

## Theoretical Study on Enterprise Composite Relationship and Its Inspiration to Management Practice

Meng-Wei SHI<sup>1,a</sup>, Chun-Mei SONG<sup>2,b</sup> and Fan-Hua MENG<sup>3,c,\*</sup>

<sup>1</sup>State Grid Hebei Electric Power Company Training Center

<sup>2</sup>Shijiazhuang Vocational College of Finance & Economics

<sup>3</sup>State Grid Hebei Electric Power Company Economic Research Institute

<sup>a</sup>px\_shimw@163.com, <sup>b</sup>Scm780929@163.com, <sup>c</sup>mengfanhua85@163.com

\*Corresponding author

**Keywords:** Composite relationship, Simple relationship, Management.

**Abstract.** This paper introduces the concept of composite relationship among enterprises, that is, the relationship between two parties in a business is composed of many simple relationships. The article defines the essential characteristics of the composite relationship, revealing the importance of enterprises should pay attention to the composite relationship rather than one-sided attention to individual simple relationship. And put forward suggestions to management practitioners on the rational application of composite relations.

### Introduction

The so-called enterprise external relations refer to the sum of all the external relations that have some connection with the running process. External relations referred to in this article as the relationship between business and other businesses. Enterprise external relationship management is of great importance to the business. However, most companies understand the external relations too unilateral, they only care about a certain type of relationship during a certain period of time. In fact, businesses are complex and diverse at the same time with multiple businesses. For example, a business may be a customer, supplier, partner, and competitor of another business at the same time. The complicated relationship between enterprises has become more and more common in the business management practice. This important trend deserves to be pondered by managers and researchers.

In this paper, the interaction between two or more simple relationships existing between two parties in a business is called composite relationship. Simple relationship is an independent and different relationship between two companies, such as the sale and purchase relationship, the competition relationship or the cooperation relationship. If you only focus on a specific simple relationship, the company is likely to over-amplify individual simple relationships, so as to ignore or even endanger the overall relationship.

### The Importance of Composite Relationship

In the actual business practice, people tend to focus more easily on a particular simple relationship, while ignoring the consideration of the overall composite relationship. In the process of business management, comprehensive consideration should be given to the composite relationship rather than just one of the simple relationships. The simple relationships that make up a composite relationship affect each other. First of all, different simple relationships have their own code of conduct, which may conflict with each other. Second, both parties in a composite relationship play different roles in different simple relationships, with different power distributions and potential speculation among themselves. It is noteworthy that the composite relationship exists at the same time, rather than one after another, that is, not from the competitors to become both buyers and sellers and partners, but a variety of relationships coexist. Finally, the nature of the

composite relationship will change, so managers need to be regulated and adjusted from time to time. The coexistence, complexity and variability of composite relations make the study of composite relations far-reaching theoretical and practical significance.

For the following reasons, enterprises should pay attention to the management of composite relationship. First, improper handling of some simple relationship can harm other relationships. For example, both parties should be cautious about each other as sellers and buyers (such as paying the buyer on schedule and delivering the goods on schedule as the seller) to ensure the long-term cooperation between the two parties. Second, if both companies are competitors and buyers and sellers, the competition may be intensified. Can lead to the rupture of trading relationships. Third, the proper disposal of a simple relationship may lead to the establishment of an extra relationship. The relationship between buyers and sellers will go through several stages of development, the good relations of each stage are the credit basis for the next stage. Good suppliers or customers may become partners; strong competitors may cooperate to develop new products, open up new markets. Therefore, each simple relationship may affect other simple relationships, or even the overall composite relationship.

Based on the above discussion, it is very important for enterprises to pay attention to the management of complex relationships instead of paying attention to simple relationships. Although the actions taken by enterprises play a promoting role for a simple relationship, the overall impact may not be worth the candle. On the contrary, some seemingly insignificant actions can, however, have a significant effect by influencing other simple and holistic relationships. Therefore, focusing on the overall composite relationship is a two-way weapon that combines protection and offensive capabilities.

## **The Composite Relationship Theory**

### **Composite Relationship and Simple Relationship**

Relationships are the linkages between two entities (organizations, populations, communities, countries) that have a clear role and expected code of conduct. This article only discusses the simple relationship between enterprises, such as seller - buyer, competitor, collaborator and so on. The relationship between firms may not be limited to specific, simple relationships. For any given pair of firms, both parties may be both buyers and sellers, and at the same time (in another market) as competitors.

In order to facilitate understanding, this article divides the simple relationships between the two companies into four basic types: buyer-seller, seller-buyer, competitor, partner, ie, two businesses that, through common or informal means, cooperating. Based on these four basic simple relationships, eleven different composite relationships can be made: six with two simple relationships (dual role relationships), four with three simple relationships (trigonometrical relationships) and one with all four Simple relationship (four-character relationship). Different simple relationships may occur in different parts of the enterprise, but the simple relationships that make up a composite relationship interact with each other, and managers can not deal with simple relationships in isolation.

It is necessary to distinguish the complex relationship from the simple one, because in a particular simple relationship, both parties have specific roles, and the complex relationship includes many simple relationships. Complex Relationships Summarize all simple relationships as overall relationships, where each simple relationship affects other simple and holistic relationships. Therefore, simple relationships can not be dealt with in isolation, and management practitioners and academic researchers should be inspired.

### **Leading Relationship**

A question worth considering is which of the simple relationships that make up a composite relationship is more important? In this paper, the most crucial simple relationship in a composite relationship is called the dominant one. Domination will change over time and the market

environment. It is inevitable that there are two or more important relationships in a composite relationship at the same time, but this situation is not considered in this article. Therefore, in the composite relationship, a simple relationship can play a leading role, to a greater extent determines the nature of the composite relationship. However, not all dominant influences have the same influence. If a relationship is absolutely dominant, then the overall relationship will be defined.

This article summarizes the factors that influence the dominant relationship in the composite relationship from three aspects. First, the path dependence, that is, the rule of getting along with the initially formed relationship, largely determines the introduction and development of subsequent simple relationships. Second, economic importance is likely to become dominant if the economic benefits of a relationship are greater. Third, the strategic importance. Strategic importance emphasizes relationships that are not visible in the short term, but that are crucial to the long-term growth of the business, as opposed to economic importance. When a relationship has a greater strategic importance, the likelihood of it becoming dominant becomes much higher.

Therefore, in most composite relationships, a simple relationship as the dominant relationship, to a greater extent determines the nature of the composite relationship. Whether a simple relationship can become dominant depends on three factors: initial relationship, economic importance, and strategic importance.

### **The Inspiration of Management Practice**

A simple relationship between businesses inspires other simple relationships and forms a composite relationship. The establishment of a complex relationship provides a new opportunity for business evolution and business model innovation. In the current business environment, the interaction between enterprises is more and more complicated. The composite relationship exists widely in the platform-based enterprises, eco-enterprises and various interest communities. It focuses on and develops the potential and value of multi-dimensional composite relationships, New vitality, provide new ideas. At the same time, companies can effectively limit potential opportunistic risks by establishing a composite relationship, especially for those stakeholders who are at the heart of their operations. Both parties in a composite relationship are more cautious about opportunistic motives. Even if a simple relationship in a long-term composite relationship is short-lived, the fear of "retaliation" that may be suffered in another simple relationship and the potential for maintaining a long-term relationship Interests can effectively control the opportunistic behavior of enterprises. Further, if the dominance of a composite relationship yields the greatest benefits, the handling of other simple relationships becomes more conservative in order to avoid affecting dominant relationships. On the other hand, in a composite relationship, the trust built in a simple relationship naturally extends to other relationships. As time goes on, both sides will cherish each other's trust more and avoid the threat of opportunism to existing relations. The concept of composite relationships inspires managers to consider holistic relationships with stakeholders rather than just a simple relationship. For the management of composite relationships, enterprises should first assign a relationship management commissioner to each important composite relationship to control the composite relationship of the two parties as a whole. The regulatory process, the Commissioner and the person in charge of simple relations should collectively sort out all the simple relationships, determine the dominant relations, and establish the organizational structure under the simple relations and the operating norms for each simple relationship. Business norms need to take into account the basic characteristics of the simple relationship and the overall composite relationship. Further, the relationship manager should work with the person in charge of the simple relationship to work out the directions for the development of future compositeing relationships and to stockpile knowledge and resources for future plans. When everything is in place, the Commissioner needs to properly monitor the various simple relationships and maintain them in accordance with the established norms to ensure the smooth progress of the project.

In the complicated relationship formed by many simple relationships, the manager should first determine and properly handle the dominant relationship. Leading relationships are at the heart of business strategy and the basis for sustained economic gain. To strengthen the dominant position,

we can even abandon other simple relations. Dealing with simple relationships that conflict with the dominant relationships (eg, joint ventures with competitors) can be achieved through the establishment of an informal "psychological defense" or the signing of formal "defensive" contracts, while the more compromising ones are Establish a hybrid management system, such as signing formal contracts with specific functional departments under simple relations. What kind of institutional structure is more effective depends on a variety of factors: the relationship between the larger the relationship with the dominant (more important), the more necessary to establish a formal defense system. Likewise, the more the relationship conflicts with the nature and the needs of the dominant relationship, the more necessary it is to establish a formal defense. The greater the dominant relationship between the rest of the relationship, the more necessary the establishment of a formal defense system. Enterprises according to their own business situations, a reasonable management system can help companies properly handle complex relationships in a variety of simple relationships, in order to play a strategic significance of composite relations.

## **Conclusion**

With the increasingly complex and diversified relationship among enterprises, it is particularly crucial to consider and handle many kinds of relationships. This article introduces the concept of composite relationship, composite relationship and the simple relationship that constitute composite relationship are indivisible and influence each other. This article needs to re-emphasize the important role of dominance in composite relationships. As mentioned in the previous section, the simple and complex relationships that make up a composite relationship are external to other simple relationships. Therefore, the dominant relationship will regulate the effect of composite relationship, that is, strengthen or weaken the impact of composite relationship. composite relationships change faster than simple relationships. compositeing relationships to a certain extent promote business performance, and can affect the "critical speed", or speed up business entry, or to prevent premature withdrawal. Future research directions have many possibilities. The most direct one is to explore the application of the theory of complex relations in other existing theories. Other theoretical research opens up new perspectives.

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