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A study on the causal relationships between guanxi networks and job performance of banking service personnel

Abstract

Under the influence of the global financial crisis, many banking service personnel lost confidence and this also had an effect on their job involvement and job performance. This paper thus attempts to understand the key factors in their job performance and the ways to improve it in the wake of this crisis. We use Confirmatory Factor Analysis (CFA) and the Structural Equation Model (SEM) to analyze the causal relationships between individual guanxi, coworker guanxi, POS, job involvement and job performance. This paper also examined the mediator effects of POS and job involvement. The empirical results found that Perceived Organizational Support (POS) had a significant direct effect on job involvement and further had a significant indirect effect on job performance via job involvement. Meanwhile, individual guanxi and coworker guanxi can positively influence job involvement via POS. These results indicate that guanxi networks still play an important role in Chinese society after the financial crisis. Financial institutions will thus enhance their staff’s job involvement and create better job performance if they can better understand the guanxi networks and strength of POS.

Keywords: individual guanxi, coworker guanxi, perceived organizational support (POS), job involvement, job performance.

JEL Classification: J530, C120.

Introduction

Owing to the 2008 financial crisis, many banking service personnel around the world not only lost their confidence, but also their jobs. It is necessary to explore the job involvement and performance of such employees so that financial institutions can increase sales. Some research suggests that perceived organizational support (POS) is an important factor of job performance, rather than a result (Stevens et al., 1978; Wiener and Vardi, 1980; Buffardi and Niebisch, 1988). When employees with high POS have a sense of obligation, they will perform better in order to meet organizational objectives to reward employers (Wayne et al., 1997; Eisenberger et al., 2001; Rhoades and Eisenberger, 2002). In addition, Brown (1996) suggested that characteristic demography is a critical factor in job involvement. Specifically, guanxi networks play an important role in Chinese society; we thus propose a framework to describe the key factors impacting job involvement. The results can provide useful information with regard to human resources management.

While cost savings are essential, pressure to increase profitability has meant that banks are required to focus on developing and maintaining long-term relationships with customers (Kandampully and Duddy, 1999), and particularly with business customers. (Adamson et al., 2003; Hawke and Hefferman, 2005). Strong relationships with business customers foster communication, increase satisfaction, create loyalty and increase profits (Petersen and Rajan, 1994). Within firms, good peer relationships will encourage employees to engage in improving job performance (Newcomb et al., 1993). Moreover, Cohen (1999) supported the importance of job involvement as an antecedent to organizational commitment with peer relationships in particular having a key influence on job performance. The purpose of this article is to extend job performance research. We will provide a theoretical basis for our construct of individual guanxi, coworker guanxi, POS, job involvement and job performance as its antecedents, and then show how these constructs are related within this context.

This paper is organized as follows. First, we examine the relevant literature and then present our hypotheses and research framework. The next section gives an overview of the core methodology used, and then the findings from the research are discussed. Finally, the conclusions of the paper and its managerial implications are noted.

1. Literature and hypotheses

1.1. Perceived Organizational Support (POS). POS is assumed to be a general belief that employees form concerning their perceived value by the organization (Rhoades and Eisenberger, 2002). Many scholars have investigated the impact of POS on employee organizational commitment in different contexts. It has been noted that employees with higher POS demonstrate higher commitment to their organization (Croppanzano et al., 1997; Liden et al., 2003; Masterson and Stamper, 2003). Moreover, POS may be used by employees as an indicator of the organization’s benevolent or malevolent intent in the exchange of employee effort for reward and
recognition (Lynch et al., 1999). In addition, a considerable amount of evidence indicates that employees with a high level of POS experience their jobs more favorably and invest more in their work organization (Rhoades and Eisenberger, 2002).

POS usually signifies the organization’s care for its employees’ welfare. Moreover, reciprocity obliges employees to return such attention, which can produce competitive and advantageous resources for the organization (Cropanzano et al., 2001; Mowday et al., 1982; Rousseau, 1995; Wayne et al., 1997). POS thus motivates employees to increase their positive outputs, attendance, and punctuality. Accordingly, POS was found to be related to employees’ felt obligation to aid the organization, and this relationship was greater among employees who strongly endorsed the norm of reciprocity as applied to the employee-employer relationship (Eisenberger et al., 2001). Thus, employees with high POS should avoid a high level of voluntary withdrawal behaviors, and instead engage in non-work-related conversations.

Consistent with the prior literature and results, we predicted that POS would be positively associated with job involvement.

**H1**: POS is positively related to job involvement (see Figure 1).

1.2. Job involvement. Job involvement is defined as the degree to which a person identifies psychologically with his or her work and the importance of the work in his/her total self-image (Lodhal and Kejner, 1965). Zagenczyk and Murrell (2009) investigated the relationship between advice-giving, advice-receiving, and employee work attitudes, and found that while advice-giving and advice-receiving were positively related to job involvement, only advice-receiving was positively related to work-unit commitment. Job involvement is strongly significant, and can be perceived as a reflection of work experiences (Cohen, 1999).

Individuals may become involved in their jobs in response to specific attributes of the work situation (Mudrack, 2004). If staff have positive feelings toward their work, they will also view the goals and the stipulations that the organization has established more positively. Indeed, many theorists have hypothesized that highly job-involved employees will put forth substantial effort towards the achievement of organizational objectives and be less likely to leave their employers (Kanungo, 1979; Lawler, 1986; Kahn, 1990; Pfeffer, 1994). We thus predicted that job involvement has a significant effect on job performance and examined the following hypothesis:

**H2**: Job involvement is positively related to job performance (see Figure 1).

Emery and Barker (2007) suggest that the organizational commitment of customer contact personnel was significantly correlated with customer satisfaction, but not with profits and productivity. On the other hand, the job involvement of customer contact personnel was significantly correlated with all three outcomes. Dimitriades (2007) explored the usefulness and highlighted the nature of the inter-relationship(s) between service climate and job involvement with regard to their impact on the customer-focused organizational citizenship behaviors (OCB) of frontline employees in a diverse cultural context within Greece. He provided empirical evidence of the applicability in Greek service contexts, and illuminated the complex nature of the inter-relationships between organizational climate for service and job involvement in predicting customer-oriented organizational citizenship behaviors, expanding the OCB literature. Cohen (1999) argued that individuals with high levels of job involvement, which stem from positive experiences on-the-job (Kanungo, 1979; Witt, 1993), attribute these experiences to the organization. Thus, the following hypothesis was tested:

**H2**: Job involvement is positively related to job performance (see Figure 1).

1.3. Guanxi networks. Guanxi is described as social relations or ties, which establish certain privileges, including access to resources and opportunities, and the term is most often used in Chinese contexts (Xin and Pearce, 1996; Bain, 1997; Dunfee and Warren, 2001; Park and Luo, 2001). Guanxi can be defined as a special type of relationship which contains trust, favor, dependence and adaptation (Wong, 1998). Yang (1993) proposed that the Chinese often categorize others into three types of guanxi: (1) family people, (2) familiar people, and (3) strangers. Peter and Humphreys (2007) noted that guanxi is in general considered as an important element of the national culture of China, and can become an asset and a corporate culture at the firm level as the personal relationships it entails can be dedicated to and used by the firm.

Paik and Tung (1999) concluded that guanxi is one of the critical success factors in doing business with the Chinese. In addition, Davies et al. (1995) suggested that guanxi is important in obtaining information on government policies, market trends and business opportunities. It can also be an effective marketing tool, “significantly and
positively” related to business and marketing performance (Luo and Chen, 1997). Some employee guanxi can be converted positively to the organization and thus strengthen the employee’s position and resources within the firm. Positive guanxi can encourage people to avoid disgrace within their family and coworker networks, and thus have higher job approval and job enthusiasm. From this viewpoint, we predicted that individual and co-worker guanxi networks have significant positive effects on job involvement, and examined the following hypotheses:

**H3:** Individual guanxi network is positively related to job involvement (see Figure 1).

**H4:** Coworker guanxi network is positively related to job involvement (see Figure 1).

If the organization can provide sufficient resources, employees with superior guanxi and ability will stay and improve organizational performance. Zhang and Zhang (2006) found that when the individuals join an organization, their resources, including guanxi, are introduced into the firm. Guanxi can be beneficial to and used by the organization without diminishing its value to the individual. The establishment of guanxi is fundamental to Chinese business and has historically been the key to the success. Gao (2006) suggested that commitment acts as an important and useful instrument to build good guanxi with Chinese government officials for foreign companies, since China is currently anxious for foreign investment and advanced technology. In addition, Farh et al. (1998) found that guanxi relationships promote interpersonal trust among individuals and they may also provide assurance and trust and create barriers for competitors (Vanhonacker, 2004). Within any guanxi network favors are exchanged which are roughly equivalent in value, and there are repeat exchanges (Su and Littlefield, 2001). Once a member cannot reciprocate the favor, the guanxi relationship may be weakened. In principle, a good individual guanxi will facilitate better coworker guanxi. Thus, the following hypothesis was tested:

**H5:** Individual guanxi is positively related to coworker guanxi (see Figure 1).

In summary, we suggest that job performance is affected by job involvement, POS, coworker guanxi and individual guanxi, and the proposed casual relationships among these are shown in Figure 1.

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**Fig. 1. Hypothesized relationships among the variables.**
2. Methodology

According to the need of each research construct and hypothesis, Statistical Package for Social Science (SPSS 15.0) and Amos 7.0 were used to code and analyze the data. Pre-test of the questionnaire was conducted involving 30 respondents. The questionnaire was also sent to the bank’s managers and employees. As a result of the feedback received from the pretesting and the respondents’ comments, the phrasing of some items was clarified and the instructions for filling in the questionnaire modified in order to increase the validity of the survey instrument. The instrument was administered as a questionnaire survey to 550 employees of financial services organizations. A total of 220 responses were received, resulting in an overall 40% response rate. This questionnaire adapted items from the relevant literature to gauge the respondents attitudes to the five factors of individual guanxi, coworker guanxi, POS, job involvement, and job performance on a seven-point Likert scale, anchored on strongly disagree (1) and strongly agree (7). Respondents were asked to answer the questions. The period of the survey was from March, 2009 to May, 2009, with employees in banking sector used as the sampling.

3. Results

3.1. Measurement model. Factors analysis was used to reduce the number of items in each construct to maintain its reliability and discriminate validity. After removing these variables (α<0.7), all scale items showed good reliability. Table 1 shows the items that remained for modeling the structural equation and also summarizes the results of a reliability analysis of the variables. Cronbach’s α was greater than 0.7 for all four factors, suggesting that the factors possessed adequate convergence (Nunnally, 1978; Hair et al., 2006). Factor loadings ranged from 0.73 to 0.970, well above the minimum of 0.35 for a sample of 244 (Hair et al., 2006). Moreover, all the measures of constructs were used in past studies, and have been validated.

Moreover, we evaluate reliability and convergent validity of the factors estimated by composite reliability and average variance extracted (see Table 2). Composite reliability (CR) for all factors in our measurement model was above 0.70, which meant that more than one-half of the variances observed in the items were accounted for by their hypothesized factors. Thus, all factors in the measurement model had adequate reliability and convergent validity. To examine discriminate validity, we compared the shared variances between factors with the average variance extracted of the individual factors. The average variances extracted (AVE) were all above the recommended 0.50 level to be considered reliable. This showed that the shared variance between factors was lower than the average variance extracted of the individual factors, confirming discriminate validity (see Table 2). In summary, the measurement model demonstrated adequate reliability, convergent validity, and discriminate validity.
Table 2. Reliability, average variance extracted, and discriminant validity

<table>
<thead>
<tr>
<th>Factor</th>
<th>Composite reliability</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual guanxi</td>
<td>.8871</td>
<td>.6644</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coworker guanxi</td>
<td>.8135</td>
<td>.9011(**)</td>
<td>.2016(**)</td>
<td>.8153</td>
<td></td>
<td></td>
</tr>
<tr>
<td>POS</td>
<td>.9433</td>
<td>.1688(**)</td>
<td>.2168(**)</td>
<td>.6272(**)</td>
<td>.9017</td>
<td></td>
</tr>
<tr>
<td>Job involvement</td>
<td>.9033</td>
<td>.1310(**)</td>
<td>.2153(**)</td>
<td>.4186(**)</td>
<td>.5041(**)</td>
<td>.7004</td>
</tr>
<tr>
<td>Job performance</td>
<td>.9033</td>
<td>.1310(**)</td>
<td>.2153(**)</td>
<td>.4186(**)</td>
<td>.5041(**)</td>
<td>.7004</td>
</tr>
</tbody>
</table>

Note: All correlations are significant at the 0.01 level (2-tailed). The diagonals represent the average variance extracted (Joreskog & Sorbom, 1992).

3.2. The results of the structural model. We formulated an SEM using AMOS 7.0 to analyze our model. Bogozzi and Yi (1988) suggested a similar set of fit indices used to examine the structural model (see Table 3). Comparison of all fit indices with their corresponding recommended values, provided evidence of a good model fit ($\chi^2 / d.f. = 1.986$, 97 degrees of freedom, AGFI = 0.867, CFI = 0.968, NFI = 0.938, IFI = 0.968, RFI = 0.924, PNFI = 0.758, PGFI = 0.646 and RMSEA = 0.067). Thus, we could proceed to examine the path coefficients of the structural model.

Table 3. Results of the best fitting model

<table>
<thead>
<tr>
<th>Fit indices</th>
<th>Benchmark</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absolute fit measures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$\chi^2 / d.f.$</td>
<td>192.653</td>
<td>97</td>
</tr>
<tr>
<td>CMIN</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DF</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GFI (Goodness of Fit Index)</td>
<td>0.9</td>
<td>0.905</td>
</tr>
<tr>
<td>RMSEA (Root Mean Square Error of Approximation)</td>
<td>0.08</td>
<td>0.067</td>
</tr>
<tr>
<td>Incremental fit measures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AGFI (Adjusted Goodness of Fit Index)</td>
<td>0.80</td>
<td>0.867</td>
</tr>
<tr>
<td>NFI (Normed Fit Index)</td>
<td>0.90</td>
<td>0.938</td>
</tr>
<tr>
<td>CFI (Comparative Fit Index)</td>
<td>0.90</td>
<td>0.986</td>
</tr>
<tr>
<td>IFI (Incremental Fit Index)</td>
<td>0.79</td>
<td>0.998</td>
</tr>
<tr>
<td>RFI (Relative Fit Index)</td>
<td>0.90</td>
<td>0.904</td>
</tr>
<tr>
<td>Parsimony fit measures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PGFI ( Parsimony Goodness of Fit Index)</td>
<td>0.50</td>
<td>0.646</td>
</tr>
<tr>
<td>PNFI (Parsimony Normed Fit Index)</td>
<td>0.50</td>
<td>0.758</td>
</tr>
</tbody>
</table>

3.3. Analysis of paths. Properties of the causal paths (standardized path coefficients) are shown in Figure 2. The model explains a substantial variance in job performance ($R^2 = .600$) as well as in the mediating constructs, job involvement ($R^2 = .714$) and POS ($R^2 = .369$).

The effect of POS on job performance was significant ($\beta = 0.790$). Thus, H1 was supported. As expected, job involvement had a strong positive and highly significant influence on job performance ($\beta = 0.775$). Thus, H2 was supported. It is worth noting that the indirect effects of individual guanxi and coworker guanxi networks on job involvement were no significant ($\gamma = 0.079$ and $\gamma = 0.037$, respectively), with t-values of 1.654 and 0.663. H3 and H4 were not supported. Individual guanxi can positively influence coworker guanxi ($\gamma = 0.183$). Thus, H5 was supported. Altogether, individual guanxi, coworker guanxi, POS and job involvement accounted for 60% of the variance in job performance. About 71% of the variance in job involvement was explained by POS, coworker guanxi and individual guanxi.

The direct, indirect, and total effect of individual guanxi, coworker guanxi, and POS on job involvement were summarized in Table 4. However, consistently with H3-1 and H4-1, the indirect effect (0.330) of individual guanxi on job involvement showed a stronger indirect effect than the direct effect (0.079) and the indirect effect (0.361) of coworker guanxi on job involvement showed a stronger indirect effect than the direct effect (0.037), exhibiting POS was the key mediator to influence job involvement.

Table 4. The effects of individual guanxi, coworker guanxi and POS on job involvement

<table>
<thead>
<tr>
<th></th>
<th>Direct effect</th>
<th>Indirect effect</th>
<th>Total effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual guanxi</td>
<td>0.079</td>
<td>0.330</td>
<td>0.409</td>
</tr>
<tr>
<td>Coworker guanxi</td>
<td>0.037</td>
<td>0.361</td>
<td>0.398</td>
</tr>
<tr>
<td>POS</td>
<td>0.790</td>
<td>N.A.</td>
<td>0.790</td>
</tr>
</tbody>
</table>
In the current changeable and uncertain financial environment, banking service personnel not only face the declining of sales, but also a lack of job involvement, resulting in low performance and significant job losses. We examined the critical factors that influence job performance and found significant and direct effects for job involvement and POS. Moreover, coworker guanxi and individual guanxi had indirect significant effects on job involvement via POS, which confirmed guanxi networks play an important role in Chinese society.

In addition, from the empirical results we discovered that individual and coworker guanxi networks had significant positive effects on job involvement via POS. This meant the banking service personnel with good guanxi put more emphasis on their job achievement at work and the approval of their supervisors. Therefore, we presume that if financial institutions employ staff with good guanxi, these individuals will be more involved in their job and have improved job performance. Next, we found that individual guanxi networks can positively influence coworker guanxi. In other words, if banking personnel with good individual guanxi can share it with their colleagues and establish good coworker guanxi, this will improve their job performance. Therefore, we suggest that the banking institutions should aim to hire the staff with good guanxi and place them in the sales department, developing the maximum manpower efficiency.

Although the literature has noted that guanxi networks have an influence on job performance in Chinese society, in the wake of the 2008 financial crisis, we found that such networks did not have any direct significant effect on job involvement. Individual and Coworkers guanxi networks did have indirect significant effects on job involvement via POS, and further influence on job performance. In the past, when enterprises recruited the staff, professional knowledge and learning capability of learning were the most important factors. In the future employees’ guanxi networks may also be taken into consideration. It should be noted there was a noticeable transformation in guanxi networks after this financial crisis and this finding is quite significant.

**Limitations.** This research only discusses the influences of guanxi networks on job performance via POS and job involvement after a specific financial crisis, and its conclusions may not be applicable to other industries and other times. Future work should thus examine the influences of guanxi networks in other contexts.

**Further research.** Future research can study the detailed evolution of guanxi networks within the organization and their influence on job performance. If organizations can utilize employees’ guanxi properly, this will improve overall performance. In addition, future work should examine the influence of guanxi networks in other Asia contexts, particularly where Chinese culture has a strong influence.
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