

AN EXPLORATORY STUDY TO INVESTIGATE GUANXI-BASED STRATEGY AS A SOURCE OF  
ENDURING COMPETITIVE ADVANTAGE FOR BUSINESS OPERATIONS IN CHINA.

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**ABSTRACT**

This research study primarily examines the relationship between Guanxi-based strategy and competitive advantage within the context of Chinese enterprises' operations. A firm is said to be operationally stable if its operations stay the same, dependable, and effective even when outside or within factors affect them. In order to do well in the Chinese business world, which is known for having complicated rules and unstable markets, the most crucial thing to think about is operational stability. The researchers used a quantitative methodology to comprehend the relationships between organisations using Guanxi-based strategy experiencing operational stability and its influence on competitive advantage. The findings show that operational stability gives a firm a competitive edge by making the organisation more efficient, lowering the risks that come with operations, and making sure that services are always supplied for the right reasons. A business that runs smoothly is better equipped to respond to changes in the market, keep its customers happy, and remain successful over a longer period of time. This study shows that operational stability is more of a strategic competency than an operational statistic. This means that it directly affects a company's ability to compete in its industry while using Guanxi-based strategy. In China's business climate, which is based on relationships and changes quickly, it is very important to have reliable procedures and good coordination in order to build a long-term competitive edge. The research found that excellent coordination is needed to get this kind of advantage. Also, it gives managers ideas they may apply to make the activities that happen across the overall company work better following Guanxi-based strategies in modern times.

**Keywords:** Guanxi-based strategy, competitive advantage, business operations, China.

**INTRODUCTION**

In China's economic climate, which is distinguished by swift expansion, severe rivalry, and high levels of competition, there is a special interaction between official institutions and informal networks. Other features of the corporate climate include high levels of competition. Guanxi, which is a network of personal ties, reciprocal commitments, and trust, is a characteristic element of the economic and organisational activity that takes place within this setting (Zhao & Castka, 2021). Guanxi-based strategy has been around for a large period of time and has been proved to be a vital weapon for the development of alliances, the avoidance of bureaucratic hurdles, and the acquisition of restricted resources. Although formal procedures have been

upgraded as a result of regulatory reforms and modernisation, the long-lasting legacy of Guanxi suggests that relationship-based approaches continue to have a great amount of value for Chinese enterprises (Root, 2023). This article studies Guanxi as a sort of strategic planning, which is frequently referred to as a Guanxi-based strategy. Rather than focussing solely on Guanxi as a cultural phenomenon, this study takes a more comprehensive perspective. For the purpose of this study, the goal is to evaluate the numerous ways that could be of aid to companies in attaining a sustainable advantage over their competitors. With this in mind, the study provides a contribution to the elucidation of the strategic function that Guanxi plays in China's dynamic market. Additionally, assessment of Guanxi strategy gives guidance to firms, both local and foreign, who are interested in attaining success over the long term by emphasising on the creation of partnerships for gaining competitive advantage in China (Lee, 2022).

### **BACKGROUND OF THE STUDY**

China's economy has grown quickly over the last 40 years, which has led to a very competitive corporate climate and an environment that is always changing. Companies in this field have a hard time staying ahead of the competition since rules are becoming more complicated, the market is changing all the time, and demands are increasing from all over the globe. The reason for this is because market conditions are hard to foresee. In China, Guanxi is still a very important part of what makes someone successful. This is different from the West, where management philosophy focusses on innovation, technical skill, or cost-effectiveness. This is not how the West sees these things (Malik et al., 2021). The word "Guanxi" means "the art and practice of building personal networks between people and organisations through mutual trust, shared responsibilities, and long-term commitment." This technique is deeply ingrained in Chinese cultural and social customs. When businesses get down to it, Guanxi is a powerful informal coordination system that helps businesses access resources, get around rules, and make friends with key people. Guanxi is good for business. In China's business world, the idea of Guanxi still means a lot, even if the country's institutions are becoming more organised and laws are becoming clearer. The last statement is especially important when the lines between the two parties are not clear or when the degree of competitiveness is quite high (Krause et al., 2023).

A lot of people in industry and academics now understand that Guanxi is a strategic asset that needs careful planning and execution. People are beginning to see this. This is happening more and more often. One approach to stay ahead of the competition for a long time is to base business strategy on Guanxi. This way of doing things is based on honesty, open communication, working towards the same objectives, and helping each other. To reach this aim, the researcher will provide people exclusive access to possibilities, encourage loyalty, and minimise the expenses of doing business. If companies want to do well in China's complicated and relationship-driven economy, they need to comprehend this dynamic (Jahim, 2025).

## THE PURPOSE OF THE RESEARCH

The primary objective of the study is to comprehend how Guanxi-based strategies might help Chinese companies maintain their competitive edge over rivals within their sector. This study aims to redefine the conventional perception of Guanxi from a cultural practice to a quantifiable strategic resource that can be systematically incorporated into corporate operations. This study aims to examine the significance of Guanxi-based tactics in enhancing company competitiveness within China's intricate and dynamic market by focussing on four fundamental components such as operational stability. Consequently, it will be feasible to ascertain the function that these strategies provide in a more precise and thorough method. The objective of this research is to determine the degree to which certain relational attributes facilitate the improvement of organisational performance. This goal will be reached via more collaboration, reduced transaction costs, and better access to resources and opportunities. One of the main goals of the study is to provide light on the relationship-driven economy that exists in China. The study also wants to look at the theoretical and practical effects that this economy has on businesses who want to stay ahead of the competition over the long run.

## LITERATURE REVIEW

It is possible to argue that the notion of Guanxi influences all aspects of Chinese life and commerce, ranging from individual interactions to extensive corporate dealings. When initially looked into Guanxi, it was found out that it was based on Confucian practices. This was the start of the research. This idea says that Guanxi was a cultural phenomenon that made it possible for individuals to work together informally when there were no official organisations because of Guanxi. "Guanxi" is not just a method but also a strategy that may be employed to lower risk, cut down on transaction costs, and get at resources and opportunities before other people. Guanxi is an informal system of company governance that has been called a system of corporate governance (Zhao & Castka, 2021). Because China's economy is growing so quickly, there have been moments when researchers have wondered whether Guanxi is still important in today's world. A lot of people have questioned whether it is still beneficial because of recent changes in globalisation, such as changes in legislation and improvements to institutions. Globalisation has caused these changes to happen. Some individuals think that these developments have made it less important. This is the final result of businesses being more reliant on formal processes and contracts. Some individuals think that Guanxi is still very important, especially in fields where the government is heavily involved, markets are unstable, or laws are hard to understand. This is particularly true in places where the economy is not doing well. There is less red tape in the government, early warnings of changes in rules, and help in making connections with both customers and suppliers. Companies in these places may employ Guanxi to cut down on red tape and make things easier (Wan et al., 2024).

In recent years, scholars have started to concentrate more on Guanxi because of its practical uses, rather than because of the creative possibilities it affords. The complete switch took a

year, which was the full time. From this point of view, a company's competitive strategy should incorporate the creation and control of Guanxi. That's because Guanxi is one of the most significant connections in the world. For Guanxi-based projects to be as successful as possible, there must be mutual dedication, honesty, transparency, and trust. These are the things that need to be there. On the other hand, a number of different scenarios may make it simpler to create a long-term competitive edge from time to time. There are many things that need to be understood, such as how to build loyalty, how to make it easier for people to share knowledge, and how to work together for a long time (Agustian et al., 2023). Even if more and more people are interested in these methods, there is still the problem that there isn't enough evidence to show how Guanxi-based techniques work as organised and measurable entities. There is a scarcity of quantitative studies demonstrating a robust correlation between Guanxi-based attributes and competitive success at the corporate level. There have been just a handful of these investigations. Sadly, this link hasn't been made yet. This is a pretty horrible thing that has happened. The importance of understanding Guanxi not just as an informal practice but also as a strategic framework for maintaining a competitive advantage in China's dynamic cultural and economic landscape is shown by this reality (Barbalet, 2023).

### RESEARCH QUESTION

What is the influence of operational stability on competitive advantage for business operations?

### METHODOLOGY

**Research Design:** SPSS version 25 was used for the quantitative data analysis. The odds ratio and 95% confidence interval were used to determine the degree and direction of the statistical association. The researchers established a statistically significant criteria at  $p < 0.05$ . A descriptive analysis was conducted to identify the most significant features from the data. Data obtained via questionnaires, surveys, and polls, together with data augmented by computing tools for statistical analysis, are often assessed using quantitative methodologies.

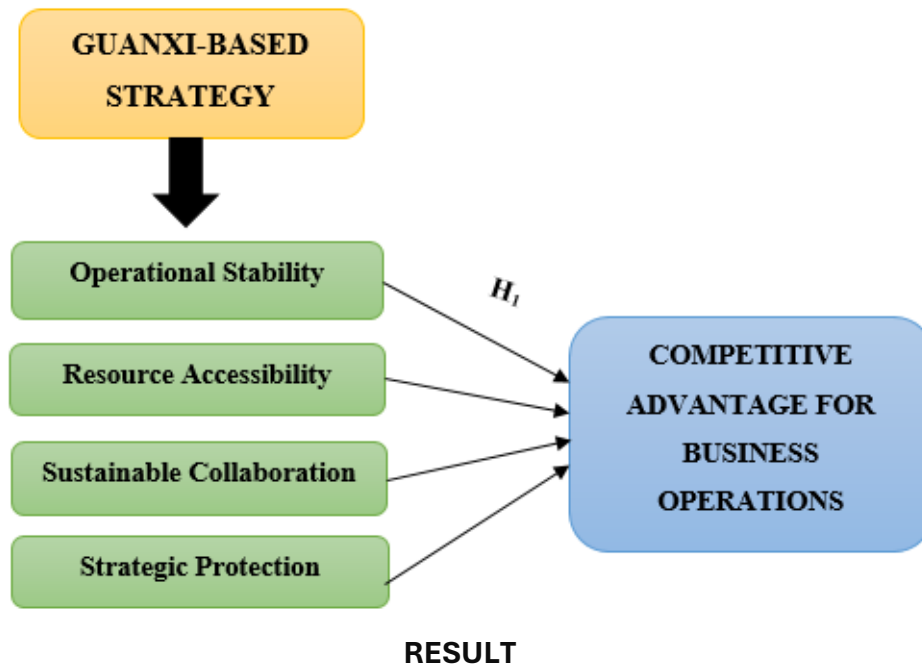
**Sampling:** Participants were requested to complete questionnaires to participate to the research. Upon ascertaining that the study sample included 560 persons using the Rao-soft tool, researchers disseminated 700 questionnaires. Following the collection of 634 replies, researchers reduced the sample size to 600 by eliminating 34 incomplete responses.

**Data and Measurement:** The main technique for data gathering in the study was a questionnaire survey. Part A of the survey solicited fundamental demographic information, while Part B used a 5-point Likert scale to gather answers about attributes associated with online and offline channels. A multitude of sources, particularly internet databases, supplied the secondary data.

**Statistical Software:** Statistical analysis was carried out using SPSS 25 and MS-Excel.

**Statistical Tools:** The researcher used descriptive analysis to comprehend the data at a fundamental level. The researcher must analyse the data using ANOVA.

#### CONCEPTUAL FRAMEWORK



**Factor Analysis:** A common use of Factor Analysis (FA) is to validate the underlying component structure of a collection of measurement items. Factors not readily apparent might theoretically affect the scores of observable variables. One model-driven methodology is the FA method. The primary objective of this research is to delineate the links between observable phenomena, their underlying causes, and measurement errors. The suitability of data for factor analysis may be evaluated using the Kaiser-Meyer-Olkin (KMO) method. The researcher assessed if the sample size is sufficient to accurately reflect the whole model and each constituent variable inside it. The statistical metrics assess the degree to which many variables may exhibit shared variation. In factor analysis, data of a lower hierarchical level is often more advantageous.

KMO generates integers ranging from 0 to 1. A KMO score ranging from 0.8 to 1 indicates sufficient sampling.

If the KMO is below 0.6, remedial actions are necessary due to insufficient sampling. Exercise ones' best judgement; writers often utilise 0.5 for this purpose, therefore establishing a range of 0.5 to 0.6.

Partial correlations constitute a significant fraction of overall correlations as the KMO value approaches 0. It is important to emphasise that significant correlations severely impede component analysis.

Kaiser has established the following approval criteria:

Unsatisfactory readings ranging from 0.050 to 0.059. Below standard is between 0.60-0.69. A mediocre grade often ranges from 0.70 to 0.79. A value ranging from 0.80 to 0.89 indicative of quality points. The range is notable, spanning from 0.90 to 1.00.

**Table 1.** Kaiser-Meyer-Olkin (KMO) and Bartlett's method.

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.892
Bartlett's Test of Sphericity	Approx. Chi-Square	3252.968
	df	190
	Sig.	.000

This confirms the veracity of claims on the execution of a sample. Researchers assessed the importance of the correlation matrices by Bartlett's Test of Sphericity. When it reaches 0.892, the KMO value indicates that the sample is adequate. The p-value from Bartlett's sphericity test is 0.00. The results of Bartlett's sphericity test indicate that the correlation matrix deviates from an identity matrix and is statistically significant.

## INDEPENDENT VARIABLE

**Guanxi-based Strategy:** Businesses use Guanxi-based strategies to reach their objectives by making, maintaining, and utilising personal and professional connections. The Chinese term "Guanxi" means "friendship" in English. In the context of Chinese business culture, the phrase "Guanxi" means that it is important to be honest, open, real, and communicative with everyone involved. It is vital to remember that the list below is not complete. However, there are some ideas that include customers, government agencies, and suppliers. Utilising a systematic Guanxi-based approach, rather than unstructured networking activities, facilitates the connection between relationship management and the attainment of commercial goals. This is a very different condition than unstructured networks. Businesses may increase their ability to work together, the availability of resources, and their compliance with the law by putting more emphasis on long-term partnerships. So, actions based on Guanxi may assist with unpredictability in operations, loyalty, and being more aware of changes in the market. This is because Guanxi is seen as a common social network in China. This strategy, which changes social capital into a real organisational talent, might provide firms in China's relationship-driven economy a way to go ahead of their competitors (Jenemark & Rouzveh, 2025).

## FACTOR

**Operational Stability:** An organisation is considered to be operationally stable when it can do its business in a reliable and consistent way, no matter what problems come up, whether they are within or outside the company. The goal is to make sure that the organisation can keep doing

the tasks that are given to it. There is a clear link between the strength of relationships with key stakeholders and the stability of operations in China. There is also a significant link between the two. A steady operation is what leads to strong Guanxi. This means making sure that resources are available on time, problems are solved quickly, and supply chains run smoothly. If partners trust each other, talk to each other, and share responsibilities, the chances of operations being delayed or not working well may be much lower. When businesses have processes and operations that are in sync with each other, they are better able to meet their production goals, keep up a high level of service quality, and deal with the changes that happen in the market all the time. This is because most businesses can keep running the same way they always do. Adding consistency to critical tasks may be good for a firm since it may help it stay in the market, lower the expenses of disruptions, and keep up its performance. For relationship approaches and competitive performance to work well together, they both need operational stability (Abubakar et al., 2024).

## DEPENDENT VARIABLE

**Competitive Advantage for Business Operations:** The advantage of one firm over another is that it can accomplish things better than its competitors. Depending on the situation, it might be about quality, new ideas, efficiency, or adaptability. Companies in China who know how to use Guanxi perform better than their rivals when it comes to partners, authorities, and suppliers. Because of this, resources will be used more effectively, decisions will be made more quickly, and operations will be more reliable. Because of these benefits, businesses may provide their customers better goods at lower prices and take advantage of market possibilities more swiftly. A sustained performance advantage is far more important than a short-term performance advantage. One part of methods that are based on Guanxi is creating an atmosphere where trust, reciprocity, and long-term commitment are important. This helps enhance operating abilities and makes it harder for competitors to compete. Because of this, the company is now in a good position to do well in China's changing economy (Bedford, 2022).

**Relationship between operational stability and competitive advantage for business operations:** To stay ahead of the competition, one need to be able to keep operations stable. This is because businesses can keep their costs low, cut down on disruptions, and always meet the needs of their customers when they are consistent in how they do things. This is the reason this is the case. In China, Guanxi networks are incredibly powerful. They help enterprises run smoothly by linking them with a broad range of people who have a stake in them. These people are government agencies, business partners, and suppliers. Companies can focus on long-term objectives like developing new products and making existing ones better when they don't have to deal with crises all the time. Companies that have their operations in order have a better chance of acquiring a competitive advantage since they are more efficient, of higher quality, and more responsive. This is because their operations show that they are in order. One of the benefits of using a Guanxi-based strategy is that it makes operations more stable, which leads to higher performance and long-term benefits in China's highly competitive business climate.



This is the case since the two are connected. Businesses may take advantage of these advantages by making a strategy based on Guanxi (KUN & GHOSH, 2024). The researcher posited, based on the prior debate that a link exists between operational stability and competitive advantage in business operations.

“H<sub>01</sub>: There is no significant relationship between operational stability and competitive advantage for business operations.”

“H<sub>1</sub>: There is a significant relationship between operational stability and competitive advantage for business operations.”

**Table 2.** H1 ANOVA Test.

ANOVA					
Sum					
	Sum of Squares	df	Mean Square	F	Sig.
<b>Between Groups</b>	38963.984	215	5974.941	1008.258	.000
<b>Within Groups</b>	491.967	384	5.926		
<b>Total</b>	39455.951	599			

The results of this investigation are significant. The p-value of .000, which is below the .05 alpha level, indicates that the significance criterion is achieved with an F-value of 1008.258. By rejecting the null hypothesis, the researcher conclude that “H<sub>1</sub>: There is a significant relationship between operational stability and competitive advantage for business operations” may be accepted.

## DISCUSSION

This research shows that maintaining operational consistency is a big challenge that has to be addressed if Chinese companies want to go ahead of their competitors. Operational stability is when a firm can keep running smoothly and reliably even when there are pressures from both within and outside the organisation. Statistics suggest that there is a strong link between high levels of corporate performance and the consistency of operational procedures. Businesses that can keep their operations at a steady level are better able to quickly adapt to changes in the market, lower the risks that come with their operations, and offer products and services that are more reliable all at the same time. If a company can maintain its operations stable, it will be able to do well in the Chinese business world, which is often characterised by convoluted and inconsistent formal institutions and regulatory systems. Such a corporation will be able to do well in the Chinese commercial world. Guanxi-based initiatives assist keep operations stable by making it easier to work with regulatory agencies, partners, and suppliers. This is done by building trust and a sense of responsibility between the two parties. So, this helps to make it



more likely that the operational stability will stay the same. Stable operations provide them a competitive edge in many different ways because they are stable. Some of the things that come under this category include lower transaction costs, happier customers, and faster processes. Additionally, operational stability is not only a statistic related to operations; it is a strategic competency that aids organisations in sustaining their performance and enhancing their competitiveness against competitors. In China's business world, where things move quickly and connections are highly important, it would be feasible to turn operational stability into a competitive edge by focussing on the constant delivery of processes and results. This aim may be reached by making sure that procedures and outcomes are always available.

## **CONCLUSION**

In conclusion, the results of this study demonstrate that operational consistency is a crucial determinant of a firm's competitive advantage in China. Businesses can maintain their processes operating smoothly, cut down on the amount of interruptions that happen, and efficiently manage vulnerabilities as long as they can keep their operations steady. To go ahead in a market that is both sophisticated and always changing, the businesses need to be efficient, reliable, and responsive. This is because these are the traits that are needed to be successful. By putting reliable operations in place, organisations may improve all three of these areas, which leads to more consistency. The study indicates that companies may acquire a competitive edge by using operational consistency as a strategic asset. There are several approaches to reach this goal, such as cutting costs, providing continuous service, and keeping the confidence of stakeholders. The outcomes in performance are further improved by reliable mechanisms that allow for communication in the Chinese setting, where Guanxi and relational networks are often used to coordinate operations. To stay ahead of the competition, one need to do a lot of things, one of which is to make sure business operations are always the same. To stay ahead of the competition, one need to think about a lot of different things. In order for managers to be successful in China's complicated and competitive business world, they need to make processes that improve operational stability and process consistency a top priority. As a consequence, businesses will be better able to weather storms, and their performance will also increase over time while using Guanxi based strategy for gaining competitive advantage.

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