

CITY UNIVERSITY OF HONG KONG

香港城市大學

Understanding Trust Production between
American Customers and Chinese Suppliers
within Transactional and Collaborative
Relationships

理解在交易型商業關係和合作型商業關係
中美國客戶和中國供應商之間的信任建立

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by

Xu Pengfei
徐鵬飛

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Abstract

Trust in business alliance relationships has attracted numerous academic researches. The nature of trust, its production in business relationships and how trust affects relationship development have been discussed and examined. Yet, few of these researches have specifically investigated the differences and similarities in trust building mechanism in the alliance between American and Chinese alliance partners.

The objective of this research is to investigate the trust building mechanisms as relationship develops between American customers and Chinese suppliers.

Specifically, the research addresses the following four questions: 1) how do different aspects of a trust building mechanism influence the relationship? 2) what is the relative importance of different trust-building mechanisms between American and Chinese business partners? 3) what are the differences and similarities between American and Chinese business partners in developing and fostering trust in business relationships?

To answer these questions, we collected and analyzed data by sampling both American customers ($n = 171$) and Chinese suppliers ($n = 207$). We use Smart PLS to assess the proposed structural model. Three major trust building components, respectively process-based trust, characteristics-based trust and institutional-based trust are tested for their impact on alliance relationship. We also use analysis of covariance (ANCOVO) to find out the differences of the two parties in their performance of trust building.

The results indicate that five trust building constructs are positively related to alliance relationship, which are communication, expected continuity, similarity of corporate culture, relationship specific investment and contractual safeguard. The results also indicate that three trust building constructs do not influence the alliance relationship, which are reputation effects, similarity of societal culture, and formal compliance. We also find that process-based trust plays a more important role than characteristic-based trust and institutional-based trust in affecting the alliance relationship. Communication is the most critical aspect of process-based trust in enhancing the bilateral relations.

The findings show that there exist significantly different levels of trust building activities between the two parties. Chinese suppliers are more long-term oriented and American customers care more about immediate growth and immediate profit. American customers prefer to work with small to medium suppliers as they provide better customer service. Chinese suppliers are more willing to adapt to American way of doing business. Both do not think the other party becomes more honest or caring as the relationship develops. Neither is in favor of relationship specific investments.

The study discusses how to apply the research findings to actual work of the managers of both parties. It stresses the significance for the suppliers to consistently provide high quality communication. Chinese suppliers are encouraged to be nice and engage in more personal communication with the customers. They are suggested to strengthen research and development capabilities to align with customers' core product lines, and to make some risk-controllable relationship specific investment. The result indicates

that American customers expect small to medium size Chinese suppliers to be more responsive and provide better customer service than large suppliers.

Meanwhile, American customers are suggested to display higher sense of expected continuity to gain suppliers' support. They are also suggested to alert to the justice and ethics of third-party inspectors and auditors.