

HOW GUANXI INFLUENCES THE TURNOVER INTENTIONS, AND JOB SATISFACTION OF PRIVATE SECTOR EMPLOYEES FROM SAUDI ARABIA

Mohammed Abdulwahab Alwaheeb

Liao Jianqiao

Huazhong University of Science & Technology, Wuhan, PR CHINA
University of Hail, Kingdom of Saudi Arabia

Abstract

Saudi Arabia has one the most diversified and rapidly changing job markets among the Arab countries. One the most felt changes include the increase in the use of guanxi in the private sector, either between businesses or individuals. The use of guanxi enables individuals to acquire favors from other persons, which places the beneficiary in a better position, especially on competitiveness. Guanxi can have various effects on the recipient as well as the other members of the organization; some of the most affected values include the turnover intention and job satisfaction. However, the impact of the guanxi effect on job satisfaction and the turnover intention may be dependent on over variables like the job security and situational factors such as individual performance and organizational justice. The proposed study aims at explaining the effect of the guanxi concept in the turnover intention and job satisfaction in the Saudi Arabian private sector. The study will consider the contribution of job security, individual performance, and organizational justice in the development of the relationship.

Keywords: Guanxi, private sector employees, job satisfaction, turnover intention, Saudi Arabia

Introduction

The business environment today operates under more diversified beliefs and cultures compared to the years before 1970 (Abosag, 2015). The perception of ethical business practices has also changed to suit the convenience of business people. Entrepreneurs and business executives, as well as their employees, leverage all the available opportunities to enhance the competitiveness of their company or the volume of their income. One of

the most applied strategies in the modern business environment is the creation of business or professional connections or networks. The creation of such networks enables businesses to acquire customers, suppliers, and partners with ease due to the friendly relationship that exists between the parties. On the other hand, employees can use connections to acquire employment opportunities, either directly or indirectly (Nguyen, Simkin&Canhoto, 2015). For instance, a graduate can seek a job recommendation from a friendly professional or acquire an opportunity to work with his/her friend's company.

The professional and business connections, commonly referred to as Guanxi, originated in China. Besides Guanxi being a fundamental concept of the Chinese social life, it is also very applicable in business; the term is replacing 'relationships' and 'connections' at a global scale. In a nutshell, Guanxi can describe a relationship between two parties where each one of them has the preference to the other in the provision of services or 'favors'. The two sides do not have to be of the same class or standing, which may imply the level of career development or size and type of the company. Guanxi can also describe the benefits harnessed from the application of the existing connections. The use of the term emerged and developed from the Chinese society due to the characteristic of community members to form relationships with others who can help them satisfy their needs (Abosag, 2015).

Today, Guanxi is one of the characteristics that define the success of the private sector, not only in China but also in other parts of the globe. Even so, Guanxi is a typical business and professional practice in China and Arab countries, such as Saudi Arabia. Unlike the Chinese, Saudis use the term Et-Moone to define the business to business relationships that place each of the concerned parties in an advantageous position. Et-Moone commonly exists as an interpersonal relationship beyond its operational context and its deployment is not dependent on the individual's perception (Nguyen, Simkin&Canhoto, 2015). The competitive nature of the Saudi Arabian private sector favors the development of Guanxi despite much criticism in the Western countries. Also, the value of culture in the Arab countries and China provides an opportunity for the concept to thrive. Some common characteristics of Guanxi or Et-Moone are high-self disclosure, openness in the sharing of knowledge, loyalty, interaction outside of work, and mutual commitment towards the achievement of shared goals. In Saudi Arabia, the parties involved may have a high value for unilateral decision-making besides showing unity in matters that concern any of the parties. However, the treatment of other individuals in a similar context will be different and probably unfavorable.

Significance and scope of the study

The proposed study has the aim of elucidating the effect of Guanxi and the turnover intention and job satisfaction of employees with reference to the Saudi private sector. The results of the study will help determine if the use of Guanxi has positive or negative on the two values of the labor market, which are very crucial in determining the productivity of employees. Corporate leadership may also depend on the study in the development of corporate cultures that either supports or disapproves the use of Guanxi depending on its effects. In addition, the study will provide an invaluable scholarly contribution towards the understanding of the identified subject.

The Saudi Arabian private sector offers an excellent reference point for the study because of the strong cultural (Arabic and Islamic) values that operate both in the society and business. Also, the Saudi private sector is in the process of reforming to adopt a governance culture and business environment that will favor the employment of the natives based on the fact that the expatriate employment rate has been significantly higher than that of the Saudis (Mellahi, 2007). As a result, Guanxi may be one of the used approaches in such cases to attract favors. Guanxi has gained a lot of academic concern over the last few years; however, there are no sufficient studies that show its effects on job satisfaction and turnover intention in Saudi Arabia.

The study will primarily focus on the human resource management (HRM) in the Saudi private sector due to its relationship with job satisfaction and turnover intention. Nevertheless, the organizational culture has precedence in determining the values and practices adopted by the human resource department, especially when it comes to matters concerning recruitment and firing. The study will also integrate some concepts related to job satisfaction and turnover intention, such as job security, individual performance, and organizational justice, in a bid to further understand their relationship to Guanxi.

Proposed conceptual model

Various studies show that there is a relationship between Guanxi, job satisfaction, and turnover intention. According to Zhai, Lindorff & Cooper (2012), a supervisor-subordinate Guanxi can have a positive or negative effect on job satisfaction. However, employee-to-employee does not necessarily result in job satisfaction. When the employer and employee have a good and understanding relationship, there is the likelihood that the employees will feel contented in their jobs, especially due to the fact that the employer becomes approachable.

Based on the fact that Guanxi affects the job satisfaction, it is prudent to conclude that it also has an effect on the turnover intention. For example, a

negative effect of Guanxi on job satisfaction where a section of employees feel discontented due to the management favoring some individuals, may result in a high turnover intention (Nguyen, Simkin & Canhoto, 2015).

It is important to note that satisfaction and job satisfaction are dependent on job security; insecure employees are both discontented in their employment and may intend to leave for other jobs (Cheung, Wu & Wong, 2013). Organizational justice that explains the employees' perception of the firm being equitable and fair, can determine the relationship between job security, satisfaction, and turnover intention. The perception that the management or supervisor accords favors to a particular individual or group may result in the employee concluding that the organization is unjust, which may stimulate their job satisfaction and intention to leave if he/she was already insecure.

Wong, Y., Wong, S., and Wong, Y (2010) argue that Guanxi has a direct relationship with job security from their study on Chinese joint ventures. According to the researchers, Guanxi leads to the development of trust between the employer and employee in a way that the worker acquires the feeling that he/she cannot lose the opportunity easily. However, the relationship between the Guanxi and job security is dependent on the performance of the employee; irrespective of a favorable relationship, an underperforming employee may lack job security. The figure below represents the conceptual model that the study will adopt.

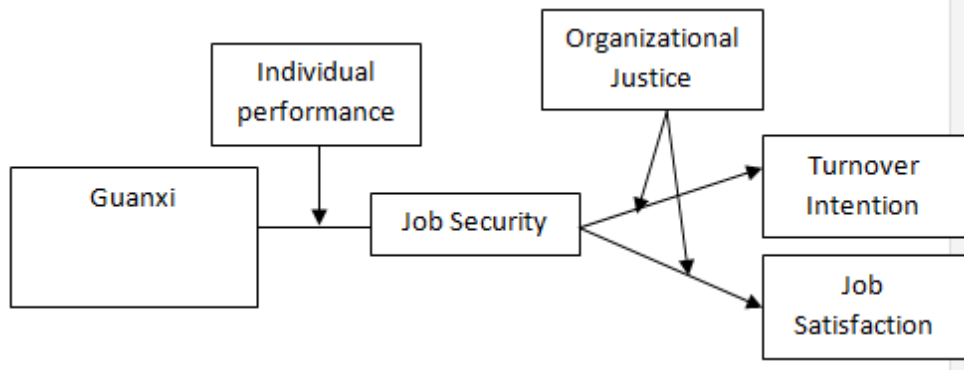


Figure 2: Proposed Conceptual Model

Guanxi and the outcomes

This section will focus on the outcomes of Guanxi with emphasis on the employee job satisfaction and turnover intention. The turnover intention delineates the feeling of an individual employee to leave their current job to join another firm. The turnover intention is commonly a product of lack of satisfaction in the job, especially due to matters concerning income, job level with respect to educational achievement, lack of job security, and passion.

On the other hand, job satisfaction concerns employee's contentment in the current position; it can be the absolute opposite of the turnover intention. The formation of interpersonal relationships between the members of an organization can affect the two dependent variables in different ways in the Saudi Arabian private sector.

Turnover intention

First, the creation of networks beyond the organization that an individual works for has the potential to result in the incline in the turnover intention rate of employees. It is common that some employees remain in the same firm for long periods due to the lack of alternative opportunities elsewhere. Some of the values encompassed by Guanxi include doing and returning favors, mutual benefits, and personal loyalty (Chen et al., 2011). Therefore, the creation of such personal networks enriches the possibility that the individual directly or indirectly acquires an opportunity of interest with at least one of his/her connections, which increases the turnover intention. However, the turnover intention as a result of Guanxi in such circumstances depends on other personal and organization-specific situational factors such as the individual performance, and organizational justice respectively.

Second, it is important to consider the significance of the subordinate-supervisor Guanxi. The subordinate-supervisor Guanxi is not only very effective in determining the turnover intention but also operates within the particular organization. The type of Guanxi explains the interpersonal connection between a junior employee and those in higher positions (Scott et al., 2014). However, it is crucial to note that there is a difference between the terms of the Chinese Guanxi and Saudi Et-Moone. In Saudi, the connections do not necessarily mean that both parties benefit from the relationship and, as a result, Guanxi tends to benefit only one party. Junior employees are the principal beneficiaries in the Saudi Et-Moone, especially with the involvement of their superiors; some of the favors may include job promotion, favorable job allocation, an increase in salaries and allowances. As an implication, the beneficiary tends to achieve their professional and personal needs by leveraging the benefits that come with the subordinate-supervisor Guanxi (Chen et al., 2011). The ability of the individual to enjoy benefits that other employees in his/her position within/out of the organization do not can lead to the decline in the willingness to leave. Although the subordinate-supervisor Guanxi may result in the decrease in the turnover intention of the concerned individual, it can have an opposite reaction among other employees. However, the relationship between Guanxi and turnover intention of other employees is dependent on the organizational justice and personal performance.

Third, there is the employee-to-employee Guanxi that defines the interpersonal relationships between workers at the same level. The type of Guanxi may not have as much effect on the individual's turnover intention but, it remains significant. One of the most significance values of employment, especially teamwork is unity, personal loyalty, and solidarity; the values have more value in Et-Moone compared to the Chinese Guanxi (Abosag&Naudé, 2014). The three workplace values enhance the employee's willingness to be part of a team that is both cooperative and willing to defend each one of its members (Scott et al., 2014). Consequently, the employee-employee Guanxi can lead to the decline of the turnover intention among all employees; it has a better cooperate advantage compared to the subordinate-supervisor Guanxi. On the downside, lack of such good relationship between employees may lead to disunity, which may affect the achievement of personal goals and, as a result, the turnover intention of each of the employees may go higher.

Position 1: The turnover intention in Saudi Arabia is dependent on the Guanxi effect.

Job satisfaction

Social interaction is one of the values that define Guanxi in the Saudi Arabian society. Employees have the tendency of creating large professional circles, especially with individuals working in the same positions or industry. The creation of professional relationships beyond the confines of the organization leads to the growth of the employee's knowledge concerning the industry. When interacting, it is common that people share sensitive information related to their jobs and the organizations that they work for (Chen et al., 2011). As a result, the individual becomes cognizant of the least treatment and working conditions that the organization should maintain, which may be contrary to those applied by other firms. Implicatively, the employee may become discontented in his/her current employment, especially when the management is not ready to change its stance towards the raised issues. The thought that the individual can acquire employment in other places through the interpersonal connections further provokes the dissatisfaction in the current work environment.

The subordinate-supervisor and employee-employee Guanxi affects the employee's satisfaction in equal measure as it does the turnover intention. As learnt earlier, the existence of a good relationship between a junior member and seniors can help in the fulfillment of the employee's professional and social desires since the employee has exposure to opportunities that others do not. The relationships bring the employee closer towards self-actualization, which means that they become satisfied in the current position and organization until the point where the Guanxi does not

work in his/her favor (Abosag&Naudé, 2014). However, this effect may be dissimilar among other employees when they detect unequal treatment of workers. Astoundingly, like the turnover intention, the satisfaction of other employees is dependent on other variables, especially organizational culture and individual performance (Scott et al., 2014). Then again, the employee-employee Guanxi leads to the creation of a comfortable work environment where the employee has the support required to achieve group and individual goals, which translates into job satisfaction. Conclusively, Guanxi has an almost similar impact on job satisfaction and the turnover intention. On the contrary, the lack of employee-employee Guanxi can inevitably result in dissatisfaction and low productivity of the entire team and individual employee.

Position 2: The job satisfaction of Saudi Arabians is dependent on the Guanxi effect.

Job security

Saudi Arabia is one of the countries with a very competitive job market based on the fact that the local market is significantly open to foreigners. As a result, there is much uncertainty of the individual regarding their ability to hold their jobs, especially to the dynamism of the hiring trends. One of the factors leading to the augmented uncertainties is the trend by the private sector to hire more foreigners than the natives (Al-Waqfi&Forstenlechner, 2010). Also, the sector is adopting the strategy to absorb more Saudis in their HR systems. As learned earlier, Guanxi has a significant effect on hiring where the recruiters favor the individuals that they know from past encounters. As a result, individuals (especially foreigners) may be afraid that other people may come to and replace them in the current positions (Chen et al., 2011). However, the Guanxi effect will rely on the performance of the individual.

On the other hand, the individual may have a significant level of confidence and sense of security due to Guanxi. Subordinate-supervisor Guanxi leads to the development of a trustworthy and supportive relationship between an employee and the superiors. Consequently, the employee acquires the feeling of confidence and optimism that the supervisor will come to defense in cases where the HRM may intend to terminate his/her services. Nonetheless, Guanxi may not work for the junior employees if their performance is below the corporate expectations. Regardless of the performance, job security is one of the principal factors affecting job satisfaction and the turnover intention. Therefore, it is prudent to conclude that job security can explain the effect of Guanxi on job satisfaction and turnover intention. For example, when the Guanxi results in a decline in the employment security, the satisfaction lowers while the turnover intention

increases. However, the relationship can only be effectual without the consideration of situational factors such as performance and organizational justice.

Position 3: job security mediates the effect of Guanxi on job satisfaction and turnover intention.

Situational factors

Individual performance

The goal-oriented firms seek to work with and retain an individual who shares its vision, and is ready to work for excellence. Well performing employees find it unnecessary to worry about the risk of losing their positions as opposed to their underperforming counterparts. As noted earlier, subordinate-supervisor relationships can positively or negatively affect the job security. In the first instance (hiring), the performance of the individual (academic or experience) may lead to the rejection of the individual regardless of the relationship with the superiors. Instead, better performing individuals may take the job even without having any relationship with the employer.

Again, the performance of the person may a guarantee of his/her stay in the firm irrespective of the relationship with the management team. On the contrary, poor performers work with the constant fear that the HRM may terminate their services due to their inability to meet the expectations (Zhai, Lindorff, & Cooper, 2012). In spite of the subordinate-supervisor Guanxi, a poor performing employee will lack job security as his/her counterparts. Therefore, it is possible to conclude that the performance can moderate the relationship between Guanxi and job security.

Position 4: The individual performance moderates the relationship between the Guanxi effect and job security.

Organizational justice

The negative use of Guanxi, one of doing favors for employees at the expense of those who deserve the opportunities, leads to the development of an organizational practice that regards inequity. For example, promoting underperforming individuals instead of the productive ones is a show of organizational injustice, which leads to the dissatisfaction and the intention to leave among the hardworking employees, even when their jobs are secure (Zhai, Lindorff, & Cooper, 2012). However, the sustenance of a culture that upholds equity irrespective of the interpersonal relationships between the juniors and seniors creates a platform where values like mentorship can flourish, which implies a decline in the turnover intention and increase in the individual satisfaction. Conclusively, the organizational justice can moderate the effect of job security and turnover intention.

Position 5: The organizational justice moderates the impact of job security on job satisfaction and the turnover intention.

Conclusion

Saudi Arabians, like the Chinese, have a high value for the creation of interpersonal relationships, also known as Guanxi. Guanxi between two parties places each one of them at an advantageous position due to the associated favors. In the organizational context, some Guanxi-related favors can include selection for job positions, promotion, and an increase of salaries or remuneration. Various studies show that Guanxi can either positively or negatively affect both job satisfaction and turnover intention.

The proposed study focuses on understanding the effect of the Guanxi on the turnover intention and job satisfaction with respect to the Saudi private sector. For the study, the Guanxi effect remains as the independent variable while the job satisfaction and turnover intention are the dependent variables. The job security will mediate the effect of the Guanxi effect on the turnover intention and job satisfaction. While the individual performance will moderate the relationship between Guanxi on the job security, the organizational justice mediates the effect of job security on the turnover intention and job satisfaction.

The study will introduce a new level of scholastic knowledge concerning the subject in the Saudi Arabian context. Besides, entrepreneurs and business executives can use the results from the study to choose the best applicable way of using Guanxi depending on the positive and negative effects on an organization's HR. Saudi Arabia is one of the Eastern countries with high value for culture and good interpersonal relationships, which implies that the studying the effect of such relationships in the Kingdom will provide reliable results.

References:

- Abosag, I. (2015). The antecedents and consequence of Et-Moone B2B relationships. *Industrial Marketing Management*.
<http://dx.doi.org/10.1016/j.indmarman.2015.05.028>
- Abosag, I., &Naudé, P. (2014). Development of special forms of B2B relationships: Examining the role of interpersonal liking in developing Guanxi and Et-Moone relationships. *Industrial Marketing Management*, 43(6), 887-896. <http://dx.doi.org/10.1016/j.indmarman.2014.05.003>
- Al-Waqfi, M., &Forstenlechner, I. (2010).Stereotyping of citizens in an expatriate-dominated labour market. *Employee Relations*, 32(4), 364-381. <http://dx.doi.org/10.1108/01425451011051596>

- Chen, Y., Friedman, R., Yu, E., & Sun, F. (2011). Examining the Positive and Negative Effects of Guanxi Practices. *SSRN Electronic Journal*, (28), 715-735. <http://dx.doi.org/10.2139/ssrn.2071329>
- Cheung, M., Wu, W., & Wong, M. (2013). Supervisor-subordinate kankei, job satisfaction and work outcomes in Japanese firms. *International Journal Of Cross Cultural Management*, 13(3), 265-278. <http://dx.doi.org/10.1177/1470595813501477>
- Cheung, M., Wu, W., Chan, A., & Wong, M. (2008). Supervisor–Subordinate Guanxi and Employee Work Outcomes: The Mediating Role of Job Satisfaction. *J Bus Ethics*, 88(S1), 77-89. <http://dx.doi.org/10.1007/s10551-008-9830-0>
- Mellahi, K. (2007). The effect of regulations on HRM: private sector firms in Saudi Arabia. *The International Journal Of Human Resource Management*, 18(1), 85-99. <http://dx.doi.org/10.1080/09585190601068359>
- Nguyen, B., Simkin, L., & Canhoto, A. (2015). *The dark side of CRM*. London: Routledge.
- Scott, J., Harrison, R., Hussain, J., & Millman, C. (2014). The role of Guanxi networks in the performance of women-led firms in China. *IntJrnOf Gen And Ent*, 6(1), 68-82. <http://dx.doi.org/10.1108/ijge-03-2013-0014>
- Wong, Y., Wong, S., & Wong, Y. (2010). A study of subordinate–supervisor Guanxi in Chinese joint ventures. *The International Journal Of Human Resource Management*, 21(12), 2142-2155. <http://dx.doi.org/10.1080/09585192.2010.509621>
- Zhai, Q., Lindorff, M., & Cooper, B. (2012). Workplace Guanxi: Its Dispositional Antecedents and Mediating Role in the Affectivity–Job Satisfaction Relationship. *J Bus Ethics*, 117(3), 541-551. <http://dx.doi.org/10.1007/s10551-012-1544-7>