

## The Impact of Guanxi on Logistics Service Value

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### ABSTRACT

*Under the context of relationship, the concept of guanxi is an ambiguous term that embeds Chinese philosophy of social structure and interactions. The purpose of this study is to examine the relationship between logistics service value, relationship quality, guanxi and the financial performance of Thai shippers. To do so, this study uses a structural equation model (SEM), as it is the most appropriate multivariate analytical technique to estimate multiple and interrelated dependent relationships. The method embraces unobserved concepts that are termed constructs, latent variables and factors, thus allowing the researcher to handle a large number of endogenous and exogenous variables (Hair et al., 2010). The study results show that guanxi had a significant positive effect on logistics service value and financial performance. Logistics service value, however, did not have a significant effect on financial performance, nor did guanxi on relationship quality. The results provide a better understanding of the role relationships play in the context of logistics service value and how it can affect financial performance. They also can be used as a guideline in making strategic business decisions with Asian businesses.*

### INTRODUCTION

Transport and trade development through modern transport practices, such as logistics service value (LSV), have significantly affected current transport systems. Logistics service providers are encouraged to realize the importance of material flow integration and its links to value creation. Conventionally, value can be understood in two ways: 1) value can be perceived as the cost that buyers are willing to pay for a firm's output in yielding its competitive advantage (Lu, 1997; Ruston et al., 2007) and 2) value is created by discrete activities such as operational performance or market activities (Porter, 1985). The concept of value has been approached from many disciplines (Rutner and Langley Jr., 2000). Payne and Holt (2001) claimed that the concept evolved from exchange, utility and labor value theories in the context of economic studies, while others argue that the concept evolved from service and retail marketing (Ravald and Grönroos, 1996; Woodruff, 1997). Nevertheless, the fundamental nature of service value in the logistics context shares a similar foundation to service value in the marketing context, where service providers are trying to meet or exceed customer require-