

Relational Dynamics Factors That Influence Buying Decisions: A Review of Malaysian Chinese SMEs Practices

Siti Sarah Omar, Mohamed Ismail Parkir Mohamed, Siti Anisah Atan,
Rohaizan Ramlan and Yunos Ngadiman
Department of Productions and Operations Management,
Faculty of Technology Management and Business,
Universiti Tun Hussein Onn Malaysia, Batu Pahat, 86400 Johor, Malaysia

Abstract: Relational dynamics factors play their important roles in maintaining a long term buyer and supplier relationship. The purpose of this research is sought to determine the relational dynamics factor that influence buying decision among Malaysian Chinese Small and Medium Sized (SMEs). The literature review has shown that there are four relational dynamics factors that influence buying decision and they are trust, communication, commitment and cooperation. The uniqueness of this study is the emphasis on the relational dynamics factors on the Malaysian Chinese SMEs practices. Finally, this study maps out how future research could embark on the empirical analysis of the Malaysian Chinese practices in their buying decisions.

Key words: Relational, dynamic, buying, decisions, SMEs

INTRODUCTION

Global competitiveness and fast changing business practices force the organizations to improve in their supply chain performance to fulfill customer demand and satisfaction (Mohanty, 2012; Yaakop and Hemsley-Brown, 2014) while experiencing the flexibility and responsive to the customers' needs. Organizations must possess an understanding of customer's firms buying behavior to succeed in their business. According to Trautmann *et al.* (2009), buyer-supplier relationships have been the focus of supply chain management and marketing research recently. The factors such as trust, commitment and long-term orientation have been found as important antecedents to effective buyer-supplier relationships. Furthermore, a strong buyer-supplier relationships was also found for having a significant positive effect on supplier performance and buyer buying behavior.

Previous studies such as Mohanty (2012) and Omar (2015a) have pointed that the key factor that contributed to the industrial buying success is the development and maintenance of the long-term relationship between buyer and supplier. They assert that knowing the expectation of the buyers is vital for they are the person that governs the relationship building process. Buyers expect trust, commitment and adaptation from the suppliers. This would be gained from a long term relationship which eventually increase their loyalty and

devotion to the suppliers they trust. Besides that, personal relationship was found being a significant factor in the purchasing process as buyer are inclined to buy from the supplier they like and that matters more than the price (Gligor and Holcomb, 2013). In the context of Malaysian Chinese entrepreneurs, they are found maintaining close and long-term business relationship with their buyers and/or suppliers.

The Malaysian Chinese SMEs play important role in the Malaysian economy. Most of the SMEs in Malaysia are owned by the Malaysian Chinese ethnic groups, which are reported to have controlled the business dealings in Malaysia for decades (Omar, 2015b). They own the majority of the equity such as 82% of wholesale trade, 59% of the retail trade (Omar, 2015b). According to Chin and Lee (2012), Association Chinese Chamber of Commerce and Industries of Malaysia (ACCCIM) has been established by Malaysian Chinese business community which represents 28,352 Malaysian Chinese companies, individuals and trade associations and the Chinese business community in general. Interestingly, there are more than nine-tenths of these members are SMEs (Chin and Lee, 2012). To prepare these Chinese SMEs to face the globalization challenges, ACCCIM organise workshops to upgrade skills in the use of information and communication technologies so as to become more competitive in the increasingly globalized world.

Corresponding Author: Siti Sarah Omar, Department of Productions and Operations Management,
Faculty of Technology Management and Business, University Tun Hussein Onn Malaysia, Batu Pahat,
86400 Johor, Malaysia

Most SMEs face financial problem such as lack of capital (Chin and Lee, 2012; Omar, 2015) and they rely on the funds they collected from family member and friends. Financial problem is the main factor that influence their buying decision among them. Ee mentioned that Malaysian economy has been deteriorated starting the first half of 2013 consequently poses negative impact on their sales. Therefore, their decision to reduce new orders and business transactions from overseas has caused a slump in their sales. Due to this economic downturn, their reliance on the personal relationship with the business stakeholders increase particularly with suppliers, especially in acquiring debt and long-term payment which requires high commitment in the buying decision. Due to this, eventually, the commitment leads to a stable relationship, reduce uncertainty and reduce the cost of finding a new business partner (Mohanty, 2012). Besides that, trust also play role in the creation of relationship value (Golicic *et al.*, 2003) which influence the interpersonal and buyer behavior. The main reason for the positive influence of trust is due to its ability to reduce uncertainty. Trust influence the interpersonal and buyer behavior, high level of trust enable buyer and supplier focus on long term benefits of the relationship. Although, extensive studies has been conducted in assessing therelational dynamics factor that influence buying decisions, nevertheless this has not been well studied in the context of Malaysian Chinese entrepreneurs. Therefore, the objective of the paper is to review relevant literature in providing significant insights on the relational dynamics factor that influence buying decision among Malaysian Chinese SMEs.

THE MALAYSIAN CHINESE SMEs

SMEs are important to the economic growth process and the country's overall production network. Hence, it is important to develop a group of competitive and diverse SMEs towards achieving sustainable economic growth as the Malaysian economy is dependent on SMEs' businesses (Abdullah, 2010). These organizations have been improving gradually every year to meet the challenges of the economy in the transformation erainto a modern manufacturing state. SMEs have contributed to the economy which include over 98% of total establishment and over 65% of employment as well as over 50% of the gross domestic product (Arokiasamy and Ismail, 2009). In Malaysia, this number might be lower but it also proved that SMEs has the potential to contribute substantially to the Malaysian economy and provide a strong foundation for the growth of new industries as well as strengthening the existing ones. Therefore in 2020, Malaysia has the potential to become an industrialize nation by

capitalizing on the country's strengths and overcoming weaknesses through SMEs (Arokiasamy and Ismail, 2009).

In Malaysia, the Chinese business community has established chamber of commerce for the purpose of serving their commercial interest. The ACCCIM is the parent organization of individual Chinese Chambers of Commerce established by the business community at the local level (Chin and Lee, 2012). This association plays vital role in enhancing and creating a favorable environment for enterprise development among the Chinese business community. Besides that, this Chamber endeavor abundance of efforts in promoting domestic business opportunities through joint ventures with other ethnic groups in Malaysia. Besides that, the Chinese SMEs in Malaysia have managed to expand their markets internationally especially to China, thus increasing their chance of creating more business opportunities (Chin and Lee, 2012).

As Michael said that in Malaysia not all Chinese SME is operated by the family enterprise but are evolving into more complex and diversified entities, the specific characteristics of which depend on the size and constitution of the individual company. The micro ethnic Chinese SMEs can be defined as a very small family owned and operated to produce a narrow range of products as the company may become a supplier to major local or foreign companies. Business strategy is developed base on the generally acknowledged ethnic Chinese modes of networking such as relationship. Such relationship is a ways of networking constitute an important strategy, and matching the general stereotype of ethnic Chinese business practices as Chinese tend to incorporate personal relationships in business decision-making and manage their business enterprises under personal control. Chinese enterprise always maintain close and long business relationship with other manufacturer which are their supplier mentioned by Michael. Therefore, relationship include the personal relationship which play an important role in the supply chain performance.

Relational dynamics: Relational dynamics are the elements in the marketing relationship and/or personal relationship between two parties to obtain benefit out of the relationships; that is also regarded as the response behavior of these two parties. While, Dagger *et al.* (2009) identified satisfaction, trust and commitment as the factors of relational dynamics; Ndubisi (2006) found four factors of relationship marketing that include the degree level of trust, commitment, communication and conflict handling to produce customer loyalty. Many studies have

investigated the relational dynamics practices in the relationship marketing (Sohail, 2012) even so, authors noted that cultural factor could influence the efficiency of relationship marketing and one of it was Long Term Orientation (LTO). LTO in Confucian dynamism include hard work, face-saving in relationship, future planning and values' perseverance that exists among Chinese due to their life style practice and heritage. Ndubisi (2006) stated that maintaining relationship with customer's tangibility includes offering customer security to enable them feeling the sense of control, minimal purchasing risk, reducing costs and trust from marketers and to encourage repurchase intention.

In industries, relational dynamics were found to be critical to build and enhance inter-organizational relationships (Mavondo and Rodriogo, 2001) and facilitate in the purchasing process (Gligor and Holcomb, 2013) as it can maintain a long term business relationship. They found that a buyer favors to buy from a supplier he/she likes and that matters more than the price they offer, thus personal relationship such as friendship is developed from that economic transaction. Relational dynamics factors provide positive impact on the business relationship. For those who fail to nurture their relational dynamics factors will consequently pose negative effects to their firm-to-firm relationship (Gligor and Holcomb, 2013). Besides that, personal relationship between buyer and supplier help the supplier to understand better their buyers' needs. The friendship built between buyer and supplier allow them to interact with each other so buyer's business requirements and expectations can be evaluated appropriately thus enhance better transactions (Gligor and Holcomb, 2013). Besides that, personal relationships that facilitate a set of behaviors can impact multiple aspects of the business relationship and it need to be developed and maintained in order to enhance trust, personal and business understanding, eventually their sales (Gligor and and Holcomb, 2013). Furthermore, according to Davis and Mentzer (2006), loyalty can be created between buyers and suppliers and it is well-driven by the relational dynamics factors such as trust, communication, commitment and cooperation as discussed extensively below.

Trust: Trust play a key role in supply chain relationship. Trust will affect business relationship if a partner in a business relationship does have trust in the other (Svensson, 2004). Trust can be defined as the confidence of one party in a two-way relationship that the other party

will not exploit its weakness (Svensson, 2004; Villena *et al.*, 2011) whereas in business relationship, trust is a belief into the ability of a business partner to fulfill his or her business commitments (Wong and Sohal, 2002). Gligor and Holcomb (2013) assert that good personal relationship allow buyers to trust their supplier as they know their supplier will speak honestly about their products thus build good friendship. Not only that, trust plays an important role in building up strong relation between buyer and supplier for long term trading, all business negotiations will be managed efficiently (Khan *et al.*, 2015). Moreover, the risk of the partner behaving unscrupulously will be reduced in the presence of trust and itallows a firm to rely on the partner confidently (Khan *et al.*, 2015).

According to Gefen, trust plays a critical role in purchasing processes where consumers look for high quality goods or services. Furthermore, Gao *et al.* (2005) proved that buyer's trust can be established if he or she belief in their supplier who will keep their promise and can fulfill their buyer satisfaction. In a successful Chinese business communities, trust is an important factor to sustain the complex business network as they establish trust at personal-level; in comparison to the Western culture where trust is established at the organizational level.

According to Hsio trust is a crucial factor in sustaining the complex business network and contributing to the success of a firm in Chinese business communities. Chinese businessmen regard trustworthiness of their trade partners as their credibility. Trust building in business relationship provide enormous benefits to both parties in relation to sharing information, willing to engage in future business opportunity and increase long term orientation. The benefits and impact of trust explain the critical role of trust as a key success in buyer-supplier relationships.

In Chinese network tradition, a reciprocal business relations are called as 'Guanxi'. According to Alston, the term "Guanxi" is defined as special relationship or connection between two people. Referring to Zhou, Guanxi has been deeply embedded in the Chinese culture for thousands of years and has become one of the most important building blocks in creating the social structure of Chinese society. Indeed, Guanxi has a significant and positive impact on the efficiency and effectiveness of firms operating in China. For buyers, it gives positive effect on customer loyalty and increase sales by lowering transaction costs. Guanxi with suppliers helps firm to acquire quality materials, and to receive good

service and timely deliveries. On the other hand, Guanxi with competitors assists possible inter-firm teamwork for resource sharing which help reduce competitive costs and operational variability.

Communication: Communication means one person gives or receives from another person about the person's needs, desires, perception, knowledge or affective states. It is also defined as formal or informal sharing of information between firms, especially between buyers and suppliers (Anderson and Narus, 1990). Gligor and Holcomb (2013) assert that communication between buyers and suppliers is important for the success of a business relationship and the achievement of the desired level of business performance. A good communication between buyer and supplier can increase the level of trust through reducing the uncertainty. According to Biggemann and Buttle (2009), communication can only be effective if firms formally or informally share meaningful and timely information. Besides that, information can be shared through communication but is indicated by the willingness of both partners to share important information. An open communication can strengthen the relationship by enhanced trust which will lead to improve performance (Stuart *et al.*, 2012). Therefore, the willingness to share information is based on the high level of trust between two parties by Fawcett and Magnan pointed out that lack of trust between the partners can lead to unwillingness to share information and make it difficult to share sensitive information such as financial data.

Moreover, Kannan and Tan (2006) said that through communication supplier can know their buyers better. They understand better what their buyers' needs, so they can fulfill their demands and achieve buyers' satisfaction. Therefore, when buyers are satisfied, they will make decision to repurchase from the same suppliers. As the relationship matures, partners are more likely to trust each other, have same expectations and understand both requirements and tend to share information hence effective communication can be achieved when both parties (Mohanty, 2012).

Commitment: Morgan and Hunt (1994) assert that commitment in a relationship exists when each partner believes that an ongoing relationship is so important to enhance successful business. In the early stage of the relationship, lack of commitment due to higher uncertainty, but then when a stable relationship occurs, thus eventually minimizing the cost of searching for new partners (Rajendran *et al.*, 2012). A study done by Xiao *et al.* (2010) show that parties who not pay attention

during communication with their partner but also who are not willing to bear the risk to achieve commitment will definitely ruin their business relationship. Kwon and Suh (2005) concluded that commitment is vital in business transaction because without it, business relationship will become weak. In order to achieve supply chain goals, commitment is required by supply chain partners who enduring business transaction, which will then lead to successful supply chain implementation. Bullington and Bullington (2005) concluded that a supplier must look forward to long term commitment with their buyers as they will maintain business transactions with suppliers who are committed that would bring benefits to business competition.

Besides that commitment would enhance the level of trust which can bring a long term loyalty to the business between supplier and buyer. Keeping high level of commitment is beneficial to improve stability and continuity of cooperation (Xiao *et al.*, 2010). While, found commitment was the strongest contribution to the satisfaction variable in the relationship marketing among China students in Malaysia. Stanko *et al.* (2007) found a positive relationship between properties of tie strength (reciprocal services, mutual confiding and emotional intensity) and buyer commitment to the selling organization, thus signifies its importance in buying decisions.

Cooperation: Anderson and Narus (1990) define cooperation as similar or complementary coordinated actions taken by firms in an interdependent relationship to achieve mutual or singular outcomes with expected interchange over time. It is also described as the willingness of parties to extend exchange beyond transaction towards building a relationship (Wilson and Nielson, 2001). Mavondo and Rodrigo (2001) proved that cooperation between the partnerships can last longer when they have similar goals and make decision together towards common goals. They also found that long term cooperation allow them to be aware of the difficulties that would cause a short-term loss in the business; thus they will be able to anticipate any changed circumstances with effective coordination and flexibility (Mavondo and Rodrigo, 2001).

According to Hsiao, the cooperative inter-business relationship is primarily based upon personal trust between business parties. Trust and commitment can be increased through cooperation in the business relationship (Mavondo and Rodrigo, 2001). Most businessmen say that the most reliable sources of information come from close relationships within and among business organizations when they had long term

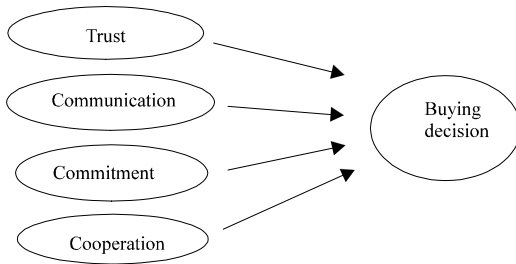


Fig. 1: The proposed conceptual framework

cooperation between each other. Without close relationship, the suppliers or buyers are not willing to share information and have less intention to cooperate. The elements of cooperation in the buyer-supplier relationship has been found to affect positively the Chinese supply chain in manufacturing industry in China (Khan *et al.*, 2015).

Buying decision: A decision is defined in general a choice between two or more alternative options whereas buying decisions represent a complex set of activities that engage many members within the buying organization. Buying decision is series of choices made by a buyer prior to making a purchase that begins once they are willing to buy (Mohammadian *et al.*, 2012). When making a buying decision, the buying organization will sustain the memory about the pattern of interaction whether good or bad, during, before or after the purchasing process. Essentially, every purchase will be influenced by what has happened before and will also influence what will happen in the future when a similar purchase is in progress.

There are many factors that buyers have to consider when making a buying decision. Gligor and Holcomb (2013) argues that relational dynamic factors influence the buying decision. Whilst Ewertz mention that selling organization need to understand buying organizations' interests and needs and this could be achieved through effective communications. Figure 1 shows the proposed conceptual framework that delineating the relationship of relational dynamic factors that are trust, communication, commitment and cooperation; and the buying decisions of Malaysian Chinese SMEs in Malaysia.

CONCLUSION

This study reviews the relational dynamic factors that influence the buying decisions of Chinese SMEs in Malaysia. Many studies emphasized that Chinese entrepreneurs always maintain close and long relationship with the other entrepreneurs especially with the suppliers; thus indicating the prominence of relational dynamic

factors in the business relationship among them. Besides that, relational dynamic factors play an important role in purchasing process as buyers are inclined to have economic transactions with suppliers they trust. This study reveals that the relational dynamics factors that are trust, communication, commitment and cooperation have a relationship in buying decision. This study provides significant contributions to the supply chain management system especially on the relational aspect of the relationship between buyers and suppliers. Besides that this study adds value to the literature in this field on the Malaysian Chinese SMEs contextual approach. Future researcher are expected to conduct empirical study qualitatively to determine the relationship of both elements, namely the relational dynamic factors and buying decisions.

ACKNOWLEDGEMENT

This research is supported by Short Term Research Grant Universiti Tun Hussein Onn Malaysia. Grant number U127/phase I 2014.

REFERENCES

- Abdullah, A., 2010. Measuring TQM implementation: A case study of Malaysian SMEs. *Measuring Bus. Excellence*, 14: 3-15.
- Anderson, J.C. and J.A. Narus, 1990. A model of distributor firm and manufacturer firm working partnerships. *J. Market.*, 54: 42-58.
- Arokiasamy, L. and M. Ismail, 2009. The background and challenges faced by the small medium enterprises: A human resource development perspective. *Int. J. Bus. Manage.*, 4: 95-102.
- Biggemann, S. and F. Buttle, 2009. Coordinated interaction and paradox in business relationships. *J. Bus. Ind. Marketing*, 24: 549-560.
- Bullington, K.E. and S.F. Bullington, 2005. Stronger supply chain relationships: Learning from research on strong families. *Supply Chain Manage. Int. J.*, 10: 192-197.
- Chin, Y.W. and Y.F. Lee, 2012. Chambers of commerce and Chinese business enterprise in Malaysia. *Malaysian J. Chin. Stud.*, 1: 1-17.
- Dagger, T.S., P.J. Danaher and B.J. Gibbs, 2009. How often versus how long the interplay of contact frequency and relationship duration in customer-reported service relationship strength. *J. Serv. Res.*, 11: 371-388.
- Davis, B.R. and J.T. Mentzer, 2006. Logistics service driven loyalty: An exploratory study. *J. Bus. Logist.*, 27: 53-73.

- Gao, T., M.J. Sirgy and M.M. Bird, 2005. Reducing buyer decision-making uncertainty in organizational purchasing: Can supplier trust, commitment and dependence help?. *J. Bus. Res.*, 58: 397-405.
- Gligor, D.M. and M. Holcomb, 2013. The role of personal relationships in supply chains: An exploration of buyers and suppliers of logistics services. *Int. J. Logist. Manage.*, 24: 328-355.
- Golicic, S.L., J.H. Foggin and J.T. Mentzer, 2003. Relationship magnitude and its role in interorganizational relationship structure. *J. Bus. Logist.*, 24: 57-75.
- Kannan, V.R. and K.C. Tan, 2006. Buyer supplier relationships. *Int. J. Phys. Distribution Logist. Manage.*, 36: 755-775.
- Khan, S.A., Y. Liang and S. Sumaira, 2015. The effect of buyer-supplier partnership and information integration on supply chain performance: An experience from Chinese manufacturing industry. *Int. J. Supply Chain Manage.*, 4: 20-34.
- Kwon, I.W.G. and T. Suh, 2005. Trust, commitment and relationships in supply chain management: A path analysis. *Supply Chain Manage. An Int. J.*, 10: 26-33.
- Mavondo, F.T. and E.M. Rodrigo, 2001. The effect of relationship dimensions on interpersonal and interorganizational commitment in organizations conducting business between Australia and China. *J. Bus. Res.*, 52: 111-121.
- Mohammadian, M., H. Alipoor and S.M. Daryani, 2012. Surveying the effects of cooperation companies perception of brand personality in buying decision of ardabil citizens. *Int. J. Manage. Social Sci. Res.*, 2: 128-213.
- Mohanty, M.K. and P. Gahan, 2012. Buyer supplier relationship in manufacturing industry-findings from Indian manufacturing sector. *Bus. Intell. J.*, 5: 319-333.
- Morgan, R.M. and S.D. Hunt, 1994. The commitment-trust theory of relationship marketing. *J. Market.*, 58: 20-38.
- Ndubisi, N.O., 2006. A structural equation modelling of the antecedents of relationship quality in the Malaysia banking sector. *J. Financial Serv. Marketing*, 11: 131-141.
- Omar, S.S., 2015a. The entrepreneurial network of muslim women entrepreneurs: The study of multiple-cases of small businesses in the southern region of Malaysia. *Int. J. Econ. Financial Issues*, 5: 106-115.
- Omar, S.S., 2015b. The exploratory study of the entrepreneurial network of bumiputera entrepreneurs: Cases of small firms in the Southern region of Malaysia. PhD Thesis, University of Southampton, UK.,
- Rajendran, S.D., N.H. Kamarulzaman, N. Nawi and Z. Mohamed, 2012. Establishing buyer-supplier relationship in Malaysian pineapple industry supply chain: Suppliers' perspective. *Asia Pac. J. Oper. Manage.*, 1: 49-66.
- Sohail, M.S., 2012. The antecedents of relationship marketing and customer loyalty: A conceptual framework to determine outcomes. *Int. Conf. Econ. Bus. Innovation*, 38: 236-240.
- Stanko, M.A., J.M. Bonner and R.J. Calantone, 2007. Building commitment in buyer-seller relationships: A tie strength perspective. *Ind. Marketing Manage.*, 36: 1094-1103.
- Stuart, F.I., J. Verville and N. Taskin, 2012. Trust in buyer-supplier relationships. *J. Enterp. Inf. Manage.*, 25: 392-412.
- Svensson, G., 2004. Vulnerability in business relationships: The gap between dependence and trust. *J. Bus. Ind. Marketing*, 19: 469-483.
- Trautmann, G., V. Turkulainen, E. Hartmann and L. Bals, 2009. Integration in the global sourcing organization: An information processing perspective. *J. Supply Chain Manage.*, 45: 57-74.
- Villena, V.H., E. Revilla and T.Y. Choi, 2011. The dark side of buyer-supplier relationships: A social capital perspective. *J. Oper. Manage.*, 29: 561-576.
- Wilson, E.J. and C.C. Nielson, 2001. Cooperation and continuity in strategic business relationships. *J. Bus. Marketing*, 8: 1-24.
- Wong, A. and A. Sohal, 2002. An examination of the relationship between trust, commitment and relationship quality. *Int. J. Retail Distrib. Manage.*, 30: 34-50.
- Xiao, Y., X. Zheng, W. Pan and X. Xie, 2010. Trust, relationship commitment and cooperative performance: Supply chain management. *Chin. Manage. Stud.*, 4: 231-243.
- Yaakop, A. and J.H. Brown, 2014. Attitudes toward specific advertising media (AM): Informative or manipulative. *Asian Social Sci.*, 10: 200-212.