

## **International Business Relationships Triads: Classical-Type and Relational-Type Interactions between Chinese and Western Firms**

### **Abstract**

China's expanding position within the global business arena has placed focus on its role in assisting to stimulate the global economy during the current 'global financial crisis'. This raises the importance of better understanding how the Chinese conduct their inter-firm interactions, in their exchanges between Chinese and Western firms. We report an expository study that identifies both classical-type exchange and interactions that are relational-type in the one context and how these conflate to form triadic structures within business networks. From case study evidence, we propose a typology of triadic inter-organisational forms. To understand better exchange in this complex international marketing context, and the additional demands this places on relationships management, it is important that we understand the causes and nature of the fuzziness of these opaque inter-firm network structures.

**Keywords:** triadic relationships, classical-type, relational-type, business networks, China

### **Introduction**

This paper focuses on classical-type and relational-type interactions within triadic international business exchanges between Western buyers, mainland Chinese sellers and Hong Kong Chinese intermediaries. Exchanges involving China have become increasingly topical following the onset of the 'global financial crisis'. Although there have been studies that focus on the connections between three firms, the work, thus far, has focused on interactions within a relational setting. Smith and Laage-Hellman (1992) identified a relational ABC bridge triad where exchange is essentially dyadic and the intermediary is used as a bridge to facilitate interactions, for example, between a buyer and a seller. In their study, Havila et al. (2004, p.176) focus on what they term a 'group-like' triad, however they suggest that "some triads are more group-like, whereas some others are more series-like". To date, the literature has not attempted to capture these forms, however, in early work, Havila (1996) terms such organisational arrangements as serial and unitary forms. In these cases, the triadic forms differ in that

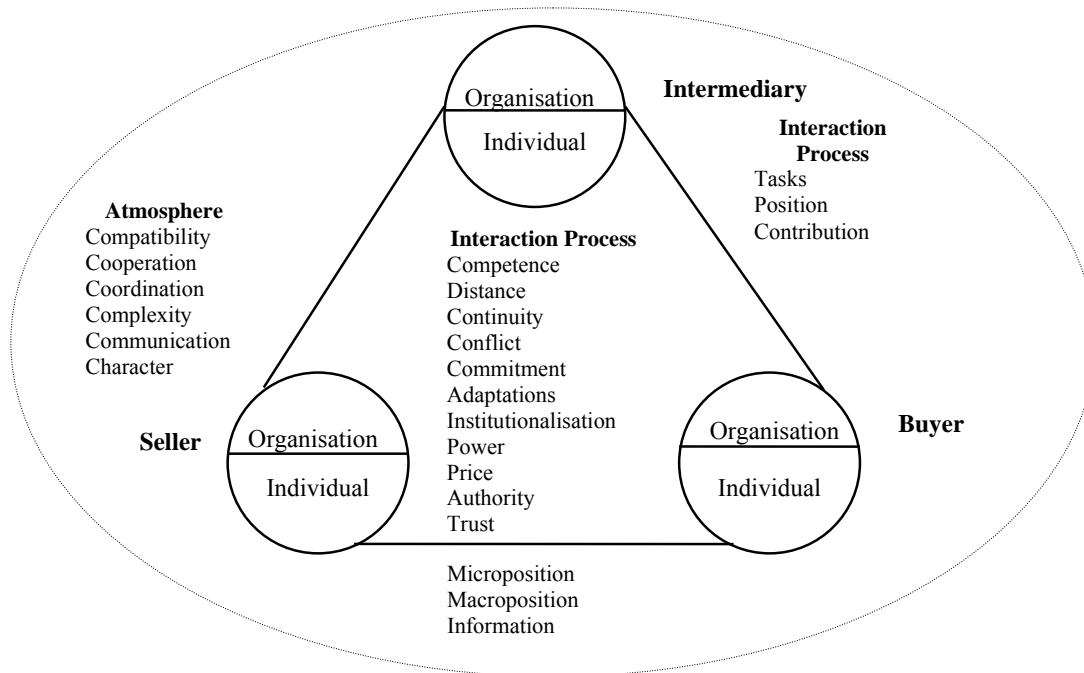
within the relational exchanges there is limited contact between buyer and seller in a serial triad and greater contact between buyer and seller in a unitary triad.

We identify and assemble these triadic forms across relational and classical exchange settings (Kay, 1993). Specifically, a framework is assembled to guide study into perspectives of triadic interactions, leading to identification of classical-type and relational-type dimensions of relationships between Chinese and Western firms operating in the mainland China - Hong Kong - West business environment. We suggest that the study of these interaction modes needs to move beyond the bounds of relational constraints so as to more clearly identify the opaque complexities driving some business networks. A case study approach is used to expose the nature of conflated classical-type and relational-type exchanges found to exist across the triadic interactions of Chinese and Western firms. Eight triadic structures are identified in our data, although more might be possible. Implications for theory are also discussed. Concluding remarks are made.

#### **Advancing a framework to study triadic international business exchange relationships**

The triadic interaction model introduced in this paper is developed to study the atmosphere of inter-firm relationships operating within triadic structures of focal triad actors, including a buyer, seller, and intermediary. The model draws primarily on theoretical concepts developed within IMP studies, and concepts included in studies of inter-firm relationships, to assist us to advance theory, drawing from the study of dyadic exchange interactions between buyers and sellers, and extending to triadic exchange interactions between buyers, sellers, and intermediaries (Håkansson, 1982; Axelsson and Easton, 1992; Håkansson and Snehota, 1995; Ford, 1997). The model assembles concepts that are able to guide study and illuminate the nature of the atmosphere of relationships interacting within an inter-firm business triad. It includes six constructs: compatibility, cooperation, coordination, communication, complexity, and the character role of the intermediary. The model is presented in Figure 1. The constructs and their dimensions are now outlined.

**Figure 1. A framework for the study of international business relationships triads**



Source: Developed for this research and includes the work of Turnbull, 1990; Turnbull and Cunningham, 1981; Håkansson, 1982; Ford, 1984; Hallen, 1986; Axelsson and Easton, 1992; Gadde and Håkansson, 1993; Håkansson and Snehota, 1995; Havila, 1996; Ford, 1990, 1997; Ford et al., 1998; Trimarchi and Tamaschke, 2004; Trimarchi and Liesch, 2006, and Trimarchi, Liesch, and Tamaschke, 2010.

**Compatibility in business triads** Relationships compatibility is defined as the capability of two firms to engage in mutually beneficial exchange, in continuity, across the dimensions of competence and distance. It has proved to be a useful construct for the study of Chinese inter-firm relationships (Trimarchi et al., 2010). Dimensions for the study of relationships compatibility include competence, business values, distance and continuity. Competence includes technical competence and commercial competence of buyers and sellers (Turnbull and Cunningham, 1981; Ford, 1984). Business values include the common beliefs of each interacting party with respect to the importance/unimportance of factors including policies, goals, and behaviours (Morgan and Hunt, 1994). The distance that exists between interacting parties includes social distance, or the extent to which the firms are unfamiliar with each other's way of working; geographic distance; time distance; and technological distance, the differences between each firm's product and process technologies (Ford 1980, 1984, 1990, 1997).

Psychic distance (as defined by Turnbull, 1990; see also Johanson and Vahlne, 1977; Johanson and Wiedersheim-Paul, 1975; Hornell, Vahlne and Wiedersheim-Paul, 1973; O'Grady and Lane, 1996), is also included. Commercial distance also plays an important role in understanding inter-firm compatibility (Trimarchi et al., 2010). Continuity is depicted by the length of an inter-firm relationship, together with the frequency of transactions and the frequency of information exchanges that take place between the interacting parties (Hallen, 1986; Håkansson and Snehota, 1995).

***Cooperation in business triads*** Within a relationships approach, the study of cooperation places a focus on conflict, commitment, and the power-dependence relationship between the parties (Håkansson, 1982, Ford, 1990; Håkansson and Gadde, 1997; Håkansson and Snehota, 1995, Ford, 1980, 1984, 1990, 1997; Ford et al., 1998). Conflict encompasses factors such as the extent of disagreement, or the supplier's response to dealing with problems (Håkansson, 1982, Ford, 1990; Håkansson and Gadde, 1997). Customer commitment refers to a supplier's service efforts directed solely at a buying company. Market commitment includes the supplier's commitment to a specific geographic region. This can include introducing a special product to suit the demand of a particular market segment, or opening a sales office in that market, for example. One other form of commitment that is important in trading relationships includes the commitment to the intermediary, exhibited by the buyer and the seller. Mutual commitment is also reflected by the investment of firms in inter-firm adaptations. Such adaptations can include technical, logistical, administrative, financial, and knowledge adaptations (Johanson and Mattsson, 1991). Adaptations may serve to strengthen inter-firm bonds, and strong inter-firm bonds demonstrate the existence of high levels of cooperation (Easton, 1992).

***Coordination in business triads*** Bradach and Eccles (1989) suggest that modes for coordination of inter-firm exchange can be identified by assessing mechanisms of price, authority and trust. This construct is useful for studying inter-firm triadic interactions (Trimarchi and Tamaschke, 2004). International buyer-seller relationships tend to be characterised by the importance of previous purchases, mutual evaluation and associated relationships (Ford, 1990). In such arrangements, price forms but one component of an inter-firm relationship and can play a lesser role in the governance of

closer inter-firm exchange relationships. Inter-firm governance structures based on authority resemble structures of hierarchy (Williamson, 1975, 1979, 1985).

While the use of price and authority provide specialised control mechanisms for inter-firm relationships, trust, on the other hand, provides a more general class of control mechanism (Bradach and Eccles, 1989). Personal or social trust develops out of the social context of inter-firm transactions and provides the expectation that parties will refrain from mutually incompatible activities such as acting opportunistically (Gambetta, 1988; Arrow, 1974). Norms of fairness also reduce the prospect that parties will act opportunistically (Kahneman et al., 1986), and include relational contract norms of role integrity, harmonisation of conflict, and preservation of the relationship (Macneil, 1980). Economic trust, on the other hand, develops out of the commercial context, where, for example, an intermediary deals with a buyer using open terms rather than relying on a contract for payment. Where efficient governance cannot be implemented using one form of control, firms will use combinations of control mechanisms (Bradach and Eccles, 1989).

***The role of complexity in business triads***      The complexity which surrounds business relationships is revealed in the multiplicity of parties and relationships which operate both within and outside inter-firm relationships, and their consequential effects on the atmosphere of the relationships (Håkansson and Snehota, 1995). The study of business networks implies interdependency between firms, and interactions between firms can be affected by relationships which each firm has with other firms (Håkansson, 1982; Ford, 1990; Blankenburg and Johanson, 1992). We therefore need to study closely a firm's microposition in the triad and its macroposition in relationship to the complexity of surrounding relationships outside the triad within wider business networks. Specifically, complexity refers to the number, type, and contact patterns of individuals taking part in relationships. It also includes the scope and use of established relationships in that well-working relationships are bound to be exploited whenever possible.

***The role of communication and the nature of information content in business triads***      The present model utilises an extended matrix manipulation technique originally developed by Gadde and

Håkansson (1993) and applied by Trimarchi and Liesch (2006). The technique places a focus on the coordinating, controlling, and learning roles of communications and the associated content of technical, commercial, administrative, and social information exchanged, and the influence they have inter-firm relationships development. In particular, the social content of information is an important ingredient in the development of inter-firm ties between firms (Easton, 1992; Ford, 1997; Håkansson and Snehota, 1995; Ford et al., 1998). The social content of information is defined as information derived from social exchange episodes, such as informal interactions including a meal, or drinks, or a non-business discussion in the workplace, about family, for example (Trimarchi and Liesch, 2006). Communications channels also play a role in interfirm exchange of different types of information (Gadde and Håkansson, 1993; Easton, 1997; Turnbull, 1990; Turnbull and Cunningham, 1981; Henderson, 1990).

***The character of the role of the intermediary in business triads***                      The study of the character of the role of the intermediary may include the tasks, position and contribution of the intermediary, as perceived by both the intermediary, the buyer and the seller (Havila, 1996). Where buyers and sellers only interact via the intermediary, the central party is the intermediary who has the task of mediating between the parties. Each party may have a specific role, a specific position, and follows specific tasks performed in a predefined order. On the other hand, where all firms within the triad interact together, each party is as central as any other and the roles do not involve mediating, thus resembling a group (Havila, 1996). Where participants have an interest in maintaining ‘the group’, they will tend to cooperate, leading to defined/undefined specialised tasks between group members (Barnard, 1968).

The position of the intermediary is relevant to the power which exists between triad participants. A triad is power-imbalanced when one of the actors holds a central position, providing that party with more power than the other two participants (Havila, 1996). A triad is power-balanced when each party exhibits a central position and deals with either of the two other parties, as may occur in group-like cooperative activities (Havila, 1996). Contributions of the intermediary may include the provision of standardised and/or specialist functions (Havila, 1992).

## **Method**

The research utilised a total of 23 interviews. Within the study, minimum sample size was based on achieving reasonable coverage of the actors operating within these international business triads; a purposeful approach was adopted with emphasis on representativeness to achieve information richness. The method is as reported in prior publications by the authors (Trimarchi and Tamaschke, 2004; Trimarchi and Liesch, 2006; Trimarchi, Liesch, and Tamaschke, 2010). This paper provides findings and implications from the wider study that have not been previously published (A summary table providing details of the 23 case studies has been omitted due to space limitations but may be obtained from the authors on request, as can supporting quotes from case respondents).

## **The atmosphere of triadic interactions**

In this section, themes identified within the data analysis are provided to explain the classical-type and relational-type tendencies of relationships uncovered in the atmosphere of interactions between the Hong Kong Chinese intermediaries and sellers from mainland China, and buyers from the West. The atmosphere concepts included compatibility, cooperation, coordination, complexity, communication and the character role of the intermediary, as identified earlier.

***Classical-type relationships: Mainland seller-Hong Kong intermediary interactions*** Classical-type relationships were found to be common within the interactions studied between mainland Chinese sellers and Hong Kong intermediaries. This appeared in cases where continuity was high, where intermediaries and mainland Chinese had been dealing for 10-25 years. Within classical-type relationships, most respondents explained the following themes within the mainland Chinese and Hong Kong relationships studied. The mainland Chinese tended to exhibit low commercial competence and high commercial distance, also reflected by high time distance in communications. Although fairly technically competent, these mainland Chinese suffer from a high degree of technical distance. Psychic and social distances tended also to be high in interactions. In these interactions the mainland Chinese tend to be non-trusting of foreigners, including the Hong Kong Chinese, and also see themselves as culturally superior to the Hong Kong Chinese intermediaries.

Classical-type relationships tended to take place in an atmosphere that exhibits low levels of cooperation and high levels of conflict. Indeed, these mainland Chinese tend to be highly institutionalised in their work processes, which reflect technical and commercial competence and distance factors, a slowly dissipating legacy from the pre-marketisation central planning system. Consequently, these mainland Chinese sellers exhibit a reluctance to cooperate and be trained in interactions. This causes difficulties, as these mainland Chinese tend to require a high degree of adaptation in commercial and technical activities in response to the developing competency levels they exhibit. As a consequence, the atmosphere for communication is one where technical information is important for managing production activities. On the other hand, commercial and administrative information are only of moderate importance because the Hong Kong Chinese have learnt to adapt to the problems that arise within interactions. Although social information is regarded as important, it plays a minor role because classical-type relationships include low levels of personally-based social exchange obligations. Communication channels tend not to be fluid.

These classical-type relationships tend to be coordinated via a mixture of price and authority. This is primarily exercised by the close involvement of intermediaries in the production and quality control activities of the mainland Chinese. Contracts need to be flexible to accommodate for problems experienced in production. Although the high involvement of intermediaries in production activities provides for high levels of inter-firm complexity with their mainland Chinese counterparts, a lack of trust in interactions leads to limited across-triad interaction between mainland Chinese sellers and buyers from the West. This occurs because of past experiences, where mainlanders have attempted to bypass the intermediary and deal direct with the buyer. For this reason, even HKI that regard themselves as having strong relationships with MCS tend not to introduce the MCS to the WB.

To accommodate for the difficulties experienced in interactions, the Hong Kong Chinese intermediaries become involved in standard and specialised mediating tasks, tending to play a central role within the triadic interactions. Classical-type relationships also tend to operate in an atmosphere where mainland sellers hold power in interactions. For example, these mainland sellers tend to be either the cheapest or the only manufacturers of a particular product(s) *vis-à-vis* Hong Kong intermediaries and other overseas Chinese manufacturers situated in the mainland. Hong Kong Chinese intermediaries



tend to prefer interactions that are relational and long-term in focus, and classical-type relationships with mainland Chinese sellers tend to be frustrating for the intermediary and challenging to deal with.

***Relational-type relationships: Mainland seller-Hong Kong intermediary interactions*** Within the interactions studied, relationships that are relational-type were found to exist in interactions between the three groups studied; Hong Kong intermediaries and (1) mainland China agents located in the mainland and in Hong Kong, (2) mainland Chinese involved in joint ventures with Hong Kong intermediaries, and (3) mainland Chinese sellers located in the mainland with whom social exchanges were an important component of overall interactions. It is not unusual for such relationships to also form through introductions by family and/or kin, such as good friends.

In relationships that are relational-type, parties develop a mutual orientation which tempers a number of challenging factors related to the compatibility, cooperation, coordination, and communication atmosphere of relationships, as identified earlier, within the tendencies of classical-type relationships. Psychic and social distances are lower because the parties tend to make an effort to communicate, understand each other, and work through problems together. Conflict is therefore lower and sellers tend to be committed to the intermediary. However, given the commercial and technical difficulties that arise in interactions, even mainland Chinese who are cooperative can be challenging to deal with. Adaptations continue to be related to the commercial and technical competencies of the mainland Chinese. However, in that these Chinese mainland sellers exhibit a greater willingness to work together, there is a greater potential for inter-firm bonds to develop. Such activities also assist sellers to unshackle themselves from the institutionalised commercial and technically-based work practices identified in the classical-type relationships. Power also tends to become less of an issue, particularly as the social elements of coordination develop.

Elements of authority continue to exist in relational-type relationships because intermediaries are heavily involved in the production activities of sellers. However, authority does not dominate the coordination of interactions while trust and the use of relational norms tend to be high. The parties tend to be involved in social exchange obligations and are interested in preserving relationships. Communication channels are also more fluid than identified in classical-type relationships. Face-to-face

interactions are not infrequent and include social interactions. Hong Kong intermediaries also tend to make the time to understand and adapt to the social tendencies of the Chinese mainland seller. As such, social information, together with technical, commercial, and administrative information contributes to the activities of coordinating, controlling, and learning in interactions. Consequently, relationships tend to be close and personal.

The nature and contribution of complexity in relational-type relationships is enhanced because of the mutual orientation that exists within the atmosphere of interactions, providing opportunities for parties to leverage relationships. Indeed, within relational-type relationships it is not unusual for mainland Chinese sellers and mainland Chinese agents to divert buyers from the West to the Hong Kong intermediary. This also tends to occur because it is easier for the Western buyer to deal with the Hong Kong intermediary who is better able to deal with the mainland Chinese seller. It was also found that when mainland Chinese sellers do not possess an appropriate export license it is not unusual for the Hong Kong intermediary to connect the seller to a mainland Chinese agent with whom they deal.

Although relational-type relationships can result in across-triad interactions between buyers and sellers, this tends not to be the case. Intermediaries who have strong relationships with both buyers and sellers tend to continue the practice of keeping buyers and sellers apart. This again tends to be a protective measure. It ensures that the intermediary holds power in triad interactions, and also that buyers and sellers are not tempted to deal directly and bypass the intermediary. Relational-type relationships also make it easier for the intermediary to conduct specialised tasks and contributions within which the seller is directly related, including training, for example. Such interactions also encourage the development of common business values between the parties. Intermediaries also tend to prefer relational interactions because it enhances their ability to keep their overall business interactions flowing.

***Relational-type relationships: Western buyer-Hong Kong intermediary interactions*** Relational-type relationships in interactions between buyers from the West and Hong Kong intermediaries fall into two clearly identifiable sub-groups. The first sub-group includes ‘close and personal’ relationships which include high levels of social interaction and social and economic trust. The second sub-group

includes relationships that are 'close and personal at a distance' which exhibit high levels of economic trust and low levels of social interaction. The more dominant relationship within the two sub-groups of relationships tends to be the 'personal at a distance' relationship.

In relational-type relationships with buyers that are personal at a distance, the dominant feature of coordination is that of high economic trust and open credit terms; for example, a Letter-of-Credit is not required. In these interactions intermediaries tend to adapt for large geographic distances that exist between them and the buyer in the Western market. Because the intermediary has been dealing with a buyer for a significant amount of time (for example, 5-20 years), they do not become overly concerned when relationships experience low face-to-face interactions and low social exchange obligations. Intermediaries also willingly adapt for the moderate levels of culture and social distance exhibited by buyers.

Relationships that are personal at a distance include relational norms, and in particular, buyers work at harmonising conflict. Role integrity is also important, and social exchange obligations play a diminished role. For example, although visits to Hong Kong tend to be infrequent, when they occur, intermediaries could socialise with buyers. Although not common, social interactions can also include family members, which is a sign of a strong relationship. The norm of role preservation, however, tends to be low. Although buyers can be trusted to make payments, they still play the market in an attempt to negotiate the best price. Interestingly, although buyers often play the market, intermediaries respect the way these buyers do business. Viewed within a sense of common business values, this is seen as reflecting the buyer's ability to conduct business in an efficient manner.

A dominant feature of communications in relationships that are personal at a distance is the need for fluid communications which take place over a number of channels. In particular, the use of the telephone is viewed as a personal channel for communications. Other channels include frequent use of fax and e-mail transmissions. Parties also placed a high importance on the use of technical, commercial, administrative information within the activities of coordinating, controlling, and learning in interactions. Face-to-face contact, although infrequent, takes place at international trade shows. The limited face-to-face interaction that occurs within relationships that are personal at a distance also provides less opportunity for across-triad interactions. However, because of the tendency of buyers to exhibit a

degree of market-based opportunism in interactions, intermediaries are comfortable with the personal distance in relationships. It reduces the potential for buyers to leverage face-to-face interactions to practise price-based opportunism. It also limits any possibility that buyers will be tempted to bypass the intermediary and deal direct with the mainland Chinese sellers.

On the other hand, in close and personal relational-type relationships, face-to-face interactions with buyers tend to take place on a regular basis. Indeed, in such relationships buyers make anywhere from one to three visits per year to Hong Kong. Because buyers visit the market regularly, they also have a greater understanding of how the market functions, and the difficulties that exist when sourcing products from mainland Chinese sellers. The development of such mutual orientation also results in a reduction in social and culture distance in interactions. Fluid communications also take place via frequent use of the telephone, facsimile, and e-mail transmissions. One other distinguishing feature of communications is that social information, together with technical, commercial, and administrative information, plays an important role in the coordination of buyer-intermediary interactions.

A dominant feature in coordinating close and personal relationships is the existence of both social and economic trust. Relational norms tend to be high and interactions include social exchange obligations. Indeed, it is not unusual for social interactions to include family members. Buyers are also more focused on preserving relationships and harmonising conflict within interactions with intermediaries. Intermediaries also take buyers with whom they have close and personal relationships into mainland China to visit sellers. This includes hosting them at their own factories and joint ventures. They may also host buyers into mainland China to purchase goods from mainland Chinese sellers on their behalf. Although not common, they may also host buyers into the mainland in an attempt to build the relationship across the triad. However, this can be risky because buyers and sellers may become tempted to bypass the agent, and try to deal directly. Indeed, in general, intermediaries tend to avoid such a situation and only host buyers into the mainland if they make specific requests to visit the Chinese seller. This generally occurs if the buyer needs to discuss quality issues with the mainland seller.

There are a number of tendencies that appear to be common to both sub-groups of relational-type relationships with buyers from the West. Buyers tend to exhibit and demand high levels of competence

in interactions. Buyers also exhibit greater commitment to the activities of the intermediary in adaptations, for example, adapting delivery schedules for difficulties associated with mainland production. Complexity tends to be limited to dealing with one person from the buyer firm, and few intermediaries travel to the markets of Western buyers. Relational-type relationships also make it easier for the intermediary to conduct the necessary specialised tasks and contributions required in triadic interactions; for example, in finding mainland suppliers from whom they can source goods that are of appropriate quality. Given that intermediaries tend to prefer to deal using relational interactions, relational-type relationships which are close and personal or personal at a distance tend to be positive for relationships development between Hong Kong intermediaries and buyers from the West.

***Classical-type relationships: Western buyer-Hong Kong intermediary interactions*** Within the classical-type relationships identified in the interactions between the Hong Kong intermediaries and buyers from the West, buyers tended to exhibit high levels of technical and commercial competence. Although, in general, distance factors tend to be low, interactions include high levels of culture and social distances. The atmosphere for cooperation tends to include moderate levels of conflict. Buyers also tend to be institutionalised in opportunistic market practices, for example, holding back information and playing intermediaries off against one another to achieve the best deal. Buyers also tend to vigorously exercise their market or purchasing power.

Coordination in classical-type relationships with buyers from the West tends to be price-focused and also includes the use of authority mechanisms, reflecting the competitive and opportunistic nature of buyers. Contracts used to guarantee payment, such as a Letter-of-Credit, for example, are very important and rigidly adhered to. However, the difficulties associated with mainland China production require that purchase contracts be flexible, to adapt for changes in delivery schedules, for example. Relational norms all tend to be low. Interactions in classical-type relationships tend to experience low levels of face-to-face and social contact. Although some buyers tend to visit annually, interactions are business-focused, even when they include a meal, for example. While not the norm, classical-type relationships may include across-triad interactions. For example, if the buyer requests to speak to the seller about quality issues, the intermediary will host the buyer to mainland China to visit the seller.

However, in such interactions the intermediary also ensures that across-triad discussions are limited to quality issues, and coordinates across-triad discussions to avoid any discussion on price. The intermediary therefore maintains a central position within buyer-seller interactions. Such a position also assists the intermediary to shield off any attempts by the buyer to bypass the intermediary.

Technical, commercial, and administrative information tends to play an important role in coordinating interactions within classical-type relationships. However, they play a more moderate role in controlling and learning activities. Social information plays a moderate role in the coordination of activities. The low degree of trust and social interaction is reflected by the low or non-existent role of social information in controlling and learning activities. Given the low degree of face-to-face interactions, communication channels are primarily limited to electronic forms, such as the phone, fax, and e-mail, for example. The opportunistic and competitive nature of buyers in classical-type relationships tends to make the intermediary's role of providing standardised and specialist tasks and contributions more difficult. This occurs when negotiating prices, and/or negotiating through difficulties associated with the quality of goods, and/or meeting shipment dates, for example. Because intermediaries have a tendency to prefer interactions that are relational, they also find classical-type relationships with buyers difficult and frustrating to deal with.

### **Triad forms operating within the Hong Kong-China business environment**

A number of forms of relational triads based on European studies were identified earlier in the paper, viz. ABC bridge, unitary and serial triads. The case-based analysis of the previous section suggests that a much wider range of triadic business structures operate within the Hong Kong business environment. Specifically, this investigation has identified classical ABC bridge triads, relational ABC bridge triads, plural ABC bridge triads, classical serial triads, relational serial triads, plural serial intermediary-seller coalition triads, plural serial intermediary-buyer coalition triads and unitary triads. The various triadic forms identified are now discussed.

As suggested by Smith and Laage-Hellman (1992), an *ABC Bridge triad* exists when the intermediary acts as a bridge in between two sets of relational relationships dyads and no across-triad interactions between buyers and sellers takes place. This was found to include interactions between an

intermediary and a Western buyer who seldom visits Hong Kong and relationships are personal but at a distance. It also included a seller who has a close relationship with an intermediary and prefers to let the intermediary handle all the interactions with end customers because the seller feels compatibility issues, for example, are best dealt with by the Hong Kong intermediary.

*Classical ABC Bridge triads* were discovered to exist where classical-type relationships between the intermediary and buyer, and seller, included buyers who hold market power through the provision of large orders, and/or where there are a limited number of sellers able to provide the required product. The *Plural ABC bridge triad* was discovered to exist in one of two forms: where intermediaries are involved in a relational relationship with the buyer and classical relationship with the seller, or vice versa. A number of cases identified that the intermediary encouraged such an approach, particularly when intermediaries were concerned that, although they possessed good relationships with one of the parties, one or both of the parties may be tempted to deal direct and bypass the intermediary.

As suggested by Havila (1996), a *Serial triad* includes relational interactions between the intermediary, and buyer, and seller, however, across-triad interactions between buyers and sellers are limited. This was found to exist in relationships where distance factors made it easier for the seller to maintain the bulk of contact with the intermediary *vis-à-vis* the buyer. Here, buyers do not visit the market often and relationships are personal at a distance. Across-triad interactions take place in serial progression, where, for example, the buyer informs the intermediary that they need to visit the seller to discuss quality issues.

*Classical Serial triads* were discovered to exist where interactions between intermediaries, and buyers, and sellers were classical in nature. An example of a classical serial triad includes a situation when an intermediary is concerned that if buyers and sellers become too involved in interactions, they may not be able to resist the temptation to bypass the agent and deal directly. Serial triads also exist when the intermediary does not want the buyer or seller to find out the price structure of exchange transactions for goods bought and sold. Although the triadic interactions will include limited across-triad interaction, the intermediary will purposely attempt to evade across-triad interactions between buyers and sellers.

The *Plural Serial triad* was discovered to exist in one of two forms. The first is an intermediary-buyer coalition, where the intermediary interacts with a buyer via a relational relationship and interacts with a seller via a classical relationship. This occurs when a buyer who has a relational relationship with an intermediary asks the intermediary to join them in attending a trade fair in mainland China, to assist in the buying process. For example, interactions may require dealings with sellers with whom the intermediary does not have a relationship, because the goods required are only available from either one, or a limited number of mainland Chinese suppliers. In such interactions the buyer will provide the intermediary with an acceptable price range and let the intermediary conduct the price negotiations. The intermediary will then also look after the procurement and delivery of the goods purchased. This form of interaction was also found to take place when the buyer has been introduced to the seller but prefers to conduct interactions via the Hong Kong intermediary. Indeed, the difficulties associated with mainland China production and also compatibility issues, can provide incentive for buyers to conduct their dealings this way. Such circumstances are fortunate because mainlanders involved in classical-type relationships tended to act opportunistically, such as attempts to bypass the agent and deal direct with the buyer.

This type of activity was also discovered to exist where the intermediary had a relational relationship with a mainland seller and a classical relationship with a buyer who exerted strong buyer power by placing large orders. In such cases the intermediary tended to facilitate limited across-triad interactions with a buyer. This second form of *Plural Serial triad* we term an intermediary-seller coalition. Interestingly, this form of triad tended to be prevalent in interactions where the mainland China seller is a Hong Kong intermediary joint venture operating within mainland China.

As suggested by Havila (1996), a *Unitary triad* exists when intermediaries are involved in relational relationships with a buyer and a seller. The distinguishing feature of a unitary triad is that it includes much across-triad interaction between the buyer and seller. Although not the prevalent form identified in this study, Unitary triads were found to exist where the intermediary has established channels to get the goods to Western markets, had experience in dealing with the needs of buyers, and had the experience necessary to deal with the complexities inherent in mainland China manufacturing activities. A small number of intermediaries explained that they would host buyers they trust at



mainland Chinese seller factories. These intermediaries believed that it was important to get buyer and sellers to meet. However, they also explained that it can be risky to introduce the buyer and seller because they may be tempted to deal direct and bypass the agent. Interestingly, it was not uncommon for intermediaries who believed they had good relationships with sellers to remain cautious about the seller's ability to refrain from attempting to deal direct with the buyer; they emphasised the importance of the trust they had with the buyer *vis-à-vis* the seller. A clear exception to such bounded trust exists when the relationship with a seller includes or has evolved via family or extended family members.

### **Concluding remarks**

There has been little research reported on the classical-type and relational-type triadic international business exchange relationships between Chinese and Western actors. We present a typology that assists in differentiating triadic forms and the resulting business networks that form through hybridised classical-type and relational-type exchanges found to exist within a Chinese setting. Importantly, while the literature has placed much emphasis on the study of relational exchanges among the Chinese, it has not elaborated classical-type exchanges. We report that a more nuanced understanding of the hybridisation of inter-firm interactions amongst the Chinese is required. This is of particular importance if we are to improve our understanding of the emerging China marketplace under its adopted strategy of 'socialism with Chinese character'. Indeed, this understanding also will be required to better enable foreign firms to engage with mainland Chinese firms as they inevitably move toward playing a greater role in the global marketplace. Also, of the eight triadic forms uncovered in this study, only one, the previously discovered unitary triad, allows for strong direct relationships between Western buyers and Chinese sellers. This suggests that the use of intermediaries is essential in China trade, especially as the unitary triad was the least important triadic form uncovered in our sample. The exposition reported here prompts further enquiry into inter-organisational international business relationships in Chinese contexts. Recognising the conflation of classical business exchange and business interactions that are relational in the one context, and how this conflation forms structures within business networks, is also essential for better relationships management practice in this cross-cultural context.

## References

- Arrow, K. 1974. *The Limits of Organisation*, Norton, New York.
- Axelsson, B. and Easton, G. 1992. *Industrial Networks: a New View of Reality*, Routledge, London.
- Barnard C. I. 1968. *The Functions of the Executive*, Harvard University Press, Cambridge.
- Blankenburg, D. and Johanson, J. 1992. 'Managing Network Connections in International Business', *Scandinavian International Business Review*, Vol.1, No.1, pp.5-19.
- Bradach, J.L. and Eccles, R.G. 1989. 'Price, Authority and Trust: From Ideal Types to Plural Forms', *Annual Review of Sociology*, Vol.15, pp.97-118.
- Easton, G. 1997. 'Industrial Networks: A Review', in I.D. Ford, (ed.), *Understanding Business Markets: Interaction, Relationships and Networks*, Second Edition, Dryden Press, London.
- Easton, G. 1992, 'Industrial Networks: A Review', Chapter One in Axelsson B, and Easton, G. 1992, *Industrial Networks: A New View of Reality*, Routledge, London.
- Ford, I.D., Gadde, L. E., Håkansson, H., Lundgren, A., Snehota, I., Turnbull, P. and Wilson, D. 1998. *Managing Business Relationships*, Wiley, West Sussex.
- Ford, I.D. (ed.). 1997. *Understanding Business Markets: Interaction, Relationships and Networks*, Second Edition, Dryden Press, London.
- Ford I.D. (ed.). 1990. *Understanding Business Markets: Interaction, Relationships and Networks*, Academic Press, London.
- Ford, I.D. 1984. 'Buyer/Seller Relationships in International Industrial Markets', *Industrial Marketing Management*. Vol.13, No.2, pp.101-113.
- Ford, I.D. 1980. 'The Development of Buyer-Seller Relationships', *European Journal of Marketing*, Vol.14, No.5/6, pp.339-354.
- Gadde, L.E. and Håkansson, H. 1993. *Professional Purchasing*, Routledge, London.
- Gambetta, D. 1988. 'Can We Trust Trust?', in D. Gambetta (ed.), *Trust: Making and Breaking Cooperative Relations*, Blackwell, New York.
- Håkansson, H. and Gadde, L.E. 1997. 'Supplier Relations', in I.D. Ford (ed.) *Understanding Business Markets: Interaction, Relationships and Networks*, Second Edition, Dryden Press, London.
- Håkansson H. and Snehota, I. (eds.). 1995. *Developing Relationships in Business Networks*, International Thomson Business Press, London.
- Håkansson, H. (ed.). 1982. *International Marketing and Purchasing of Industrial Goods: An Interaction Approach by the IMP-Group*, John Wiley and Sons, Suffolk.
- Hallen, L. 1986. 'A Comparison of Strategic Market Approaches', in P.W. Turnbull, and J.P. Valla (eds.) *Strategies for International Industrial Marketing*, Croom Helm, London.
- Havila, V., Johanson, J. and Thilenius, P. 2004. 'International Business-Relationship Triads', *International Marketing Review*, Vol.21, No.2, pp.172-186.
- Havila, V. 1996. 'International Business-Relationship Triads: A Study of the Changing Role of the Intermediating Actor', Unpublished Ph.D Dissertation, Department of Business Studies, Uppsala University, Sweden.
- Havila, V. 1992. *The Role of the Intermediary in International Business Relationships*, paper presented at the 8<sup>th</sup> IMP Conference, Lyon 3-5<sup>th</sup> September, pp.1-22.
- Henderson, J. C. 1990. 'Plugging Into Strategic Partnerships: The Critical IS Connection', *Sloan Management Review*, Spring, pp.7-18.
- Hornell, E., Vahlne, J.-E. and Wiedersheim-Paul, F. 1973. *Export och utlandsetableringar (Export and Foreign Establishments)*, Almquist and Wiksell, Stockholm. Cited in S. O'Grady, and H. Lane. 1996. 'The Psychic Distance Paradox', *Journal of International Business Studies*, Vol.27, No.2, pp.309-333.
- Johanson, J. and Mattsson, L. G. 1991. 'Interorganizational relations in industrial Systems: A Network Approach Compared With the Transaction Cost Approach', Chapter 21 in G. Thompson, J. Frances, R. Levačić, and J. Mitchell (eds.), *Markets, Hierarchies and Networks*, Sage Publications, London.
- Johanson, J. and Vahlne, J.-E. 1977. 'The Internationalization Process of the Firm – A Model of Knowledge Development and Increasing Foreign Market Commitments', *Journal of International Business Studies*, Vol.8, No.1, pp.23-32.

- Johansson, J. and Wiedersheim- Paul. F. 1975. 'The Internationalisation of the Firm – Four Swedish Case Studies', *Journal of Management Studies*, October, pp.305-322.
- Kay, J. 1993. *Foundations of Corporate Success: How Business Strategies Add Value*, Oxford University Press, London.
- Kahneman D., Knetsch, J. L., and Thaler, R. H. 1986. 'Fairness as a Constraint on Profit Seeking: Entitlements in the Market', *American Economic Review*, Vol.76, pp.728-741.
- Macneil, I. 1980. *The New Social Contract*, New Haven CT, Yale University Press, United States.
- Morgan, R.M. and Hunt, S.D. 1994. The Commitment-Trust Theory of Relationship Marketing, *Journal of Marketing*, Vol.58, No.3, pp.20-38.
- O'Grady, S. and Lane, H. 1996. 'The Psychic Distance Paradox', *Journal of International Business Studies*, Vol.27, No.2, pp.309-333.
- Smith, P.C. and Laage-Hellman, J. 1992. 'Small Group Analysis in Industrial Networks', Chapter Three in B. Axelsson. and G. Easton. *Industrial Networks: a New View of Reality*, Routledge, London.
- Trimarchi, M., Liesch, P.W. and Tamaschke, R. 2010. 'A Study of Compatibility Variation across Chinese Buyer-Seller Relationships', *European Journal of Marketing*, Vol.44. Nos.1/2.
- Trimarchi, M. and Liesch, P.W. 2006. 'Business Communication in Interactions between Mainland Chinese and Western Firms through Hong Kong Chinese Intermediaries', *European Journal of Marketing*, Vol.40, No.11/12, pp.1210-1235.
- Trimarchi, M. and Tamaschke, R. 2004. 'Coordinations in Interactions between Mainland Chinese, Hong Kong Chinese, and Western Actors', *International Business Review*, Vol.13, No.3, pp.309-329.
- Turnbull, P.W. 1990. 'Roles of Personal Contacts in Industrial Export Marketing', Chapter Five in I.D. Ford (ed.). *Understanding Business Markets: Interaction, Relationships and Networks*, Academic Press, London.
- Turnbull, P.W. and Cunningham, M. T. 1981. *International Purchasing and Marketing*, Macmillan Press, Great Britain.
- Williamson, O. 1985. *The Economic Institutions of Capitalism*, The Free Press, New York.
- Williamson, O. 1979. 'Transaction Cost Economics', *Journal of Law Economics and Organization*, Vol.22, pp.233-261.
- Williamson, O. 1975. *Markets and Hierarchies: Antitrust Implications*, The Free Press, New York.