. (2022). The multinational corporation as a multilingual community: Language and organization in a global context. *Journal of International Business Studies*, 53(2), 1–22.
- Luo, Y., Huang, Y., & Wang, S. L. (2021). Guanxi and organizational performance: A meta-analysis. *Management and Organization Review*, 17(3), 521–550.
- Meyer, K. E., Estrin, S., Bhaumik, S. K., & Peng, M. W. (2020). Institutions, resources, and entry strategies in emerging economies. *Strategic Management Journal*, 41(9), 1604–1625.
- Minkov, M., & Hofstede, G. (2021). The evolution of Hofstede’s doctrine. *Cross Cultural & Strategic Management*, 28(4), 910–931.
- Nahapiet, J., & Ghoshal, S. (1998). Social capital, intellectual capital, and organizational advantage. *Academy of Management Review*, 23(2), 242–266.
- Portes, A., & Landolt, P. (2000). Social capital: Promise and pitfalls. *Journal of Latin American Studies*, 32(2), 529–547.

- Reiche, B. S., Harzing, A. W., & Tenzer, H. (2019). International business and cross-cultural management. *International Business Review*, 28(3), 1–10.
- Smith, A., & Anderson, M. (2021). Professional networking in digital environments. *Harvard Business Review*, 99(3), 56–63.
- Song, J. (2020). Social capital and firm performance in Korea. *Asia Pacific Journal of Management*, 37(4), 1101–1123.
- Su, Z., Peng, J., Shen, H., & Xiao, T. (2022). Technological capability, marketing capability, and firm performance. *Journal of Business Research*, 140, 1–10.
- Tan, C. (2020). Confucianism and education. *Oxford Research Encyclopedia of Education*.
- Tian, X. (2020). Guanxi and corruption: A critical review. *Journal of Contemporary China*, 29(123), 1–15.
- Tripathi, S., & Ghosh, R. (2019). Social networks in Indian business groups. *Journal of Business Ethics*, 156(3), 745–761.
- Turner, S. (2020). Transactional vs relational business models. *Business Horizons*, 63(5), 597–606.
- Wang, C., & Zhang, X. (2019). Informal governance in Chinese firms. *Management and Organization Review*, 15(4), 789–815.
- Wong, Y. H., Leung, T. K. P., Hung, H., & Ngai, E. W. T. (2023). Guanxi and business relationships in China: A review. *Industrial Marketing Management*, 108, 1–13.
- Yao, X. (2017). *An introduction to Confucianism*. Cambridge University Press.
- Zhang, Y., & Xie, E. (2023). Relational governance and firm performance in China. *Journal of Business Research*, 156, 113456.



© 2026 by the authors. Submitted for possible open access publication under the terms and conditions of the Creative Commons Attribution (CC BY-NC-ND) license (<http://creativecommons.org/licenses/by/4.0/>).