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How does the concept of guanxi help foreign managers do business in China?

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Abstract

China's fast growing market potential is undoubted. However entering China has never been an easy task for foreign firms and business practitioners. Not only the complex market environment, but also the complex business relationship networks—in another word, Guanxi—make it difficult for foreign firms to operate profitably. The purpose of this study is to explore some major issues of Guanxi concept, and to provide some practical solutions for foreign managers to use when dealing with Guanxi in their businesses. Both qualitative research and quantitative research were carried out. The author interviewed nine Chinese and foreign managers and surveyed hundreds of respondents in several industries. The findings confirm Guanxi's important role in Chinese society and business world. This study also discovers some major practical issues that could influence quality of Guanxi, either positively or negatively, which gives foreign managers great direction on initiation and maintenance of their Guanxi network. The findings suggest that learning some Chinese culture and having a reliable Chinese partner have positive effect on building Guanxi networks. However, this study shows a quite different result on future role of Guanxi compared with existing literatures: the role of Guanxi would either not change, or increase in China in the future. In addition, foreign managers need to be aware that Guanxi is indeed important, but it does not mean everything in market activities, the core marketing principles are always essential in any market, including China.

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Definition of Guanxi

According to Yang (1994), the word Guanxi can be defined as “a relationship between objects, forces, or persons”. Usually it is referred as relationships between people. Guanxi can be applied to many types of relationships, not only husband-wife, kinship, and friendship relations, but also “social connections, dyadic relationships that are based implicitly (rather than explicitly) on mutual interest and benefit.” Once Guanxi is established between two people, one can ask favors from the other with the expectation that the debt incurred will be repaid sometime in the future. (Yang, 1994)

Guanxixue is the art of relationship marketing, in regard with exchanging benefits and favors. Chinese people use their Guanxi network broadly in their daily life. For instance, when people need to have something done, they ask someone for a favor. If this person can't do it, he/she can ask someone else in his/her network, and it goes like a spider net. “Guanxixue involves the exchange of gifts, favors, and banquets; the cultivation of personal relationships and networks of mutual dependence; and the manufacturing of obligation and indebtedness.” (Yang, 1994) What keeps members together in a relationship is the power of Guanxi that meets their needs and desires of everyday life.

Guanxi is not only used in maintaining corporate level relations in economic aspects of Chinese society, it also plays an important role in relationships between businesses and state bureaucracy. One's Guanxi can rely on several bases: kinship, friendship, and some other personal relations. Establishment of Guanxi can only happen between two parties who have some level of familiarity. The first and the strongest type of Guanxi is family and kinship ties. It is from a person's immediate blood family and the extended relations.

Other common types of Guanxi include friendship and neighborhood. In many big cities in China, non-kinship relationship has become more and more important than kinship. There is a rule that the bigger a person's Guanxi network is, (which refers to the amount and the diversity of connections with different people from different industries and positions) the higher level of position that person becomes in the society, and the easier for that person to obtain resources and opportunities.

According to Yang (1994), there are three main things to exchange in Guanxi: gifts, banquets and favors. Common gifts given in China are ranged from a bag of fruits to expensive jewelry, such as watches. Most Chinese people realize the important role of exchanging gifts and favors in establishing and maintaining one's harmonious Guanxi network.

Etiquette is another important part of Guanxi activity. It is normally associated with Renqing principles. Etiquette is not a set of written rules, but it has been ruling Chinese people's mind for centuries. Chinese people know naturally when one offers a helping hand, it means you owe this person a Renqing, and you need to be ready to pay it back whenever this person asks so. There are certain rules and procedures regarding gift and banquet giving. Therefore, when people give gifts, or host restaurant meals, the guests take them as appreciation of their relationship instead of bribes. One important thing to mention here is "in Guanxi exchange, there are no objectives or universal exchange rate" (Yang, 1994).

Root of Guanxi

Formation of the current Guanxi concept took a long period of time and went through a complicated process in Chinese history. In order to Understand this

unique relationship concept in depth, the root of Guanxi, in terms of historical explanations, will be discussed in two major directions: from political-economic aspects and social cultural aspects.

Political-economic aspects

Productivity determines the relation of production. Low productivity leads to complex relation of production, and complex other social relations. (Marx, 1887)

There are five essential periods of time in the Chinese history that contributed the most to current Guanxi concept: the Feudal days (221BC-1912AC), the chaotic military government period (1912-1949), the early founding of P. R. China period (1949-1966), the Cultural Revolution (1966-1976), and the economic boosting period (1978 till now). Details of factors that influenced Guanxi during each period will be discussed in the following sections.

Feudal Day-the birth of Guanxi

The Feudal system had governed China for more than two thousand years. (Zhang, 2001) During this long period of time, China formed an agriculture based economy rather than a highly industrialized economy (as most European countries did). Especially in the last two centuries, from the late Qing Dynasty, China had an important policy of cutting itself off from the outside world to prevent potential invasion. The policy did provide protection for a certain time. However on the other hand, it had a huge negative impact on economy and people's ideology. One of the most influential consequences is that it made the introduction of any advanced productivity impossible,

which accordingly made capitalization and industrialization impossible. The lagging or absence of capitalization and industrialization helped the emperor as the power controller keep power centralized, but it also ruined the development of the whole national industry. The policy made the whole Chinese economic productivity remain at a very low level compared to most Western countries for a long time before the People's Republic of China was founded.

More importantly, the imperial family and their power mechanism at the time made major laws and regulations in order to destroy the new concept of employer/employee relations in production. (Zhang, 2001) As mentioned before, productivity is the key determinant in production relation and it is the foundation of any form of existing relations. A combination of low productivity and limited resources provided the foundation of the complicated Chinese relationship in the power hierarchy, which is referred as Guanxi.

Psychologist Therivel (1995) suggested, under a highly centralized power system, there are no other choices for an individual to switch allegiance. People had to stand with the power holder and do whatever they were ordered to do. Otherwise, the only choice was to fight against the whole power hierarchy, which was simply not possible for most people. Therefore, individuals had to protect themselves in the existing power hierarchy, and it could be achieved by keeping strong relationship ties with people they could trust, i.e. people who would offer help when they were in trouble. Their close relatives in higher levels of the power hierarchy were most preferable; this formed the first compartment of their Guanxi. (Du, 2008) People, who lived under such a risky power system, tended to automatically seek safety and shelter, which formed many interest groups based on benefits. That is how the Guanxi relationship was formed originally besides family and close friends.

In addition, because the emperor owned, controlled and ruled everything, their legal system only represented their governance and the power hierarchy. In other words, power of the power owner overtook the legal system itself, people relied more on the power hierarchy than laws and regulations. There was a lack of legal concept in people's mind, the lack of legal concept, on the other hand, reinforced the importance of Guanxi and promoted bureaucracy.

There are several reasons for tight family relationship in the Chinese tradition. Firstly, for thousands of years, agriculture had been the dominant economy type in China. Most education was done in their own family due to lack of public schooling and low academic requirements for employment, such as agricultural labor work. Secondly, from a social welfare aspect, taxes collected by the power owner were never returned to ordinary people. Therefore people had to raise their children on their own, and when they got old, they had to rely on their children for their retirement. (Zhang, 2001) Generation by generation, this unique relationship between parents and children had been developed since then. Even nowadays, in most rural areas it is still the dominant philosophy. (Du, 2008) The feudal system had been destroyed for a long time, but the social customs that passed through each generation still go on. Therefore people still tend to have a very tight and close relationship with their family members. These people are the first Guanxi network they have since their early age, these family members become the first layer of group that they can fully trust.

Chinese people had been under the oppression of the feudal system for a long time. According to LeVine (1974) and Kohn (1969), subsistence pressure, low-class status, and impacts of sheer poverty or slavery can cause being dependent, knowing one's place, and being acquiescent. This could explain why Chinese people have a high power distance culture historically. Power distance, other Hofstede's dimensions and their links to Guanxi will be

discussed in the following literature reviews.

The second closest Guanxi group normally was constructed by people from the same hometown (locality), close friends who grew up together, and classmates from the same private school. Due to lack of resources, the only way ordinary people could get to the upper levels of the power hierarchy was to take a certain kind of exam for an official position. This kind of exams was highly controlled by a few people. It was extremely hard to get in there without any Guanxi.

Moreover, people in important positions would tend to have his own forces in the complicated Guanxi network under the emperor's governance. Therefore these important people had to select some followers that could be trusted for their own Guanxi network. Normally, in order to make their own territory more stable, those followers would come from their relatives, fellow countrymen, or junior classmates. On the other hand, in order to join the upper class, these followers must have committed their loyalty and honor to one of the Guanxi groups. Similar forms of Guanxi passed on to the next generation of government official groups. One important feature of Guanxi, which applies to both old days and current Guanxi, is that there is no obvious boundary between work and private Guanxi in China. Once a specific Guanxi network is formed, there will automatically be personal and emotional exchange between members.

In conclusion, Feudal society had a huge impact on formation and content of current Guanxi from political economic aspects. The highly centralized power system and agricultural based economy provided the foundation for occurrence and development of Guanxi at early stages.

Chaotic Military Government Period-the development of Guanxi

As the perdition of the Qing dynasty and the invasion of some Western countries, China had gone through a disordered period. The country was controlled by several warlords, who in a way interpreted new production relations. However feudalism was still the dominant thought in their mind. Therefore, they promoted some new economic strategies, while trying to control people by the old power mechanism.

As there were several warlords dominating the whole country, each warlord intended to protect their own territory and maximize their own power over others. In order to seek shelter in the chaos, ordinary people had to join one of these power groups for subsistence. Therefore, many different Guanxi networks, which were based on joint benefits, were formed in order to protect themselves and to attack other power groups. Relationship between and within these power groups got more important and even more complicated. As there were so many inter-related and complicated Guanxi, most people felt very insecure in any of the Guanxi networks. Therefore they were always prepared to switch to another boss who could provide more stable shelter and benefits. These instable Guanxi networks made the existing Guanxi structure even more instable and complex. People could never fully trust their fellow members or their boss, or anyone. Moreover, in a war period, there were no such things as laws or regulations at all. Finding and joining a powerful Guanxi force would be a lot more essential. (Zhang, 2001)

In 1921, the Chinese Communist Party (CCP) was founded, representing the majority of Chinese people who were mostly from bottom classes of the social hierarchy. (Zhang, 2001) There were then two main parties in China at

that time- CCP and KMT (Kuomintang representing the landholder and bureaucrat class). The war then started from them fighting together against the invasion of Japan, however ended up fighting each other.

Interests and benefits of both parties went from a period of somehow inter-related to a period of completely opposite to each other. They actually never quite got along. However both parties intended to manipulate their Guanxi to get the Japanese out of the country and made their own party lead the country afterwards. Therefore there were teamwork and negotiations. There were also trade-offs and traps. (Zhang, 2001) Guanxi from that time became more and more complicated and dangerous to deal with, until Chinese Communist Party won the war eventually and KMT ran out of the country—a new mile stone for the Chinese history.

Early Found of PRC Period- the evolution of Guanxi

First of all, public ownership of the means of production promoted bureaucracy in a way. Newly founded China carried out a public ownership system, which means all the resources that country owned belonged to the vast majority of Chinese people. (Xi, 1996) The strategy originally turned most people from bottom of the power hierarchy to an owner position, which boosted their interests in creating a bright and brand new future for themselves. However it also had some negative impacts.

When people got paid unconditionally equivalent, regardless of different amount of work or contribution, people simply lost their incentives of doing any work. Moreover, government controlled almost all market activities, which promoted bureaucratic behavior from those people who were in charge of different resources. It also made normal marketing activities rely hugely on

specific Guanxi networks. For instance, the education system was on a recommendation base, which means people would need to have certain people recommend them in order to go to universities. This was again because resources were so limited compared to the whole population.

An example can explain the situation at that time. A girl had great records in her high school. But there were only two opportunities available for her area (that was two in thousands of students). So this girl turned to her parents, and her parents asked some of their friends who were capable for such favor. They worked together and finally signed her in at the end. For those students who did not have access to this kind of Guanxi, even if they had better academic records, they just would not have the opportunity at all. This was a major reason why people use their Guanxi network in their work and daily life. It did not just happen in education sector, but almost everywhere at that time. When productivity was low and resources were limited, besides there was also great competitions, complicated Guanxi would normally exist, and be reinforced too.

Marketing activities were also controlled and planned by the government through different people in different levels of the power mechanism. An example regarding marketing behavior could be even a simple activity such as buying grocery items (such as rice and meat) was highly controlled. People had limited supplies each month per family. Of course, some people got more, and some people got less due to different jobs and positions. It was common for people to use their Guanxi to get more vouchers (vouchers for grocery items only, they work as money in each category, because money could not be used in grocery items such as rice or meat) for themselves or someone related to them. This could be a good exchange for some other resources they needed too. In this case, the grocery vouchers could work as gifts/favors in their Guanxi. (Gifts and favors will be discussed in the social and culture aspects

of Guanxi.)

So basically, Guanxi in this period developed and strengthened through people's everyday life rather than life threatening issues, and became instrumental for ordinary people.

Cultural Revolution

In order to maintain stability of the new People's Republic government, Chairman Mao at the time conducted the famous Cultural Revolution. According to Gao and Yan (1986), this revolution mainly meant to eliminate the feudalism and capitalism concept in people's mind, and to warn and stop those people who intended to promote those concepts. Any form of activities that related to feudalism or capitalism was forbidden, people who carried out those activities would be brought to justice. Disclosure of other people's inappropriate behavior was promoted.

Not far from the beginning, this policy was manipulated by a few groups of people, who intended to take over the government. They used this policy to get rid of those people who did not serve the best of their interests, people outside their Guanxi network. Chinese people went through a terrifying period, as being in the wrong groups could cost their lives. China had gone through a tough period. Not long after the start, it lost control. A series of harmful behaviors such as robbery and fighting each others appeared to get more and more serious. Almost all kinds of production were stopped, workers could not go to work, and students could not attend schools.

It took several years for the Party's central committee to realize seriousness of the situation. They sent military troops to each province, in order to solve the

disorder, and bring the society back to normal. The harmful behaviors were successfully stopped. However Guanxi situation got more complicated again. Guanxi ties of certain groups were strengthened during that period, as it was a serious matter of surviving. People in important power positions who were not in that power group were either killed or forced to switch side. People who were at lower levels of power hierarchy had to either use their Guanxi network to join the power group, or waited to be brought to justice. When the power group crashed, the original Guanxi network had to be rebuilt on a disordered basis, which made the new Guanxi more complex.

The new local governments were then controlled by different military principals after crash of the original hierarchy. These military principals had to cultivate their own political forces. Therefore their relatives, friends, and previous followers came along. They had formed some new Guanxi networks regarding their own benefits and interests. These people had passed their power and Guanxi networks to their children too. Many people who are at important positions now are the second generations of those military principals, their relatives, friends and previous followers. Guanxi between these people becomes very tight and trustful because of the special Guanxi of last generations. For so many years, Chinese people see “friendship spanning for generations” very precious, it could last many generations and become the most trustful relationship in their Guanxi network (Zeng, 2008 and Yu, 2008).

In addition, in terms of culture, many major traditions were lost after the Cultural Revolution. The generation who grew up with the Cultural Revolution was educated in a way of not having much tradition. But gradually, some traditions returned to people’s normal life over time, as influences of traditions were so deep in mind of Chinese people. This generation has become the tower of strength for the Chinese economy recently. They have

witnessed and experienced the whole transition of the whole new China, from the Cultural Revolution to Economic boosting period. They are the generation that holds Chinese traditions and at the same time accepts western impacts. Some say Cultural Revolution ruined this generation, but they have just developed a brand new Guanxi concept which was constructed by a combination of Chinese tradition and western thoughts.

Economic Boosting Period- the reinforcement of Guanxi

From the year 1978, in order to catch up with western countries regarding economic growth, China opened up its market and society to the rest of the world again. In the last thirty years, GDP has grown incredibly, 13.9 times of the figure in 1979, which made an average growth of 9.8% per year. The ownership of national resources has changed a lot too. By the year 2000, 55% of the GDP was contributed by private owned companies, 69% by the year 2007, which means the ownership has switched from completely public/government owned to mostly private owned. (Liu, 2008)

Before the opening of Chinese market, people did not have much perceived risk when using their Guanxi network to get things done, as almost all market activities were planned and controlled by the central government. However the level of risks associated with using Guanxi network increased rapidly after introduction of market economy, because using Guanxi had to balance with the market competition and public monitoring. Therefore, current Guanxi has developed a more secret way which combined traditional Chinese customs and some western aspects. Some features of the current concept of Guanxi will be discussed in the following part.

Firstly, for people who hold certain power, there are more complicated factors that they need to consider now. Certain laws, regulations and other processes regarding the legal system have become very sophisticated for the last two decades. People cannot just get things done purely by their power and Guanxi. Instead, they need to find out a way that does not break laws or regulations when using their Guanxi networks.

Many other Guanxi networks would normally be involved. In order to minimize risks, people need to work together and bundle their benefits and risks together. In areas that have been covered by legal system very well, it tends to involve higher levels of difficulties associated with using Guanxi. More efforts from several Guanxi networks are required to solve higher levels of difficulties. Activities within these areas would tend to be monitored by the government and the public very closely. The perceived risk of being caught, losing power and even being brought to justice remain very high. Therefore, power holders handle trust issues seriously. Normally, they would only accept Guanxi exchange within a small trusted group of people. Besides, they will always try to make it look generally conforming with laws and regulations.

For example, getting a good job for a friend's child could be a common issue in China now. Thirty years ago, it might only take a few people to give some recommendations. However for now, this candidate at least needs to be qualified and not to screw up things. Otherwise he/she may get a lot of troubles for the Guanxi which brings him/her in. If he/she is not qualified, then the power holder may not be willing to do this favor unless there is serious other Guanxi or issues involved.

Secondly, for those people who ask for favors, it might be easier to get into a Guanxi network. Because of some western impacts, such as hedonics, Chinese people tend to have a more benefit oriented relationship at the

moment, rather than relationships based on pure friendship and kindness. In addition, income level of government officials (power holders) remains relatively low, which encourages power holders to use power to get some extra income through their Guanxi network. It has also made them more approachable for some outsiders.

Moreover, most Chinese people have improved their financial situation for the last three decades, which means they have more resources (both financially and socially) that can be used as gifts and favors in an exchange encounter. Therefore factor “benefit” counts a lot more in the current Guanxi network. However it does not mean closeness of Guanxi and friendships are not important anymore. Because in most Chinese people’s mind, long-term orientation is still dominating the way they deal with relationships. Investment of good friendship is still a must have factor in building and developing Guanxi. Furthermore, maintenance of Guanxi with other people would be essential too. If a person makes Guanxi purely based on benefits, and only develops Guanxi when he/she needs a favor, then he/she would normally lose this Guanxi, and it would be a lot harder to rebuild their Guanxi anytime in the future.

For example, person A was once in an urgent need for help from person C, but he did not have Guanxi with C. So he went to his friend B, and B introduced A to C, and asked the favor for A. C then offered the favor to A because of B, as they were close friends. When this encounter was done, person A went back to his old Guanxi and had never contacted C since then. A few months later, person A suffered similar situation, and again, he would need C to sort it out for him. He went to person C directly, as B introduced them last time. C refused to offer help this time. Person A went to person B again, with a big red envelope (of course, there was a good amount of money in it), and begged person B to convince person C one more time. Person B

refused with no doubt too, because both person B and person C felt being used, purely for benefits, with no emotional investment at all. This kind of situation is always what Chinese people try to avoid. Maintenance of Guanxi takes constant emotional investment and personal inter-related activities. This could be seen as a big bucket, even little things like greeting messages and having dinner together can all add credit to the bucket. The fuller the bucket, the stronger the Guanxi will become between the two people. So Guanxi is never a one-off issue, it requires long-term oriented activities constantly.

On the other hand, it is actually harder to develop a stable and trustworthy Guanxi now. As money and gifts can be offered by many people, these kinds of things do not make Guanxi better as much as it did thirty years ago. Exchange of other Guanxi and favors would be more preferable nowadays.

For example, person A works in a duopoly organization in China as a senior manager. Obviously, he is in a power holder's position. He had just been transferred from a not so developed province to Beijing at that time. But his family was still staying in that province. In China, people in different provinces have different registered permanent residence. The permanent residence of big cities such as Beijing and Shanghai are very popular, however extremely hard to get. When person A was transferred to Beijing, the permanent residence of himself was automatically granted. But his wife and children would have to wait. Without the permanent residence, his wife could hardly find a job in Beijing. Even more importantly, his children would not be accepted by qualified schools. Therefore Beijing residency became a big issue for his family. Person B is a business man who was in the same industry but works for himself. He knew person A for several years, however did not have a chance to build closer Guanxi with person A. He detected this chance, used some of his Guanxi in Beijing, and got the permanent residence for A's wife and two children. Person A was very appreciated by person B's effort.

Therefore they became a lot closer as person B wished. Not long after this, person A offered person B a big favor regarding his business. Their Guanxi has been developed and maintained very well since then. This is what they call a win-win relationship. In this case, of course, person B did not solve the permanent residence issue for nothing. Person B intended to build a long-term relationship with person A, and very brightly, he did not ask for repayment right after. On the other hand, person A would naturally look for chances that could offer favor to person B in his capable areas.

In conclusion, from history of Guanxi development, we can easily see how Guanxi concept got instrumental in Chinese people's daily life, and how important Guanxi gradually became in Chinese society. We discussed why Chinese people tend to develop their own guanxi network mostly from relatives and people shared the same locality, how they had to trust and rely on their guanxi members. Firstly, the low productivity and feudal system left people no other choices, and then gradually, guanxi were built up according to joint benefits and mutual trust. Moreover, in the new era, with outstanding economic development, introduction of western culture and more sophisticated legal system, the form of guanxi has become more secret, yet deeper inside Chinese peoples' mind. Furthermore, some main principles of Guanxi are discussed here, such as mutual trust- the foundation of guanxi initiation; exchange of favors-a great way of guanxi maintenance, obligation and indebtedness- as essential element in guanxi development, and gift giving behavior- the lubrication of guanxi network and expansion. These factors are still very essential in current Guanxi concept. In order to understand and use the concept of current guanxi, foreign managers need to understand these historical reasons underneath.

Social cultural aspects

Confucian and Li

The Confucian concept has been developed for thousands of years in the Chinese history. It is not only a concept of literatures, but more importantly it has been a leading concept or an instrumental rule in Chinese people's daily life. Chinese people unconsciously refer to the Confucian concept when they deal with all kinds of Guanxi relations. Having different types of Guanxi relationships is just one small part of the Confucian concept.

According to Bian (2006), Li which refers to a combination of courtesy, gift, and ceremony in English language, is the core concept of Confucian. Firstly, Li was the worship of super nature power, at the very beginning. When it came to Confucius, he and his students developed a set of sophisticated rules and rituals. Originally derived from religious use, back to the old days, people used Li to show their respects to Gods and nature. Because at that time, a combination of low productivity, scarcity of resources and poor knowledge made them scared of any super power from the natural world and things that they could not explain (which they referred to Gods). They would hold big ceremonies on certain days each year to worship the super power and Gods. All kinds of luxury food and items would be presented on the ceremonies to show their respects. In addition, certain set of procedures would be taken during the process too. The essence of these procedures has been kept and passed to the next generations till nowadays.

For emperors and other members on top of the power hierarchy, Li had been used as a control mechanism through the Confucian concept. Ordinary people would have to worship the power owners in the same way they did for nature and the Gods. Power owners were then seen as the presenter of the super

power. Therefore, in this way, ordinary people would be scared of these power owners and be willing to slave themselves under their control. Li had become a standard for social behavioral norm. Li now has become a set of unwritten rules in people's mind when dealing with their social network. This social network refers to all kinds of social relationships. The most obvious form of Li within one's family would be respecting older members. For working relationships, it would be taking orders and not raising a different voice to one's seniors. For friendships, it would be offering a helping hand whenever a friend asks for it.

Yu (2008) has suggested that in modern times, Li can be seen as a guiding star for developing a desired social network. It works everywhere, from ordinary people to those people who are from higher levels of the power hierarchy, the old, colleagues, friends and friends' friends too, any people you may have contact with in your long term social network. As mentioned before, Chinese people have a long-term oriented culture. So when a person intends to maintain his network on a regular basis in case of future use, Li is the appropriate solution of such maintenance.

The core concept of Confucian regarding Guanxi is through the rules of Li. For a long period of time, Chinese people have used Li as the main structure of the education system. Li, in modern days, refers to when and how to show one's respect to the people he/she intended to build a long term relationship with. Bian (2006) has mentioned that when and how to show your respect is a kind of art in the concept of Confucian. Developing a trustful relationship with another person is very complicated. It involves not only offering favors and gifts, but something more in-depth as emotional sensation. As mentioned before, Chinese people normally have very close relationship with parents, brothers and sisters, and other family members. To make it clearer, having a trustworthy relationship is more like a relationship with one's own brothers

and sisters. The more trustworthy relationships a person has in his/her social network, the more creditability he/she would have regarding ability of handling affairs. There is an old saying in Chinese, one more friend gives you one more solution, and one more enemy gives you a lot more difficulty (Wei, 2006).

People always want to have connections with those respected people in their Guanxi network, so they can do business and other things more easily. Normally an efficient way of having such connection is being introduced by someone who already has a close Guanxi with this person. A ritual form would be having dinner together and introducing each other. The respected person (person A) would be in dominant position. If person A is interested in having further contact with the introduced new person (person B), then it makes a great start. After the introduction, how the relationship goes would depend on how they use different strategies of Li to nourish their Guanxi.

One simple example can differentiate the unique Chinese kind of Guanxi from western relationship. When it comes to dining behaviors, Chinese people do not prefer having separate payments in every encounter with close friends. Because it gives people a stranger-like feeling. However interestingly, people will self-consciously take their turns. So eventually, it works the same as paying separately every time if only the amount of money spent is counted. In addition, by doing so, a certain group of people can also automatically eliminate people who break the rule of taking turns. This goes consistently with Chinese people's long term orientation. In short, maintenance of Guanxi relationships revolves around expectations and continuity. (Vanhonacker, 2004)

Yu (2008) has explained that, according to the Chinese tradition, people would normally like to build an inter-debt relationship between group

members. This inter-debt relationship can be referred as the term Renqing, which has been used in some recent marketing literatures. Inter-debt relationship can be defined in situations when A offers a favor to B, B then owes A some Renqing, so B would always tend to offer favors whenever A asks (of course, it will depend on B's ability to repay). However the difference between Guanxi Renqing and relationships from other culture would be they would never call it even. The relationship is built on the inter-debt behavior. If nothing goes wrong, then, the more inter-debt behavior members have, the closer their relationship is. Because they are more familiar with each other, and the foundation of their relationship would become more and more solid.

In addition, they will have more inter-related benefits and interests together. Issues about interrelated benefits and interests in Guanxi will be discussed in the next part.

Zeng (2008) also raised the concern about when to show your respect to certain people. He recalled that typical Renqing behavior should happen in the following events:

Firstly, weddings and funerals of members and more importantly members' close relatives (spouses, children and parents). According to Qin (2000), this type of ceremonies can explain the most typical Renqing behavior. Members are expected to show up with certain amount of money kept in envelopes when attend weddings and funerals. The amount would normally be consistent with other members who are at similar level of closeness with this event host. Normally, invited members have an agreed amount prior to the ceremony. People with special relationship (it could be either very close, or serious benefit-related relationships), will automatically put a lot more in the red envelop to show their respect and sincerity. This type of behavior is an

important form of inter-debt relationship. People use this type of events as an opportunity to keep certain Guanxi ties up-to-date. Again people take their turns. The money goes like a circle, works as a media to lubricate their Guanxi. For most of the Renqing cases, money does not mean anything material or financial. It is simply a symbol of being there for a particular member.

Secondly, visiting and being helpful to members or their close relatives when they suffer from disease. When a member gets sick, it would be important for other members to show their thoughtful concerns and best wishes, especially for those who are from lower levels of the network. Qin (2000) and Song (2001) have both suggested that, in this case, some extra help rather than money might be more effective. Such as helping them get into a triple star hospital (Excellent hospitals which are hard to register in China), or arranging a famous specialist for the surgery, or even physically being there taking care of the patient. Situations like this can accelerate closeness of Guanxi in a very efficient way. However opportunities like this would not be available often.

Thirdly, birthdays of respected members, especially their 40's, 50's, 60's birthdays, also provide essential chances for people to build and maintain their Guanxi. Song (2001) has mentioned that traditionally Chinese people always want to live a long life. So every time they reach a decade age, celebration should be important for them. Again, this would be another valuable chance to make progress on Guanxi development. Gifts including money, but not only money, would be appreciated. Also, remembering one's birthday and arranging the celebration before anyone else might be more touching for the birthday person. However it may depend on personality of specific people and the closeness of the Guanxi between them.

Fourthly, greeting of Chinese New Year is another one. According to the

Chinese tradition, visiting relatives and friends is always the biggest issue during Chinese New Year. Gift giving is a must, from companies to individuals. Everyone will be given food and drinks, or vouchers during this period. Another tradition called Yasuiqian (which means the money that keeps kids from growing up), which means offering certain amount of money to each other's children, has become an interpretation of how good their Guanxi is, Normally the amount should be equal, so eventually again, money is just a media goes in circles again. However feelings of good Guanxi would be strengthened through the exchange process.

Lastly, children's entrance exams for University or high schools could be big issues too. It might be a bit hard for westerners to understand. The situation is that it has been extremely hard for Chinese children to get into certain qualified senior high schools and even harder for good universities. (First nine years of education including primary school and junior high schools are basic requirement for Chinese and free of charge) Because highly qualified education resources are very limited comparing with the huge population. In order to get into certain good universities, students firstly need to get into the qualified high schools. This is where people need to use their Guanxi network for their children. Favors like this would be very appreciated and memorable. On the other hand, this type of events shows how important Guanxi network is in Chinese people's daily life. Without Guanxi, it would be hard to do any work. On the other hand, having a huge Guanxi network would be very essential for both individuals and businesses.

Therefore in conclusion, Renqing is a very useful tool in China to build and develop good relationships with other people in social network. Renqing is particularly important in business settings, not just initiation of guanxi but also maintenance of business guanxi. Business people need to keep an eye on every event that can provide opportunities for them to strengthen their guanxi

network, as those occasions discussed previously. In addition, a specific person's Guanxi network can be transferred to another connected person if this person is willing to do so. How well the other person deal with this new Guanxi would depend on how well he uses Renqing and his own creditability in his Guanxi ties.

Mutual benefit and interest exchange in Guanxi network

Benefit/interest exchange, is the fundamental determinant of building a Guanxi network. There is desire of benefits in every Guanxi tie, including Guanxi with close family and friends. At the very beginning, getting things done was very difficult because of both low productivity and limited resources (Mao, 1965). When people wanted to get certain benefits, they would have to find the right person who was in charge of it, and convince this person in whatever way. Therefore concept of Guanxi had been brought in. In general, it is personal benefits or interests that construct and drive the whole Guanxi network.

In addition, it is the benefit/interest that keeps the Guanxi going smoothly. Otherwise, there wouldn't be any Guanxi. Members' inter-related and inter-dependent benefits/interests strengthen and boost the Guanxi between them, and make them work as one benefit entity. By doing this, members can rely on each other, and minimize betrayal behavior too. In other words, smart members would tend to build Guanxi based on benefits/interests of both parties, and make the beneficial Guanxi complicated and costly to break. Then they would have a long term, stable, trustworthy Guanxi network. The level of credit will then become greater and greater, and so does their Guanxi network. Therefore eventually he/she would likely become the central and

important person who has more priority to obtain opportunities and resources.

Power in Guanxi refers to the ability to offer benefits or interests to other members in Guanxi relationship (Zeng, 2008). There is certain structure of hierarchy in each Guanxi network. People with different kinds of Guanxi power would be in very important position of a hierarchy. In other words, their power determines their position in the network. On the other hand, their social status, career type and career position in turn determines their Guanxi power. Typical work related Guanxi network normally starts from one specific industry and then diffuses to other related industries. In one sophisticated Guanxi network, people from many different kinds of industries would be involved. Moreover, they are inter-related with benefits and shared interests. One member would tend to educate and develop his/her own forces around him/her in different Guanxi networks that he/she associates with. This kind of behavior could maximize his power and minimize future uncertainty and risks.

For example, when it comes to retirement, people with sophisticated Guanxi forces are likely to avoid total loss of power and his/her position in specific Guanxi group. Of course, retired people would not have the same level of power compared to the time before retirement. However, by having such sophisticated Guanxi forces, people would still have post-career power because they have brought up their current forces. On the other hand, people who don't have their own forces will just simply lose their power and be quickly written off in the network when they get retired. Therefore Guanxi can always maintain a fast moving balance, people with no updated competitive power will be eliminated through social selection.

In addition, one's Guanxi can normally be passed on to the next generation if the next generation actively works on it. One important thing worth to

mention here is that Chinese people take their inheritors very seriously. Normally, the main purpose of working hard is that, one day their children can take over their achievement and make a better future for the pride of their family. People would tend to hand over their Guanxi relationship to their children at an early stage. So many gifts and favors would be associated with their children. On the other hand, people would appreciate issues associated with their children more than those issues associated with themselves. Therefore some smart people, who intend to join a Guanxi network, always look for opportunities of favors associated with the key person's children. This could make a brilliant start for their Guanxi.

Gifts and favors are the ways that one normally uses to get specific desired benefits from another person in the Chinese culture. How to give gifts and favors however is complicated to explain and learn. Not only the amount, but the ways people handle it, and rules of one's specific Guanxi network are essential elements to consider. Gifts and favors are just one obvious interpretation of the Guanxi concept. Guanxi is always the key issue in most market activities in China. Some findings from existing literatures about gift giving will be discussed in the following part.

In conclusion, the root of Guanxi, from both political-economic and social cultural aspects, has shown how Guanxi became the most common instrument and unwritten law in Chinese society. Some main principles such as gift giving and substantial assistance always remain in the core concept. These principles provide great references for businesses to understand and use guanxi concept, in order to boost their business performance and develop their guanxi network. Without understanding of Guanxi and these principles, firms, either Chinese firms or foreign firms, can hardly do business successfully in China. In short, the importance of Guanxi must not be underestimated in any situation in China.

Literature review

Findings from existing literatures:

- Formation (foundation or establishment) of Guanxi

Firstly, according to Yang (1994), the Chinese collectivistic culture of interpersonal harmony shapes core value of Guanxi. It goes consistently with the traditional Confusion concept (please refer to “root of Guanxi—social cultural aspects”). Kiong and Kee (1998) have also suggested Chinese kinship culture has a great impact on building one’s Guanxi network, they found locality, fictive kinship, kinship, work place, social clubs, and friendship formed the basic foundation for one’s Guanxi network. Kipnis (1997) has also confirmed the four overlapped group- family members, relatives, locality, and friends form the foundation of Guanxi. Redding (1993) had emphasized the Chinese culture regarding locality too. Locality constructs another solid foundation for one’s Guanxi network.

In addition, Ai (2006) has added some other elements in regard with Chinese culture’s influences on Guanxi: Chinese are less task-oriented, more human-hearted, and they emphasize harmony of the group and respecting and caring for others. Ai (2006) pointed out “a Westerner would say that the Chinese cannot be trusted because they will always help their friends, and a Chinese would think that he would never trust Westerners since they would not even help a friend”. Ai (2006) has further added “when meeting a person, Westerner tend to ask about his or her profession. The Chinese however, would ask where the person is from. Much goodwill can be

generated if they both know someone in common...such commonality for the Chinese, it can be the basis for building a very close Guanxi” Therefore knowing someone in common could be a foundation of establishing Guanxi, and it could earn some extra goodwill too. Ai (2006) has also found the Chinese culture influenced phenomenon of Guanxi throughout many Asian countries, not just mainland China.

Secondly, in order to initiate Guanxi, several factors and actions are essential. For instance, gift giving or substantial assistance is an effective way. Moreover, being dependable and reliable can not only strengthen a friendship, but can also strengthen the initiation of Guanxi. (Ai, 2006) Furthermore, according to Ai (2006), building one’s Guanxi network has never been an easy job. However, banquet hosting and socializing could be an efficient approach too, as issues discussed in the part “root of Guanxi”.

- Maintenance and expansion of Guanxi

Once a specific network has been built up, it does not mean the end of the story. One needs to pay extra attention to his/her behavior and actions to maintain his/her Guanxi network. Joy (2001) suggested exchange of gifts and favors is a great way of maintaining one’s Guanxi network. The art of gift giving can be very complicated to those who are unaware of Chinese culture. (For further explanation, please refer to root of Guanxi part.) What kind of gifts are expected and preferred by Chinese managers is also a major objective of our research too. However, gift giving would not work perfectly just by itself, some other factors can also be very influencing. Paying back favors plays a very important role in maintaining one’s Guanxi network. It keeps the Guanxi running smoothly. (Ai, 2006) On the other hand, Ai (2006) also pointed out the feeling of indebtedness was the key linking two parties in their network Guanxi, as Chinese people took Guanxi as a long term, and

continuous relationship.

In addition, Vanhonacker (2004) found the important role of expectations and continuity on Guanxi between two parties. He suggested “The maintenance of Guanxi relationships revolves around expectations and continuity. The Guanxi target expects you to possess moral integrity, not expose the target or create any vulnerability, not abuse the target or the target’s network, and watch out for the target. The target will also presume that the relationship will be maintained continually.” Ewing (2000) also emphasized Guanxi maintaining was not an easy work, huge amount of efforts were required to maintain and nurture Guanxi. Maintenance of Guanxi includes mutual benefit, exchange of favors, mutual trust, sharing business opportunities, and keeping in touch.

Furthermore, Vanhonacker (2004) found Guanxi does not follow a first come first serve rule, his long time working experience in China told him bloodline always comes first, no matter how strong the Guanxi with other members in the network was. That is because in a Chinese mind, duty and loyalty ethic between family members always count the most. Vanhonacker (2004) supported the importance of kinship and family relationships, “Powerful as Guanxi is, in China only family relationships and close, family-like bonds warrant true loyalty (Guanxi. Remember, is driven by reciprocity and obligation).” He concluded at the end, in China, Guanxi relationship is defined by “a strict ethic of reciprocity and obligation”.

At last, Guanxi network can be transferred from one person to another in their relationship network. As mentioned in root of Guanxi part, this is how one person expands his/her Guanxi network. Gu, Hung and Tse (2008) suggested, interpersonal transfer of trust and relational ties made one’s personal Guanxi network expand. Gold, Guthrie and Wank (2002) also added “Ascribed traits,

achieved characteristics, and shared experiences” form the foundation for Guanxi to expand. So Guanxi network can grow bigger and bigger as long as the person knows the rule and essence of the art of Guanxi.

- Future of Guanxi

How would role of Guanxi go in the future? Would it be more important or would it be diminished due to some other reasons? Not many researchers have mentioned their prediction of the future and trends of Guanxi in existing Marketing literatures. Child and Tse (2001) suggested a declining role of Guanxi due to globalization and economic reform in China. Ai (2006) partly agreed from another direction, he suggested, better legal framework and infrastructure may decrease the importance of Guanxi, but the cultural heritage may remain in the core essence of Guanxi. However, how managers, including Chinese managers and foreign managers who are working in China, see the trends and future role of Guanxi remains unknown. It is one major research objective of this study.

- Guanxi’s influences on individuals

Talking about Guanxi’s influences on individuals, Vanhonacker (2004) said “to westerners, relationships help the individual; to Chinese, they also define the individual. In China, if you are related to a senior official, you will be treated with more respect and accorded more face. In short, the status of people with whom you have relationships helps define your status.” Therefore one’s personal relationships are not just a useful tool of doing business, more importantly, they can actually define one’s social status in China. In addition, Gold, Guthrie & Wank (2002) added that Guanxi network was also instrumental in Chinese people’s daily life.

- Guanxi's influences on organizations and businesses

“It is not difficult to set up a WFOE, but the cost and time required to establish the WFOE's own Guanxi (business connections) must not be underestimated. Without Guanxi, as Vanhonacker rightly points out, it is difficult for any company-foreign or local - to operate smoothly and successfully” (Liu, 1998)

- Influences on business's internal factor

A recent study done by Gu, Hung and Tse (2008) found Guanxi's positive impact on market performance. They also confirmed Guanxi's positive effect on channel capability and responsive capability in brand management. Furthermore, studies done by Hellstrom (1997), Seligman (1999), Kao (1993) and Luo (2000) found that Guanxi can ensure business success, and help to build organization's long term competitive standing. It can also minimize risks, frustrations, and disappointments. In addition, Vanhonacker (2004) confirmed Guanxi's effect on business strategy too, “Guanxi can aid a distinctive strategic positioning in China's competitive environment, and thus it can become an important ingredient in business strategy.”

Batjargal (2008) pointed out China's institutional stability had a positive impact on job stability. He stated “networks tend to be small and composed of family members, friends, and colleagues. China's institutional stability – and therefore job stability – has enabled”

- Influences on business's external environment

Seligman (1999)'s study found that formation of Guanxi consisted of strategic alliance among individuals, and it gave members great access to resources

and information. Members can not only exchange what they have, but also what other members in their networks have. Furthermore, Child and Tse (2001) found Guanxi with government officials could also help companies obtain resources. They said “In China, resource dependency results from a scarcity both of economic resources, such as land, technology, trained personnel and support services, and of social resources, such as relations with government officials and access to business networks.” In addition, use of Guanxi can prevent firms from institutional barriers. (Gu, Hung, & Tse, 2008)

Prendergast, Shi and West (2001) did a study in advertising industry, they found personal relationships can affect business relationships in this specific industry, “In a high context culture, personal relationships with friends and family are more important, and these personal relationships can be extended to affect business relationships.”

However, like everything else, Guanxi has a dark side too. Selling competitor’s products by using company’s resources could be one. Vanhonacker (2004) told us employees’ personal relationship could be harmful for company's revenue and resources. He stated “Selling competitors' products to local hospital buyers is a way to pay back favors, fortify Guanxi, and bring in extra cash, all at the employer's expense...Your employees in procurement and sales will always return favors from Guanxi relations, whether the people they're paying back are within your company or at competing firms, and they'll do it according to their own timetables.” Therefore firms and managers need to be cautious when using Guanxi as a powerful tool.

In general, Guanxi opens dialogues, builds up trust, and helps exchanges of favors for organizational purposes. (Hoskisson et al. 2000) No matter people like it or not, “Guanxi relationships, with their unique code of ethics, will

always be an ingredient of doing business in China” (Vanhonacker, 2004)

To conclude Guanxi’s influences, a quote from Vanhonacker (2004) would be very appropriate, “in the west, relationships grow out of deals. In China, deals grow out of relationships. The cultivation of Guanxi is an integral part of doing business”

For details of literature review, please refer to table 1 and table 2

Table 1 Variables that influenced Guanxi

author	Dependent variables	Independent variables	Main findings
Vanhonacker (2004). (When good Guanxi turns bad.)	Guanxi relationship	a strict ethic of reciprocity and obligation	A strict ethic of reciprocity and obligation define Guanxi relationships
Vanhonacker (2004).(Guanxi networks in China)	Loyalty and duty of Guanxi	Kinship-type relationships	No matter how strong the Guanxi is between a government official and other candidates, the bloodline (family members) will always come first, because of the duty and loyalty ethic between them.
Vanhonacker (2004).(Guanxi networks in China)	Maintenance of Guanxi relationships	Expectations and continuity	“The maintenance of Guanxi relationships revolves around expectations and continuity. The Guanxi target will expect you to possess moral integrity, not expose the target or create any vulnerability, not abuse the target or the target’s network, and watch out for the target. The target will also presume that the relationship will be maintained continually.”
Ai (2006)	Phenomenon of Guanxi	The Chinese culture	The Chinese culture influences phenomenon of Guanxi throughout many Asian countries.
Ai (2006)	Goodwill of Guanxi Foundation of Guanxi	Knowing someone in common	“When meeting a person, Westerner tend to ask about his or her profession. The Chinese however, would ask where the person is from. Much goodwill can be generated if they both know someone in common...such commonality for the Chinese, it can be the basis for building a very close Guanxi”
Ai (2006)	Basis of Guanxi	Chinese culture <ul style="list-style-type: none"> ● Less task-oriented ● More human-hearted ● Harmony of the group ● Respect & caring for others 	“A Westerner would say that the Chinese cannot be trusted because they will always help their friends, and a Chinese would think that he would never trust Westerners since they would not even help a friend”

Ai (2006)	Initiation of Guanxi	<ul style="list-style-type: none"> ● Being dependable and reliable ● Gift giving or substantial assistance 	<ul style="list-style-type: none"> ● Being dependable and reliable can not only strengthen a friendship, but it can also strengthen the initiation of Guanxi. ● Giving out gift or assistance could be an effective way of initiating Guanxi
Ai (2006)	Maintenance of Guanxi	The feeling of indebtedness	The feeling of indebtedness is the key linking two parties in their network Guanxi.
Ai (2006)	Building of Guanxi	Banquet hosting & social gathering	Banquet hosting and socializing could be another way of building Guanxi network.
Kipnis (1997)	basis of Guanxi	Family members, relatives, locality, and friends	These four overlapped groups forms the foundation of Guanxi
Kiong and Kee (1998) Redding (1993)	Building of Guanxi network	Locality, fictive kinship, kinship, work place, social clubs, and friendship.	These bases are identified by Kiong and Kee (1998) for building Guanxi network. Redding(1993) also mentioned locality, it is another solid basis for Guanxi formation.
Ai (2006)	Maintenance of Guanxi	Paying favors back	Paying back favors is very important in one's Guanxi network, it keeps the Guanxi running smoothly.
Ewing (2000)	Maintain & nurture Guanxi	Mutual benefit, exchange of favors, mutual trust, sharing business opportunities, keep in touch	A huge effort has to be made to maintain and nurture Guanxi, it includes Mutual benefit, exchange of favors, mutual trust, sharing business opportunities, keep in touch.
Ai (2006)	Future of Guanxi	<ul style="list-style-type: none"> ● Better legal framework & infrastructure ● Cultural heritage 	Better legal framework and infrastructure may decrease the importance of Guanxi, but the cultural heritage may work on another direction.
Child and Tse (2001)	role of Guanxi	globalization and economic reform	Child, J. &. Tse, D. K. (2001) suggested a decline of role of Guanxi due to globalization and economic reform.

Yang (1994)	Root of Guanxi	Collectivism culture	The Chinese collectivistic culture of interpersonal harmony shapes core value of Guanxi
Gold, Guthrie and Wank (2002)	Guanxi network	Ascribed traits, achieved characteristics, and shared experiences	Ascribed traits, achieved characteristics, and shared experiences form the foundation for Guanxi to expand.
Gu, Hung, and Tse (2008)	Guanxi network	Interpersonal transfer of trust, and relational ties	Interpersonal transfer of trust and relational ties make one's personal Guanxi network expand.
Joy(2001)	Maintenance of Guanxi	Exchange of gifts and favors	Exchange of gifts and favors is a great way of maintaining one's Guanxi network
Vanhonacker (2004). (When good Guanxi turns bad.)	loyalty	Kinship and family relationships	"Powerful as Guanxi is, in China only family relationships and close, family-like bonds warrant true loyalty (Guanxi. remember, is driven by reciprocity and obligation)."

Table 2 Influences of Guanxi on other variables

author	Dependent variables	Independent variables	Main findings
Liu (1998)	Successful running of local or foreign companies in China	Guanxi network	“It is not difficult to set up a WFOE, but the cost and time required to establish the WFOE's own Guanxi (business connections) must not be underestimated. Without Guanxi, as Vanhonacker rightly points out, it is difficult for any company-foreign or local - to operate smoothly and successfully”
Prendergast, Shi, and West. (2001)	Business relationships in Advertising industry	Personal relationships	“In a high context culture, personal relationships with friends and family are more important, and these personal relationships can be extended to affect business relationships.”
Batjargal (2008)	Job stability	China's institutional stability	“Networks tend to be small and composed of family members, friends, and colleagues. China's institutional stability – and therefore job stability – has enabled”
Vanhonacker (2004). (When good Guanxi turns bad.)	Company's revenue and resources.	Employees' Personal Guanxi	“Selling competitors' products to local hospital buyers is a way to pay back favors, fortify Guanxi, and bring in extra cash, all at the employer's expense.” “Your employees in procurement and sales will always return favors from Guanxi relations, whether the people they're paying back are within your company or at competing firms, and they'll do it according to their own timetables.”
Vanhonacker (2004). (Guanxi networks in China)	Chinese society and business	Personal relationships	“In the west, relationships grow out of deals. In China, deals grow out of relationships. The cultivation of Guanxi is an integral part of doing business”

Vanhonacker (2004)(Guanxi networks in China)	One's social status	One's personal relationships	"To westerners, relationships help the individual; to Chinese, they also define the individual. In China, if you are related to a senior official, you will be treated with more respect and accorded more face. In short, the status of people with whom you have relationships helps define your status."
Vanhonacker (2004).(Guanxi networks in China)	Business strategy	Guanxi	"Guanxi can aid a distinctive strategic positioning in China's competitive environment, and thus it can become an important ingredient in business strategy."
Vanhonacker (2004).(Guanxi networks in China)	Doing business in China	Guanxi relationships and unique code of ethics	"Guanxi relationships, with their unique code of ethics, will always be an ingredient of doing business in China"
Hellstrom (1997), Seligman (1999), Kao (1993), and Luo (2000)	Business success Organization's long term competitive standing.	Guanxi	Guanxi can ensure business success, and help to build organisation's long term competitive standing. It also can minimize risks, frustrations, and disappointments.
Seligman (1999)	Access to resources & information	Strategic alliance among individuals (Guanxi network)	Formation of Guanxi consists of strategic alliance among individuals, and it gives members great access to resources and information. Members can not only exchange what they have, but also what other member in their networks have.
Gu, Hung and Tse (2008)	Firms' institutional barriers	Guanxi	Use of Guanxi can prevent firms from institutional barriers.
Hoskisson et al. (2000)	Organizations	Guanxi	Guanxi opens dialogues, builds up trust, and helps exchanges of favors for organizational purposes.
Child and Tse (2001)	Company obtaining resources	Guanxi with government officials	"In China, resource dependency results from a scarcity both of economic resources, such as land, technology, trained personnel and support services. and of social resources, such as relations with government officials and access

			to business networks.”
Gold, Guthrie and Wank (2002)	Chinese people’s daily life	Guanxi network	Guanxi network is instrumental in Chinese people’s daily life.
Gu, Hung and Tse (2008)	Market performance	Guanxi	Gu, Hung & Tse (2008) found Guanxi’s positive impact on market performance
Gu, Hung and Tse (2008)	Chanel capability	Guanxi	Gu, Hung & Tse (2008) found Guanxi has positive effect on its channel capability.
Gu, Hung and Tse (2008)	Responsive capability	Guanxi	Gu, Hung & Tse (2008) found positive influences of Guanxi on its responsive capability.

The unique Chinese value and culture which leads to Guanxi philosophy

For foreign managers, dealing with Chinese partners and their Guanxi network can be confusing. Understanding the importance and its reasons behind the closeness of Guanxi network can help them improve their behavior while dealing with their Chinese partners.

Hofstede's dimensions provide a foundation for the unique Chinese relationship concept, which refers to Guanxi philosophy.

Power Distance: Chinese culture is recognized as high power distance. It is important for Chinese people to demonstrate his specific position. Chinese people tend to respect the old. For instance, in the Chinese culture, young children are educated to give their seats to senior people with respects while taking buses, and this is part of the social rules written in text books in primary schools. Students are also educated to respect their school teachers, and take orders from them. In turn, teachers are supposed to take care of students as their own children, not only regarding their study, but also their behavior. Other East Asian countries such as Japan and Korea have similar high power distance culture too. There are some old stories about important teacher-student relationships, which can demonstrate how traditional Chinese culture influences these relationships.

According to Wu (1989), there was an old saying: being one's teacher for a day should be respected as one's father for life time. Back to the old days, there were a set of rules for students to obey when they attended classes:

students should get down on their knees in the morning when they got into their class room, and they should stand up every time while being asked to answer questions. At that time, it was a part of the mechanism of controlling people. For now, the meaning of respecting remains. Therefore Chinese people still tend to respect and trust their old school teachers for a long time even after they leave school. This type of culture forms a hierarchical close relationship since one's early age, i.e. one's Guanxi ties besides families and relatives. Normally, this type of Guanxi is closer than other social relations. Therefore knowing about some of these rules discussed above can help foreign managers understand Chinese customs and avoid insulting behavior when dealing with their Chinese partners.

Individualism and Collectivism: Many academic literatures see most Asian countries as collective culture. Some literatures referred collective culture as concerning integrity of in-group interests much more than independence. For generations, Chinese people adopted the concept of harmony with nature and social groups. Conflicts and confrontations are always the first things to avoid in families and social groups. (Triandis et al. 1988) Chinese people have very tight relationships with their own family members. Their achievements make more meaning for the proud of the whole family than to their own goals. The goals are always adjusted regarding interests and benefits of their families. In other words, making the whole family proud motivates most Chinese people in a primary way. If their own goals do not fit with the families', most people would tend to sacrifice their own ones.

The major difference from individualistic culture is: the meaning of life for Chinese people relies hugely on relationships with their families and social networks. However individualism on the other hand put the most attention on their own goals and activities. There is an old saying in the Chinese culture: people live for their parents when they are young, and live for their children

and grand children when they get old. Of course, that is the old way, but it reflects the essence of the traditional Chinese culture, and it still applies for now.

The feudal system was destroyed, but the main thoughts of the family dependency are still there in people's mind. In the Chinese culture, people who grow up together either within the family or from close friends of last generations are the people they can trust and rely on. But it may depend on other factors such as generation. Younger generations may behave more like westerners than older generations. In general, influences from collective culture and gift giving behavior discussed in root of Guanxi part could give some inspiration for foreign managers: Giving gifts or offering favors to targeted person's family may have better effect on their Guanxi. Opportunities for such behavior have been discussed previously.

Masculinity and Femininity: China is mostly considered as a masculine society, which means Chinese people intend to pursue social status and wealth. The strong will of such pursuit helped the development of Guanxi, and reinforced importance of Guanxi. The fact of being a masculine society may associate with gift giving behavior in our study too. If this is the case, Chinese people are assumed to prefer expensive or luxury type of gifts. This is a major objective of our study, which would be found out later in qualitative and quantitative research.

Uncertainty Avoidance: It becomes complicated with current situation. Legal system itself has become more and more sophisticated, but people are still afraid of bureaucracy, and the complex process of legal affairs. Many literatures also suggested that due to globalization and improvement of legal environment, future role of Guanxi may decrease eventually. However, we do need to hear the voice of front line managers. As mentioned previously, this is

also a major objective of our study.

Long-term orientation: Chinese people are long-term oriented. The Confucian philosophy, family ties and filial piety all make people more long term thinking. This is consistent with many Guanxi literatures that Guanxi tends to be long term and continuous relationships. (Vanhonacker, 2004) Therefore foreign managers may need to avoid some inappropriate behaviors, such as rush to get business done. Discovering common mistakes of foreign managers is also a major objective of our study.

Gaps from existing literatures:

Firstly, none of the marketing related authors have dug out the deep root of Guanxi comprehensively. The root of Guanxi consists of many complicated aspects as discussed previously. Without understanding of root of Guanxi, foreign managers would not be able to use it as a beneficial tool when doing business in China.

Secondly, many literatures mentioned, gift giving would be a great way of initiating and maintaining Guanxi. However specifically what kind of gifts or social gathering would have positive or negative effect on Guanxi remained unknown. This is also one important objective of this study. In the following part of our study, qualitative study (in-depth interviews) and quantitative study (questionnaires) will help uncover this important part of Guanxi concept.

In addition, importance of Guanxi from front line managers' opinion is still a question. How front line managers who dealt with Guanxi and use Guanxi everyday think about the importance of Guanxi can be a very essential part of

Guanxi research. It can help researchers in the future studies. In our study, their opinion on importance of Guanxi will be discovered too.

Lastly, how front line managers see trends of Guanxi is another gap in existing literatures. Would globalization really decrease the role of Guanxi, or would the cultural heritage strengthen the role of Guanxi in the future? In the following study, the future role of Guanxi will also be studied through qualitative and quantitative studies.

Qualitative Research

The review of literatures on Guanxi highlighted the important role of Guanxi in Chinese society and some major influences on Guanxi. Therefore, in order to develop a better understanding of influences of Guanxi on how foreign managers do business in China, prior to a more comprehensive quantitative analysis being undertaken, a qualitative research study was conducted. The main purpose of our qualitative research is to have a rough idea about elements that have been studied and those have been missed out in previous literatures. The key issues to be addressed are, gifts that are expected, accepted, and also not acceptable by Chinese managers; some common mistakes foreign managers could avoid when applying Guanxi in China; Importance of Guanxi, and the future role of Guanxi from managers' point of view.

Research Method

Nine face to face In-depth interviews were undertaken in the qualitative

research. Feelings, thoughts, and intentions of managers can only be obtained through qualitative research. “It is also used to identify likely methodological problems in the study, and to clarify certain issues that were not clear in the problem.”(Aaker, Kumar, & Day, 2001)

Conversations were taped, recorded, translated, and put into English transcripts for further analysis. They were asked a number of different questions depending on whether they are Chinese managers or foreign managers.

Participants:

A total number of nine interviewees were chosen with four of them being Chinese managers and five of them being foreign managers. These four Chinese managers are from four different industries: tele-communication, distribution channel, oil drilling, and a large steel corporation. The five foreign managers are from five different industries and countries: an Turkish interviewee working in IT industry, an English manager working in a steel trading company, a Swedish interviewee working in Real Estate, a self employed Spanish trader, and an Australian interviewee working in an investment company.

All of the nine interviews were taken by the researcher alone. Restaurants are chosen to take interviews with Chinese managers, as in the Chinese culture, conversations happen easily during meals. While for foreign managers, Cafes (for example, Starbucks) and bars are chosen due to cultural differences and participants’ preference. The in-depth interviews were conducted during tea time or lunch time for foreign managers and dinner time for Chinese managers. The interviews were semi-structured and basically based on the following questions.

Interview questions:

The core questions are: (please see complete interview questions in appendix 1)

- Which types of Guanxi or gifts do you think are
 - a) expected from foreign companies in China?
 - b) accepted from foreign companies in China and
 - c) not acceptable from foreign companies in China? Please give examples.
- Can you think of common mistakes of foreign companies trying to apply Guanxi in China? Please give examples.
- How important is Guanxi in China now?
- How do you predict the trend of Guanxi, increasing or decreasing? And why?
- Can you think of any factors that could decrease the need for Guanxi in future China?
- Any recommendations to foreign companies or managers regarding Guanxi?

First of all, some demographic questions were asked at the very beginning of our in-depth interviews, such as “Talk about yourself. How long have you been in China? Do you have any difficulties?” These questions are designed to know a bit of background of our participants and make a relaxing environment for the following conversation. In addition, thinking of difficulties living in Chinese culture can lead to our topic- Guanxi, as Gold, Guthrie and Wank (2002) found that Guanxi network was instrumental in Chinese people’s daily life. Westerners who have just joined Chinese society may find it hard to live a life without Guanxi. Therefore when thinking about

difficulties, we expect them to start thinking about Guanxi influences in China.

Secondly, regarding gift giving behavior, as mentioned before, Vanhonacker (2004) suggested that Guanxi relationship was defined by a strict ethic of reciprocity and obligations. Therefore, there should be some activities like giving gifts or favors and paying back gifts or favors going on within Guanxi between members. Ai (2006) and Joy (2001) both pointed out giving gift or assistance could be an effective way of initiating and maintaining Guanxi. The purpose of the question whether foreign managers have exchange gifts with their business partners in China is to provide comprehensive information about gift giving behaviors currently in China.

In addition, the purpose of the question what gift would be expected from both Chinese managers and foreign managers is to give a basic idea to our quantitative research in the following stage. However, Chinese culture emphasizes respect and caring for others (Ai, 2006), therefore, what Chinese managers expect from foreign managers might have a huge difference from what foreign managers think they would have expected. Asking the same question to the two groups may help identify appropriate gifts and behaviors for foreign managers doing business in China, which would provide some valuable solutions for our research and management problems.

Thirdly, regarding common mistakes, Ai (2006) pointed out paying back favors was very important in one's Guanxi. It keeps the Guanxi running smoothly, as Guanxi has never been a short term thing. This is quite different from the western way of being transaction oriented. Guanxi maintenance requires continuity of the relationship (Vanhonacker, 2004). Asking for immediate pay back is never a good idea for anyone in the Guanxi network, including foreigners. This could be an example of common mistakes that

foreign managers may make when applying Guanxi theories in China. The purpose of asking about common mistakes from both Chinese and foreign managers' points of view is to provide more real life examples for our research, and it will be the foundation of our quantitative questionnaire questions too. Common mistakes raised by participants would also provide some useful experiences for foreigners to avoid when doing business in China.

Fourthly, the importance of Guanxi has never been a doubted question. Both academic literatures and real life examples have confirmed that Guanxi has significant influences on Chinese people's daily life and business success. Vanhonacker (2004) made it really clear by the quote "to westerners, relationships help the individual; to Chinese, they also define individuals." "In the west, relationships grow out of deals. In China, deals grow out of relationships." In regard with doing business in China, "Guanxi relationships, with their unique code of ethics, will always be an ingredient of doing business in China." (Vanhonacker, 2004).

However, opinions from front line managers are missing in the previous research. Therefore, in our in-depth interviews, participants were asked "what do you think how important Guanxi is in China now?" Answers from both Chinese managers and foreign managers will provide great insights about importance of Guanxi currently in China. Some examples from previous questions would also provide support for this question.

To extend this question, foreign managers were also asked how it is different from the way in their county. There are many factors that form the root and features of modern Guanxi: the collectivistic culture, the kinship relationships, the continuity of Guanxi, and the obligation between members. The question would highlight the significant features of Guanxi from westerners' point of

view. And it can also emphasize the importance of Guanxi in China from another angle.

Fifthly, a few literatures mentioned the future role of Guanxi. Ai (2006) proposed that better legal framework and infrastructure could decrease the importance of Guanxi, but the cultural heritage could work on the other direction. Child and Tse (2001) also suggested a decline in role of Guanxi due to globalization and economic reform. How do people who are dealing with Guanxi everyday think about the future role of Guanxi then? They may have different ideas from academic researchers.

Finally, as “Guanxi relationships, with their unique code of ethics, will always be an ingredient of doing business in China.”(Vanhonacker, 2004) participants were asked to give some recommendations to those foreign managers who were intended to come to China. Advices from experienced managers would be very valuable for both researchers and other foreign managers.

Results:

According to our in-depth interviews, all interviewees have heard about Guanxi, and also have personally dealt with Guanxi. The commonality of Guanxi has confirmed Cold, Guthrie and Wank (2002)’s opinion that Guanxi network is instrumental in Chinese’s people’s daily life. Almost all interviewees have exchanged gifts with either their Chinese partners or foreign managers, which confirmed gift giving’s effect on Guanxi initiation (Ai, 2006), and maintenance (Joy, 2001).

Finding 1: Gifts expected

For the question what kind of gifts would be expected by Chinese managers, there is a big difference between our two interview groups. When being asked the question for the first time, all of the Chinese interviewees responded they did not expect any gift from foreign managers at all. However, when they were asked to think of some gifts they would have expect, most of them referred to some inexpensive local or traditional gifts from foreign countries. One of the interviewees preferred something memorable, however did not deny that money worked sometimes, but people have to be very cautious when using it. Another interviewee who is a company owner also referred to commission. But he also mentioned that because he wouldn't expect anything from foreign managers, an arranged dinner or a bottle of wine would make him happy. Moreover there is one Chinese interviewee preferring socializing with foreign partners rather than any gifts.

However, the situation for foreign interviewees is quite different. Two of them who have been in China for comparably shorter time (1year and 1.5 year) referred directly to money. For most of the other participants who have stayed a longer time in China, they thought local gifts either from foreign countries or from China would work. Two of them also thought having meals together would also be a good idea. Their answers are quite consistent with Chinese managers' preference too.

The finding here confirms our estimation prior to conducting the in-depth interviews. Chinese culture regarding "respect and caring for others" (Ai, 2006) does make expectation of Chinese managers different from what foreign managers thought. All Chinese participants appeared to be tolerant and understanding when dealing with their foreign partners.

Finding 2: Gifts accepted

Regarding gifts accepted by Chinese managers, most participants from both groups mentioned local gifts from foreign countries. As this type of gifts are not too expensive to scare away people. Besides, they could also recall a good memory of their time together. These gifts could be as small as tea and coffee, or Olympic souvenirs. One Chinese manager also mentioned it could also be some expensive gifts such as a set of jewelry, but it would depend on their Guanxi. He mentioned an expensive gift could be accepted by a friend-like partner. However even a small item no matter how cheap it is, would not be accepted by a manager who considers you as a bad Guanxi partner. So use it with caution at all times. One Chinese manager also mentioned it could be anything as long as it is not insulting. So learn some Chinese culture would be necessary for foreign managers.

Finding 3: Gifts not acceptable

There is a huge difference between two groups regarding gifts that are not acceptable for Chinese managers. Foreign manager group focused more on the surface and form of gifts, and Chinese managers went beyond the surface. In other words, foreign managers focus on what to give. However Chinese manager would consider how the gifts are given, with what kinds of attitudes, and the meaning behind the gifts. For example, one foreign manager said “forgot to bring a gift” would be not acceptable. Another foreign manager who seems to know some Chinese culture mentioned gifts from Japan would not be acceptable. By saying so, he referred to the history of Second World War and political stuff. One foreign manager also mentioned money and pirate things would fall in this category. Another foreign manager referred to clocks which were used to be considered as a very inappropriate gift in the Chinese culture, because “giving clocks” pronounced the same as people

passed away in Chinese. Therefore, most foreign participants seemed to be aware of a bit Chinese culture.

On the other hand, as mentioned before, Chinese managers focused more on meanings beyond the behavior. One Chinese manager mentioned it was not acceptable to give expensive gifts in front of others. It would make the gift receiver very embarrassed as other people would naturally think they might have some underground businesses or dirty deals going on. Another Chinese manager said gifts from strangers would normally not be accepted by Chinese managers. That is because they are afraid of being set up by other people. However, this participant also mentioned not to give out clock as a gift. One Chinese manager also mentioned anything insulting would not be acceptable. The insulting item would refer to culturally offensive. He gave an example “you bring us a painting with a Chinese dragon being tortured. That is a very bad idea.” He also mentioned something too cheap would not be a good idea for gifts. A Chinese manager who runs a big company seemed to be more indulgent to foreigner managers. He did not expect any gifts from foreign managers at all. Neither does he care about the gifts which are not acceptable. But he did care whether the foreign manager showed his/her respects to Chinese culture. He mentioned “if they don’t respect our Chinese culture or people. That would be insulting for me. And also their attitude is very important.” he also explained “it’s the way they behave during our meeting and talking. At least they need to show their respect of different culture if they really don’t know our culture. And if they discriminate any symbol of Chinese culture, that would be very rude, and I won’t forgive this kind of behavior.”

Finding 4: Common mistakes

Guanxi is a long term and continuous relationship. It cannot be built in a very

short period. (Vanhonacker, 2004) Maintenance of Guanxi involves a lot of effort (Gold, Guthrie, & Wank, 2002), people can't just hand over gifts and then become friends. It is proved in our in-depth interviews. Most Chinese interviewees considered understanding Chinese culture and ways of doing business to be the biggest issue regarding common mistakes foreign managers would make. One interviewee referred directly to "rush or too eager to get business done. Or they may take Guanxi too seriously. Guanxi cannot be the solution for everything, product quality is the key. Never put things upside down." Moreover, another interviewee gave very clear and positive advices "to do business in China, you need to build Guanxi before building business relationship." "Chinese people don't easily do business with strangers even this stranger has a very nice idea, very well organized contract, and very keen attitude". "You need to get to know each other before you actually do the business. And getting to know each other is a very important part of Guanxi."

Another two Chinese managers pointed out not able to understand Chinese culture could be a big problem for foreign managers. One of them also mentioned "it's hard for them to clear out the internal relationship (with their Chinese partners)" and "might be hard for them to get really close to Chinese partners." The other one said "at least they should show their respect to Chinese culture. It would be much better if they could learn some Chinese culture or even tradition before they come to china." He also added "besides Guanxi, the first priority is that they can have their job done well. That is very important. We can say, that's the foundation of partnership. Ok, as I said, Guanxi is very important, but having Guanxi only, doesn't make the deal." Therefore, basically, Chinese managers concern more on meanings underneath foreigners' behavior and more importantly the quality of their products.

For foreign interviewees, very differently, some of them thought "forget to

bring a gift” would be a big mistake. But none of Chinese interviewees mentioned it at all. However, there are some foreign interviewees did mention culture aspects as Chinese participants did. One of them said “I guess it would be not understand the Chinese culture, and by that offending the Chinese people” and “don’t return favors”. Moreover, another foreign interviewee also concerned “they try to rush the business side, instead they should try to get to know their business partner”, “expecting Chinese companies to adapt to the western way” and “also, drinking is a big part of business in China, if you drink with the Chinese, it is better”.

In addition, one foreign manager also pointed out not understanding the importance of Guanxi would be a common mistake too. He said “avoid understanding its importance I guess. Avoid applying it on the wrong targets.” He also added “you need to understand their way of doing things, and follow their pattern. Sometimes, no, many times, presents won’t make things pretty as other little things. Like making some greeting phone calls regularly, having dinner and having drinks...don’t push your Guanxi towards money and benefits too much.” As some research done by previous studies shows, these shared experiences contributed to the foundation of Guanxi too. (Gold, Guthrie, & Wank, 2002)

Finding 5: Importance of Guanxi

According to the in-depth interviews, all nine interviewees agreed Guanxi is important. One Chinese manager and one foreign manager even said it was “very very important” in China. Two Chinese managers and four foreign managers thought it was very important. At last, only one Chinese manager just said it was “important”. He thought “as I just mentioned Guanxi is a long-term thing. It may help with maintaining a business relationship. The other half is quality and service. If you don’t do these two well, you are

destroying your business.” “Guanxi is important, but it’s not everything you need...it’s like the engine in a motor boat, it can help you go faster, but it can’t help you fly.” In addition, many participants talked about stories of Guanxi around them, which also confirmed the importance of Guanxi in the Chinese society and business world in China. (Gold, Guthrie, & Wank, 2002; Gu, Hung, & Tse, 2008; Vanhonacker, 2004; Child & Tse, 2001)

Finding 6: Future role of Guanxi

There are five interviewees in total thought there would be no change regarding importance of Guanxi in the future in China.

Two foreign managers thought it could be increasing. One Chinese manager thought importance of Guanxi in China would be definitely increasing, “everybody wants to extend their own relationship network...they will try to do anything to achieve this...basically all of them will try to set up more and more Guanxi...”

That is also because “whenever you need anything, you have the right person to contact with...when accidents happen, it will be easier for you to deal with the problems if you have a bigger network....who knows, it(accidents) may happen to anyone, that’s how Chinese want to have a great powerful Guanxi network I guess.”

In addition, there is one foreign manager who thought importance of Guanxi could slowly decrease. He explained his points from both historical, political aspects and current economic situation. He pointed out “ there are two major reasons for Guanxi in China...one is Ru (Confusion), the other one is Gonchandang (CCP)...and because Kongzi (Confucius) always wanted people to solve things mutually, and not by law... so personal Guanxi became important...and recently it’s been Gongchandang(CCP)...after they took over

China in 1949, all the people had to rely on the party...(it) was controlling the country and all companies” however, “there are more and more private companies...and the government is losing control of its people...and foreign companies come to China...so Guanxi is becoming less important.”

Not surprisingly, the results from our in-depth interview are quite different from what previous literatures suggested that future role of Guanxi would decrease due to better legal framework and infrastructure (Ai, 2006), globalization and economic reform (Child and Tse, 2001). Therefore the future role of Guanxi might be a major question to discover in our quantitative research.

Finding 7: Possible decreasing factor of importance of Guanxi

There are two Chinese manager and two foreign managers referring to government regulation or policy changes. One Chinese manager said “policy changes...getting better, more transparent.” The other Chinese manager also suggested cultural factor could be one. He said “Guanxi comes mainly from Confusions. Confusion is very important, but it is just one school of thoughts in Chinese history. There are many more thoughts in China. As the fast progress of Chinese development, there are more and more emphasizes on other old schools of thoughts, these thoughts influences the modern Chinese people.” Moreover, he also mentioned western influences too, “Chinese people are getting to know the world and many people turns to adapt the modern quick and straight living style. All these factors will decrease the importance of Guanxi in business life”.

Two other Chinese interviewees also saw western influences as one of the

major factors that could decrease the importance of Guanxi. “China is not the traditional old China anymore, there are many western ideas rushing in...these ideas are very easy and straight. There are many people who don’t want troubles will adapt these easy western ideas.” However, mean while, many of them also mentioned they did not see it happening soon in the near future in China. One of them made it really clear “I don’t see it happen (at all)...And I think so does everybody else.”

Another Chinese manager made it very clear “when a new ideology comes to China, Chinese culture tends to deconstruct it, interpret it, and reconstruct it based on the Chinese culture. So the core essence of the Chinese culture will not change.” In addition, there is still one foreign manager did not see any decreasing factor of importance of Guanxi in China at all.

Finding 8: Recommendations for foreign managers

Almost all Chinese interviewees and foreign manager interviewees suggested foreign managers to respect and learn some Chinese culture before they come if they could. One of them said “find the right person, pick the right time to do the right thing.” Another Chinese interviewee also mentioned good products and technology is still the most important thing, “come with good products, high tech and respect. Don’t trust people easily, find a good partner or else do it by yourself. China has a huge market, and the market is only for those who fully prepared.”

Half of them also suggested having a good Chinese partner would be essential. Like one of them said “You need a Chinese mind to interpret. So it is very important to have a Chinese partner. This will make the learning process much shorter.”

Some of the foreign managers also mentioned understanding some unique Chinese business etiquettes would be important too. Such as bringing gifts and having drinks with your business partners.

Some implications and how it leads to questionnaire

According to our qualitative research, having a reliable Chinese partner would make foreign managers a lot easier when first entering China. However how to build a reliable and solid relationship with partners is never an easy task. Although many of our interviewees denied the usefulness of giving gifts, all of them have actually experienced gift exchanging which indicates the commonness and usefulness of gift exchanging in business world. Therefore, managers can start with inexpensive little local gifts or some shared experiences such as restaurant meals, which could be a great way of initiating and maintaining guanxi with their partners. One thing to bear in mind is: a positive and respective attitude would be far more important than the gift itself. The rule here is to give respective and memorable gifts in a culturally respective way, and repeat the greeting regularly. However, there are also some behaviors managers always want to avoid when dealing with their business partners. Giving expensive gifts in front of others would be one of them. Not respecting Chinese culture would be another one. In Chinese culture, no relationship can be built over night. Foreign managers need to be patient about this while trying to get their business done. Chinese interviewees suggested managers would need to build guanxi before building business relationship.

Most interviewees confirmed the importance of guanxi. Therefore managers should never under-estimate the usefulness of guanxi in both current China

and the future China. However Chinese interviewees also suggested guanxi was not everything, competitive products always came first. Managers can hardly say whether the role of guanxi would increase or decrease. They can observe and learn these changes, adjust strategies according to these changes. Guanxi which has developed for thousands of years would be less possible to change completely in a short period of time, even in the fast changing economy.

Qualitative research provides some important insights from managers regarding gift giving, common mistakes, importance of Guanxi, and future role of Guanxi. A number of questions were then designed to gather further information from a larger population.

First of all, a set of sixteen questions are designed to test the quality of Guanxi, they are referred to loyalty, satisfaction and trust respectively. Secondly, from the results of our qualitative research, we can see social activities such as having meals or going to karaoke bar together might have contributed to good Guanxi. Therefore, a few questions related to frequency of social activities are designed. In addition, all interviewees mentioned respecting Chinese culture. Therefore, some questions asking whether respondents have been insulted is added to our questionnaire. Furthermore, there are also some questions that are designed to test the contribution of each type of gifts to good Guanxi. The categories of gifts are designed according to qualitative research result too. In addition, in order to test how luxury gifts should be, luxury levels are attached to each gift category. Furthermore, some questions about importance and future role of Guanxi are designed too. At last, respondents are asked to give recommendations to foreign organizations and their manager who are interested in coming to China regarding Guanxi.

Quantitative research:

Research Method:

Sample size and Procedure of the data collection:

Our target population is Chinese managers who have experiences dealing with foreign managers, and foreign managers who are working in China. In order to assure a high response rate, accuracy and cost efficiency, the snowball sampling method was used in our quantitative research. Each of our interviewees was asked to identify some others in their Guanxi network to do our questionnaires.(Aaker, Kumar, & Day, 2001) Most of the questionnaires (350) were sent out by Guanxi network of the researcher, a great percentage of which were sent through emails, and some of them were done by telephone too. Another 150 were sent to listed firms on the company list. 102 responses were obtained eventually in a month's time. 52 Chinese respondents and 50 foreign respondents. Response rate for foreign managers is 22.7%, and response rate for Chinese managers is 18.6%. According to Aaker, Kumar and Day (2001), the response rate of both Chinese managers and foreign managers are quite satisfying figures for mail surveys. However, two questionnaires were dropped in the end because of missing data. Therefore, a satisfying 100 responses formed the foundation of our quantitative research.

Questionnaire questions:

A total of 38 questions are designed in our questionnaires. The first set of 12

questions is designed to test how good Guanxi is between our respondents and their partners. These questions are put into three categories which are normally used to measure relationships: loyalty, satisfaction, and trust. These three categories are the three dependent variables we measure. We adopted scale of Price and Anould (1999) to measure loyalty. And scale from Tax, Brown, and Chandrashekar (1998) is used to measure satisfaction and trust. Loyalty, satisfaction and trust are the measurements that are usually used to identify relationships. (Bloemer & Lemmink, 1992; Caceres & Paparoidamis, 2007; Garbarino & Johnson, 1999; Walsh, Evanschitzky, & Wunderlich, 2008) Please refer to the tables below for details of questions designed in each category.

Questionnaire design

Please refer to table 3 and appendix 11, 12 and 13.

Table 3: questionnaire design

Variable	Rationale from the literature	Rationale from qualitative research	Examples from transcripts	Questions to measure the variable
Loyalty	<ul style="list-style-type: none"> ● Price and Arnould, (1999) ● One's personal relationships can be extended to affect business relationships. (Predergast, Shi, & West, 2001) ● Personal Guanxi can give great access to resources and information. (Seligman, 1999) 	n/a	n/a	<ol style="list-style-type: none"> 1. I feel very attached to this foreign business partnership. 2. I am very committed to this foreign business partner. 3. I would be willing to go the 'extra mile' for this foreign business partner. 4. I would be willing to recommend this foreign business partner to other organizations. <p>Scales from 1 to 7, with 1 stands for strongly disagree, and 7 stands for strongly agree.</p>
satisfaction	<ul style="list-style-type: none"> ● Price and Arnould, (1999) ● Guanxi can ensure business success, and help to build organization's long 	n/a	n/a	<ol style="list-style-type: none"> 1. I am very happy with this foreign business partnership. 2. I am pleased with the relationship I have with this foreign business partner. 3. I am very satisfied with the

	<p>term competitive standing. It also can minimize risks, frustration, and disappointments. (Hellstrom, 1997; Seligman, 1999; Kao, 1993; and Luo 2000)</p>			<p>relationship with this foreign business partner.</p> <p>4. The relationship I have with this foreign business partner has been very good value.</p> <p>Scales from 1 to 7, with 1 stands for strongly disagree, and 7 stands for strongly agree.</p>
trust	<ul style="list-style-type: none"> ● Tax, Brown, and Chandrashekar, (1998) ● Guanxi opens dialogues, builds up trust, and helps exchanges of favors for organizational purposes. (Child & Tse, 2001) 	n/a	n/a	<ol style="list-style-type: none"> 1. I believe this foreign business partner can be relied upon to keep their promises. 2. I would find it necessary to be cautious in dealing with this foreign business partner. 3. Overall, I believe this foreign business partner to be honest. 4. I believe this foreign business partner is trustworthy. <p>Scales from 1 to 7, with 1 stands for strongly disagree, and 7 stands for strongly agree.</p>

<p>Gift at the beginning</p>	<ul style="list-style-type: none"> ● Effective way of initiating Guanxi. (Ai, 2006) ● Great way of maintaining Guanxi network. (Joy, 2001) 	<ul style="list-style-type: none"> ● Chinese managers did not expect any gift. Or inexpensive, traditional, local gifts. ● Foreign managers think local gifts and restaurant meals would be expected 	<ul style="list-style-type: none"> ● “no. I don’t think there are any expectations. They are foreigners, not Chinese.”-Chinese interviewee D ● “maybe something from their country...We give out aboriginal stuff...wines, and ship skins, too”-Foreign interviewee E 	<p>Did this foreign business partner bring any gifts at the beginning of your relationship?</p> <p>Yes /No ☐</p>
<p>How often socialize</p>	<ul style="list-style-type: none"> ● Banquet hosting and socializing are good ways of building Guanxi network. (Ai, 2006) ● keep in touch, mutual benefit, exchange of favors, mutual trust, and sharing business opportunities are the efforts to be done in maintaining 	<ul style="list-style-type: none"> ● Some Chinese managers say having meals together is a good idea. ● Foreign managers have also referred to restaurant meals and karaoke experiences. 	<ul style="list-style-type: none"> ● “Having meals together is a good idea.” –Chinese interviewee C ● “A lot of real business is done during dinners or at karaoke, after hours stuff...that's why there is a budget for it.”-foreign interviewee E 	<p>How often do you and this business partner normally socialize during a six month period?</p> <p>Never, 1-2 times, 3-4 times, 5-6 times, 6-7 times, 8-9 times, 10+ times</p>

	<p>Guanxi. (Ewing, 2006)</p> <ul style="list-style-type: none"> ● Shared experiences, ascribed traits, and achieved characteristics made Guanxi expand. (Gold, Guthrie, & Wank, 2002) 			
Too quick to complete deals	<ul style="list-style-type: none"> ● The Guanxi relationship should be long term and continuous. (Vanhonacker, 2004) ● Chinese culture of more human-hearted, respect and caring for others formed the basis of Guanxi. (Ai, 2006) 	<ul style="list-style-type: none"> ● Chinese managers referred directly to too rush to get business done. ● Foreign managers also mentioned rush business without knowing the partners. 	<ul style="list-style-type: none"> ● “He was quite straight forward and never left any space for us in his words—too extreme.” –Chinese interviewee C ● “they try to rush the business side; instead they should try to get to know their business partner”-Foreign interviewee E 	<p>Do you think that this business partner has ever been too quick to try to complete a business deal?</p> <p>Yes/No</p>

insulting	n/a	<ul style="list-style-type: none"> ● Most Chinese interviewees mentioned respect of Chinese culture. ● Foreign interviewees also suggest learning the culture would be essential. 	<p>“They need to know a little Chinese culture before they do business with Chinese people. Or, if they don’t learn before they come to china, at least they should show respect to Chinese culture and show that they are eager to learn.” –Chinese interviewee B</p> <p>“I think it is essential for anyone going to any country to learn about the local culture, especially if you are going to do business there and the country is very different from your own” –Foreign interviewee E</p>	<ol style="list-style-type: none"> 1. Has this business partner ever unintentionally insulted you? Yes/No <input type="checkbox"/> 2. If you have received inappropriate gifts what were they? Please list_____
Ever Given and receiving gift	A strict ethic of reciprocity and obligation define Guanxi relationships. (Vanhonacker, 2004)	<ul style="list-style-type: none"> ● Almost all of our interviewees including Chinese and foreigners have exchanged gifts with their partners. ● Gifts that are most mentioned are local gifts, little gifts like tea and souvenirs, local gifts from their countries, and wines. 	<ul style="list-style-type: none"> ● “If they’ve got good personal relationship, then it's better to buy something they you use in their personal life which will remind him how good you treat him...for example, tea and Olympic souvenir...customers think it's acceptable, not expensive.” –Chinese interviewee A ● “I’ll bring some Spanish wine and local gifts for my Chinese partner and the factory...They like them very much! They got me Chinese presents too, 温州鸭舌头 (special made duck tongues) , very nice!” –Foreign interviewee D ● “If the company is French I think they would 	<ol style="list-style-type: none"> 1. Have you ever given any gifts to this foreign business partner? Yes/No <input type="checkbox"/> 2. To what extent to you think the response to your gift(s) was appropriate: Scales from 1 to 7, with 1 stands for highly inappropriate, and 7 stands for highly appropriate 3. What was the response(s)? Please list_____

			<p>expect some French alcohol, like cognac, champagne, etc.” –Foreign interviewee C</p>	<p>4. How many times have you given each of the following types of gift to this foreign business partner over the past year? (non shared experiences, shared experiences, alcohol, food/supplements, jewelry/perfume/makeup, souvenir, and other gift please specify__)And indicate the degree to which gift was a luxury item.</p> <p>5. How many times have you received each of the following types of gift to this foreign business partner over the past year? (non shared experiences, shared experiences, alcohol, food/supplements, jewelry/perfume/makeup, souvenir, and other gift please specify__)And indicate the degree to which gift was a luxury item.</p>
Equal value	<ul style="list-style-type: none"> ● Guanxi relationship is defined by a strict 	<ul style="list-style-type: none"> ● Chinese interviewees suggested not to 	<ul style="list-style-type: none"> ● “But be sure not to give anything too cheap, that would be insulting.” –Chinese interviewee C 	To what extent to you feel that the gifts that you have received from this foreign business partner have been of a similar

	<p>ethic of reciprocity and obligations. (Vanhonacker, 2004)</p> <ul style="list-style-type: none"> ● The feeling of indebtedness is the key linking two parties in their Guanxi network. (Ai, 2006) 	<p>give too cheap gifts, which means they wouldn't give or expect to receive too cheap gifts.</p> <ul style="list-style-type: none"> ● Foreign interviewees suggested paying back should be done appropriately. 	<ul style="list-style-type: none"> ● "If they qing ke (offer to pay) then you shouldn't try to pay...but you could offer another time in the future if it's appropriate. Maybe invite them out" –Foreign interviewee E 	<p>quality and standard to the gifts you have given?</p> <p>Scales from 1 to 7, with 1 stands for much poorer quality,, and 7 stands for much, higher quality</p>
How long of their relationship	n/a	<p>Some of our interviewees, who have dealt with either their Chinese managers or foreign managers longer, seemed to have better understanding of Guanxi.</p>	<ul style="list-style-type: none"> ● "Guanxi is very important in China. it is everywhere in my life...if you want to have something done, you still have to use Guanxi, many things. You want your kids go to a better school, you want to have a better plate number for your car, you want to have business with someone, you want to buy train tickets when train tickets are in short supply." –Chinese interviewee E ● "I feel it's (Guanxi) important if you want to succeed in china...and it's mostly connected to 共产党 (Biggest party in the Chinese parliament), if you don' t know people in 	<p>How long has this business partnership been operating in China?</p> <p>0-3 months, 4-6 months, 7-9 months, 10-12 months, between 1-2 years, 2+ years</p>

			the party, it's gonna be tough...it (Guanxi) has to be taken care of, eat lunches, dinners, send presents, etc.” –foreign interviewee C	
Comfortable introducing/ Introduce to others	Interpersonal transfer of trust and relational ties make one’s personal Guanxi network expand. (Gu, Hung, & Tse, 2008)	n/a	n/a	1. To what extent would you feel comfortable introducing this business partner to other business colleges? Scales from 1 to 7, with 1 stands for highly uncomfortable and 7 stands for highly comfortable 2. Has this business partner introduced you to other businesses partners? Yes/No
Importance of Guanxi with partners	<ul style="list-style-type: none"> Without Guanxi network, it’s difficult for any firm to operate smoothly and successfully. (Liu, 1998) Employees’ 	All of our interviewees confirmed Guanxi indeed is very important, in both their personal life and business network.	<ul style="list-style-type: none"> “Guanxi is very important. it is almost the foundation of everything. It is the first priority.” –Chinese interviewee C “Because kongzi always wanted people to solve things mutually, and not by law...so the personal Guanxi became important” –Foreign interviewee C 	How important is Guanxi in your relationship with this partner? Scales from 1 to 7, with 1 stands for highly unimportant and 7 stands for highly Important.

	<p>personal Guanxi can have negative effects on company's revenue and resources. (Vanhonacker, 2004)</p> <ul style="list-style-type: none"> ● Guanxi can become an important factor in business strategy. (Vanhonacker, 2004) ● Use of Guanxi can prevent firms from institutional barriers. (Gu, Hung, & Tse, 2008) ● Guanxi have positive impact on market performance, 			
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	channel capability and responsive capability. (Gu, Hung, & Tse, 2008)			
Importance of Guanxi in China	<ul style="list-style-type: none"> ● China's institutional stability enables job stability. (Batjargal, 2008) ● "in the west, relationships grow out of deals. In China, deals grow out of relationships. The cultivation of Guanxi is an integral part of doing business." (Vanhonacker, 2004) ● In China, one's personal relationship can 	All of our interviewees confirmed Guanxi indeed is very important, in both their personal life and business network.	<p>"Interviewee: (Guanxi in China is) very important. Interviewer: how important, like if 1 stands for not important, and 7 stands for very important. Which would you choose? Interviewee: eight!" –Chinese interviewee D</p> <p>"Guanxi is very important... I feel it's important if you want to succeed in china." –Foreign interviewee C</p>	<p>How important is Guanxi to business success in China?</p> <p>Scales from 1 to 7, with 1 stands for highly unimportant and 7 stands for highly Important.</p>

	<p>define one's social status. (Vanhongacker, 2004)</p> <ul style="list-style-type: none"> ● "Guanxi relationships, with their unique code of ethics, will always be an ingredient of doing business in China." (Vanhonacker, 2004) ● Guanxi network is instrumental in Chinese people's daily life. (Gold, Guthrie, & Wank, 2002) 			
Understand business etiquette	n/a	Interviewees have mentioned a lot of differences between doing business in their	<ul style="list-style-type: none"> ● "If they don't respect our Chinese culture or people, that would be insulting for me. And also their attitude is very important. .. It's the way they behave during our meeting 	To what extent do you think that this foreign business partner understands Chinese business etiquette?

		countries and in China. and all of the Chinese interviewees emphasized respect the Chinese culture.	<p>and talking. At least they need to show their respect of different culture if they really don't know our culture. And if they discriminate any symbol of Chinese culture, that would be very rude, and I won't forgive this kind of behavior." –Chinese interviewee D</p> <ul style="list-style-type: none"> ● "not understand the Chinese culture, and by that offending the Chinese people." –Foreign interviewee C 	Scales from 1 to 7, with 1 stands for highly unimportant and 7 stands for highly important.
Future role of Guanxi	<ul style="list-style-type: none"> ● Better legal framework and infrastructure may decrease the importance of Guanxi, but the cultural heritage will remain the same. (Ai, 2006) ● Child and Tse (2001) suggested a decline of role of Guanxi due to globalization and economic reform. 	However, most of our interviewees disagreed with the decrease opinion. They think the role of Guanxi would either remain the same or increase.	<ul style="list-style-type: none"> ● "Guanxi has been very important for centuries in China. the situation haven't changed for these centuries. And I don't think the situation will change in the future...because it is a root thing in our mind. it is so deep in mind of Chinese people. And many Chinese cultures and traditions are developed on it. It is our spirit. When you see Guanxi, you see Chinese people, when you see Chinese people, you see Guanxi too. It is a fixed combination." –Chinese interviewee D ● "But to be honest, I don't really see it decreasing...because there are more and more people! Not only is the Chinese 	<p>What is your prediction as to the future importance of Guanxi in China?</p> <p>Scales from 1 to 7, with 1 stands for highly unimportant and 7 stands for highly important.</p>

			<p>population, but more foreigners coming to China too. More people means more competition, how could the use of Guanxi decrease?" –Foreign interviewee D</p> <ul style="list-style-type: none">● "No change for a long time" –Foreign interviewee B	
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Results:

General results

In the 100 responses we have received, the biggest groups of foreign managers are those from France (6), NZ (6), and Spain (6). For Chinese respondents, the biggest groups of their partners are from UK (7), USA (7), and Germany (6). There are also many other countries involved, please refer to figure 1 and figure 2 for details.

Figure 1: nationality of Chinese respondents' partners

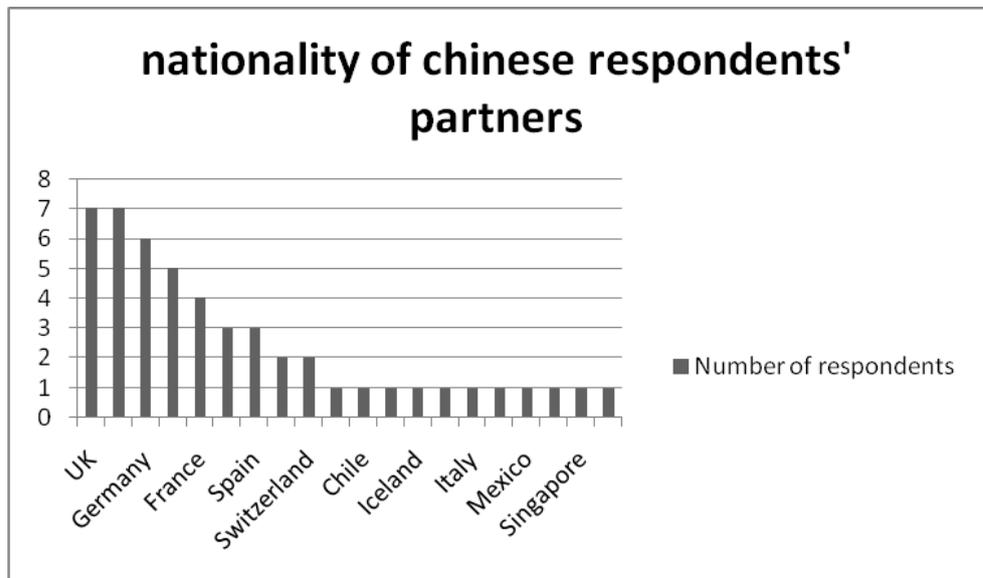
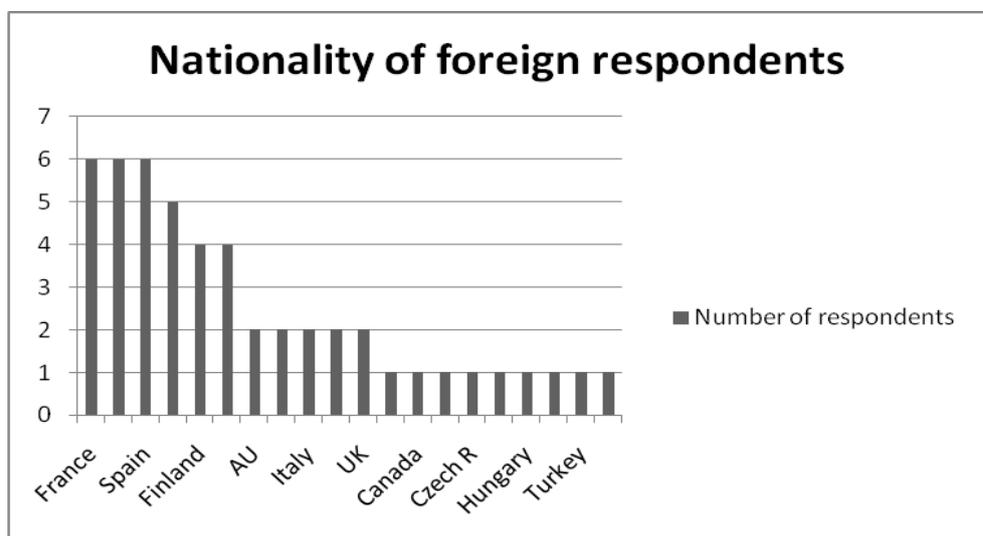
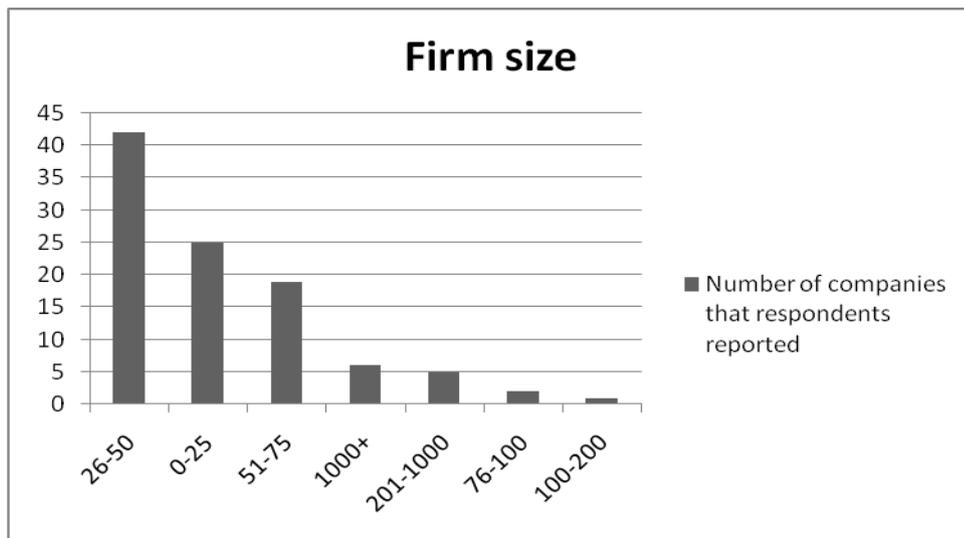


Figure 2: nationality of foreign respondents



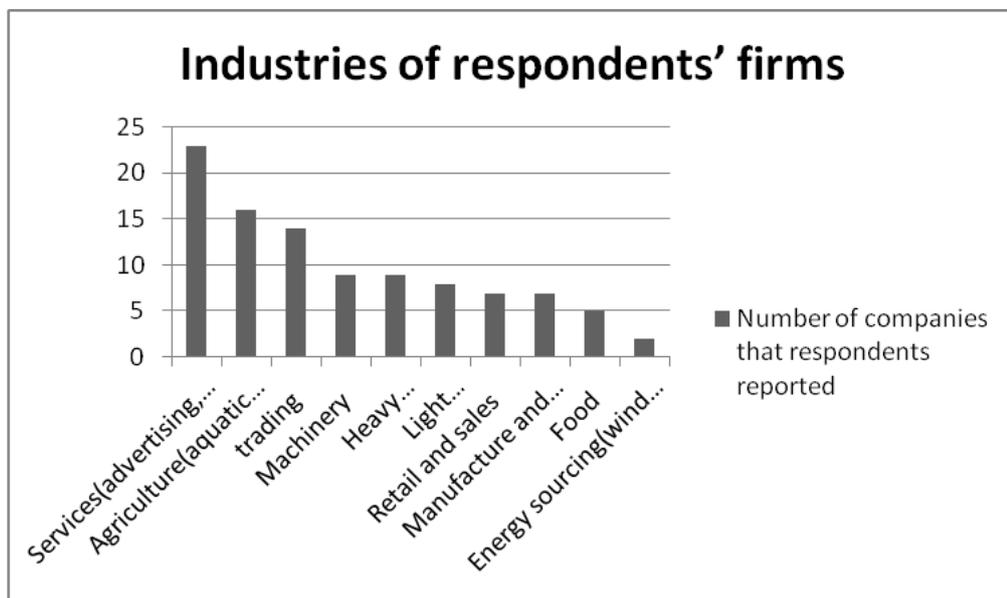
Regarding the size of their organizations in terms of the number of employees, the mean is 2.51, which means the average size of the respondents' firms is around 50 employees. The most mentioned figure (42 respondents) is 2, which means the most common firm size is between 25 and 50 employees. For more details please refer to the figure of firm size.

Figure 3: firm size



In addition, 98% of our respondents are from organizations that are private owned, 2% are from public owned companies. At last, the most mentioned industry that respondents' organizations are from is service industry. For more industry details, please refer to figure of industries of respondents' firms.

Figure 4: industries of respondents' firms



According to our SPSS reliability test, values of Cronbach's alpha for our three dependent variables- loyalty, satisfaction, and trust, are 0.888, 0.963, and 0.844 respectively, which are all greater than 0.7(Aaker, Kumar, & Day, 2001), and therefore the averages across the four items of each dependent variable are calculated and used in further analysis. Please see details of the analysis in appendix.

Table shows descriptive statistics for variables involved in regression analysis. It involves some basic information about our respondents' nationality, means and mode of dependent variables (loyalty, satisfaction, and trust) and independent variables (beginning gift, meet often, insulting, gave gifts, comfortable introducing, introduce to others, similar quality, and how long their relationship is). From the table, it shows that 64% of our respondents have been given some kind of gifts at the beginning of their relationship. The mean of how often respondents and their partner normally socialize is 2.16, and the mode is 2, which means most of them normally meet for two or three times in a six month period. There are also respondents who never socialized with their partners, and respondents who met their partners 8-9 times in six month.

In addition, none of our respondents have received any gifts that are inappropriate. Therefore, this variable will not be considered further. There are 5% of the respondents who mentioned that they have been unintentionally insulted by their partners, which is quite a small number. 72 respondents in a hundred have given gifts to their partners. The mean and mode of "comfortable introducing" are 5.5 and 7, which are quite positive numbers in a scale from 1 to 7. That means most of our respondents feel comfortable introducing their business partners to other colleges. In addition, 72 of the respondents said their partners have introduced them to other business partners.

Most of our respondents think the gifts they have received have a similar quality and standard to the gift they have given, as the mean score is 3.94, and mode score is 4. The average duration of respondents' partnership operating in China is 7.26 months. The mode for this figure is 2, which means a large amount of them have been operating between 4 to 6 months. Some relationships have just started, and some of them have been successfully running for more than two years. For details, please refer to the table below.

Table 4: descriptive statistics for variables involved in regression analysis

Statistics

		nationality	loyalty	satisfaction	trust	beginninggift	meetoften	insulting	giveoutgift	comfortable tointroduce	introduce dtoothers	similarquality	howlong
N	Valid	100	100	100	100	100	100	100	100	100	97	71	100
	Missing	0	0	0	0	0	0	0	0	0	3	29	0
Mean		.50	5.1750	5.5100	5.1425	.64	2.16	.05	.72	5.50	.72	3.94	7.26
Std. Deviation		.503	1.05499	1.23497	.99700	.482	.884	.219	.451	1.547	.451	.984	7.412
Minimum		0	1.25	1.00	1.00	0	1	0	0	1	0	1	1
Maximum		1	7.00	7.00	6.75	1	6	1	1	7	1	7	24

Regression Results

Regression analysis was run with loyalty as dependent variable, and “gift at the beginning”, “how often socialize”, “being insulted”, “gave gifts”, “comfortable introducing”, “introduce to others”, “equal value gifts” and “duration of relationship” as independent variables. The results show that value of R square is 0.617, which means 61.7% of our dependent variable “loyalty” can be explained by our set of independent variables, and 61.7% can be considered as a good score for a commercial cross-section analysis. (Aaker, Kumar and Day, 2001)

F value for loyalty is 10.732, which is greater than 2.10 (for a significant level of 0.05) on the F statistics table. That means our F value is significant at the 0.05 level.

At a 0.05 significant level, there are two variables that are statistically significant. Variable “being insulted” (Whether respondents have been unintentionally insulted) has a significant negative effect on loyalty ($B = -2.371$; $p < 0.05$), which means if respondents have been insulted they would be less loyal in the relationship to their partner. It might be because relationships (Guanxi) are emotional, which can be easily ruined by inappropriate behaviors, such as insulting behavior. Variable “comfortable introducing” (to what extend respondents feel comfortable introducing their business partner to other business colleges) has a significant positive effect on loyalty ($B = 0.224$; $p < 0.05$), which means the more comfortable respondents feel introducing their partner to others, the more they tended to be loyal in the relationship to their partners. Reason for this could be a reverse effect: the more loyal respondents are with their partners, the more they are willing to

introduce their partners to other business colleges. In addition, at a 0.10 significant level, there are another two independent variables that are statistically significant. Variable respondent's "nationality" (dummy variable foreign=1, Chinese=0) has a significant positive effect on loyalty ($B=0.674$; $p<0.10$), which means foreign respondents seemed to be more loyal in their relationship. One possible reason could be Chinese respondents take relationships more seriously. It is harder for them to commit loyal to a relationship than foreigners. Another possible reason could be Chinese respondents do not normally pick extreme numbers in ranking types of questions. While for variable "how often socialize" (how often respondents and their business partner normally socialize during a six month period) also has a significant positive effect on loyalty. ($B=0.253$; $p<0.10$), which means more often respondents socialize with their partners, the more loyalty they commit to their relationship. That is because development of relationship takes time and effort, the more they spend time together, the stronger their relationship tends to be. Besides, the VIF values of most of the variables are all below 2, which indicates that there is low multicollinearity. (Janssens, Wijnen, De Pelsmacker & Kenhove, 2008)

However, surprisingly some variables that we expected to have significant effects on loyalty did not appear statistically significant. Variable "gift at the beginning" (whether their partners gave them any gifts at the beginning of their relationship) and "gave gifts" (whether respondents have given any gifts to their partners) are highly recommended by foreign respondents from previous qualitative research. Neither of them appeared to be significant in our quantitative research here ($p<0.10$), which is interestingly quite consistent with what Chinese respondents said about gifts. (most of them said gift was not a must factor in Guanxi)

In addition, variable "introduce to others" (whether respondents' partners

have introduced them to other business partners) is also found not to have a significant effect on loyalty ($p < 0.10$). Gu, Hung and Tse (2008) suggested interpersonal transfer of trust made one's personal Guanxi network expand. In this case, our insignificant result may indicate that "introduce to others" (interpersonal transfer of trust) does not necessarily mean good Guanxi in terms of loyalty. One possible reason for "comfortable introducing" to have a significant positive impact on loyalty, while "introduce to others" did not, could be "introduce to others" may depend on how respondents' partners think about their relationship, rather than respondents themselves. If their partners think so too, then our respondents would be more likely to be introduced to others.

Furthermore, variable "equal value gifts" (whether the gift received being the similar quality with the gift they gave) and "duration of relationship" (how long their Guanxi has been operating in China) are also expected to have a positive effect on loyalty. Again surprisingly neither of them appeared to be significant ($p < 0.10$). Maybe it is because when people consider loyalty, they hardly link with gifts giving behavior. For variable "duration of relationship", it may be because long lasting relationship does not necessarily means good and loyal relationship.

Table 5: results of regression analysis on loyalty

		Coefficients ^a					Collinearity Statistics	
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF
		B	Std. Error	Beta				
1	(Constant)	3.035	.827		3.670	.001		
	nationality	.674	.343	.321	1.965	.054	.239	4.187
	beginninggift	-.042	.260	-.019	-.163	.871	.470	2.128
	meetoften	.253	.143	.165	1.769	.082	.736	1.359
	insulting	-2.371	.454	-.458	-5.221	.000	.831	1.204
	giveoutgift	-.214	.360	-.057	-.593	.556	.691	1.448
	comfortabletointroduce	.224	.086	.227	2.619	.011	.849	1.178
	introducedtoothers	-.140	.248	-.053	-.562	.576	.714	1.401
	similarquality	.101	.112	.094	.902	.371	.587	1.704
	howlong	-.005	.019	-.033	-.237	.814	.333	3.005

a. Dependent Variable: loyalty

Similar Regression analysis was run with satisfaction as dependent variable, and the same set of independent variables. The results show that value of R square is 0.651, which means 65.1% of our dependent variable “satisfaction” can be explained by our set of independent variables, and 65.1% can be considered as a good score for a commercial cross-section analysis. (Aaker, Kumar and Day, 2001)

F value for Satisfaction is 12.446, which is greater than 2.10 (for a significant level of 0.05) on the F statistics table. That means our F value is significant at the 0.05 level.

At a 0.05 significant level, there are three variables that are statistically significant. Variable “nationality” (dummy variable Foreign=1, Chinese =0) has a significant positive effect on satisfaction (B=1.041; $p < 0.05$), which means foreign respondents seem to be more satisfied in their relationship than Chinese respondents. Reason for this could be westerners feel satisfaction more easily than Chinese in a relationship. Another possible reason could be Chinese do not normally pick extreme numbers in ranking types of questions as mentioned previously. Variable “being insulted” has a significant negative effect on satisfaction (B= -2.617; $P < 0.05$), which means if the respondents have been insulted, they would be less satisfied in the relationship with their partners. Reason for this could be the same as discussed in loyalty. Variable “comfortable introducing” has a significant positive effect on satisfaction (B=0.375; $p < 0.05$), which means the more comfortable respondents feel introducing their partners to others, the more they tended to be satisfied in the relationship with their partners. Reasons for this would be the same as we discussed in loyalty analysis. However, there are no more other independent variables that are statistically significant at a 0.10 significant level. Besides, VIF values of most of the variables are all

below 2, which indicates that there is low multicollinearity. (Janssens, Wijnen, De Pelsmacker & Kenhove, 2008)

However, surprisingly again some variables that we expected to have significant effects on satisfaction did not appear statistically significant. Variable “gift at the beginning” and “gave gifts” again do not appear to be significant in our quantitative research results ($p < 0.10$). Besides the reasons discussed in previous sections, people may not associate physical material gifts with satisfying relationships. As Chinese interviewee mentioned in qualitative research, most of them did not actually expect anything at the beginning of their relationships.

In addition, variable “how often socialize” which has a significant positive effect on loyalty do not seem to have the same effect on satisfaction ($p < 0.10$). A reason for this could be “how often socialize” may be essential for loyalty of Guanxi as people become closer to each other. However, “how often socialize” could cause conflicts when dealing with each other. Therefore it may not necessarily increase satisfaction level even if people meet regularly.

Variable “introduce to others” was also found not to have a significant effect on loyalty ($p < 0.10$). It could have the same reason as “introduce to others” and loyalty. Satisfied managers may introduce their partners to others in his/her Guanxi network, but whether they have been introduced to others by their partner may not have any positive effect on satisfaction.

Furthermore, variable “equal value gifts” and “duration of relationship” are also expected to have a positive effect on satisfaction. Again surprisingly neither of them appears to be significant ($p < 0.10$). This may be because when people consider satisfaction, they hardly associate the satisfying feeling with gifts giving behavior. For variable “duration of relationship”, it may be

because a long lasting relationship does not necessarily means good and a satisfying relationship.

Table 6: results of regression analysis on satisfaction

		Coefficients ^a					Collinearity Statistics	
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF
		B	Std. Error	Beta				
1	(Constant)	1.805	.921		1.959	.055		
	nationality	1.041	.382	.425	2.724	.008	.239	4.187
	beginninggift	.066	.290	.025	.226	.822	.470	2.128
	meetoften	.226	.160	.126	1.419	.161	.736	1.359
	insulting	-2.617	.506	-.433	-5.174	.000	.831	1.204
	giveoutgift	.204	.401	.047	.509	.613	.691	1.448
	comfortabletointroduce	.375	.095	.325	3.930	.000	.849	1.178
	introducedtoothers	-.089	.276	-.029	-.323	.748	.714	1.401
	similarquality	.134	.125	.107	1.074	.287	.587	1.704
	howlong	-.007	.021	-.043	-.325	.747	.333	3.005

a. Dependent Variable: satisfaction

Once again, similar regression analysis was run with dependent variable-Trust and the same set of independent variables. The results show that value of R square is 0.739, which means 73.9% of our dependent variable “Trust” can be explained by our set of independent variables, and 73.9% can be considered as a good score for a commercial cross-section analysis. (Aaker, Kumar and Day, 2001)

F value for Trust is 18.855, which is greater than 2.10 (for a significant level of 0.05) on the F statistics table. That means our F value is significant at the 0.05 level.

At a 0.05 significant level, there are two variables that are statistically significant. Variable “being insulted” has a significant negative effect on trust (B= -2.661; p< 0.05), which means if the respondents have been insulted, they would have less trust in the relationship with their partners. Reasons for this have been discussed in previous analysis. Variable “comfortable introducing” has a significant positive effect on trust (B=0.270; p<0.05), which means the more comfortable respondents feel introducing their partners

to others, the more trust they tended to have in the relationship with their partners. Reasons would be the same as what we discussed previously. In addition, at a 0.10 significant level, there are another two independent variables that are statistically significant. Variable “equal value gifts” has a significant positive effect on trust ($B=0.177$; $p<0.10$), which means the higher quality the gift they have received, the more trust they tended to have on their partners. It confirms that exchange of gifts is a great way of maintaining one’s guanxi network (Joy, 2001). One reason could be: the higher quality gifts people receive may make people feel being better treated, therefore help them boost their trust level on their partners. Variable “duration of relationship” has a significant positive effect on trust too ($B=0.036$; $p<0.10$), which means the longer their relationship operating in China, The more trust our respondents tended to have on their partners. The longer people have been in a relationship, the more familiar people should feel towards their partners, and therefore the more trust they may commit. It is somehow different from the situation in loyalty and satisfaction. Besides, VIF values of most of the variables are all below 2, which indicates that there is low multicollinearity. (Janssens, Wijnen, De Pelsmacker & Kenhove, 2008)

However, some variables that we expected to have significant effects on trust do not appear statistically significant. Variable “gift at the beginning” and “gave gifts” again do not appear to be significant in our quantitative research ($p<0.10$). Reasons could be quite similar to issues discussed in loyalty and satisfaction parts.

Quite surprisingly variable “nationality” which has a significant effect on both loyalty and satisfaction do not have any significant effect on trust ($p<0.10$). The result indicates there is no significant difference between Chinese managers and foreign managers regarding trust. Chinese respondents and foreign respondents may have similar level of trust in their relationships

with their partners.

In addition, variable “introduce to others” is also found not to have any significant effect on trust ($p < 0.10$). However, variable “comfortable introducing” appears to have a significant effect on the same dependent variables. That means when one thinks a partner is trustworthy enough to join his/her broader network, this person believes there is certain level of trust between them. However, whether their partner has introduced them to others might have nothing to do with this person’s feeling of Guanxi in regard with trust. In other words, how one sees Guanxi with his/her partner might be different from how his/her partner sees the same Guanxi.

Table 7: results of regression analysis on trust

Model		Coefficients ^a					Collinearity Statistics	
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF
		B	Std. Error	Beta				
1	(Constant)	2.456	.672		3.653	.001		
	nationality	.282	.279	.136	1.010	.316	.239	4.187
	beginninggift	.137	.212	.062	.647	.520	.470	2.128
	meetoften	.016	.116	.011	.137	.891	.736	1.359
	insulting	-2.661	.369	-.522	-7.206	.000	.831	1.204
	giveoutgift	-.029	.293	-.008	-.098	.922	.691	1.448
	comfortabletointroduce	.270	.070	.277	3.869	.000	.849	1.178
	introducedtoothers	-.076	.202	-.029	-.376	.708	.714	1.401
	similarquality	.177	.091	.167	1.941	.057	.587	1.704
	howlong	.036	.016	.269	2.349	.022	.333	3.005

a. Dependent Variable: trust

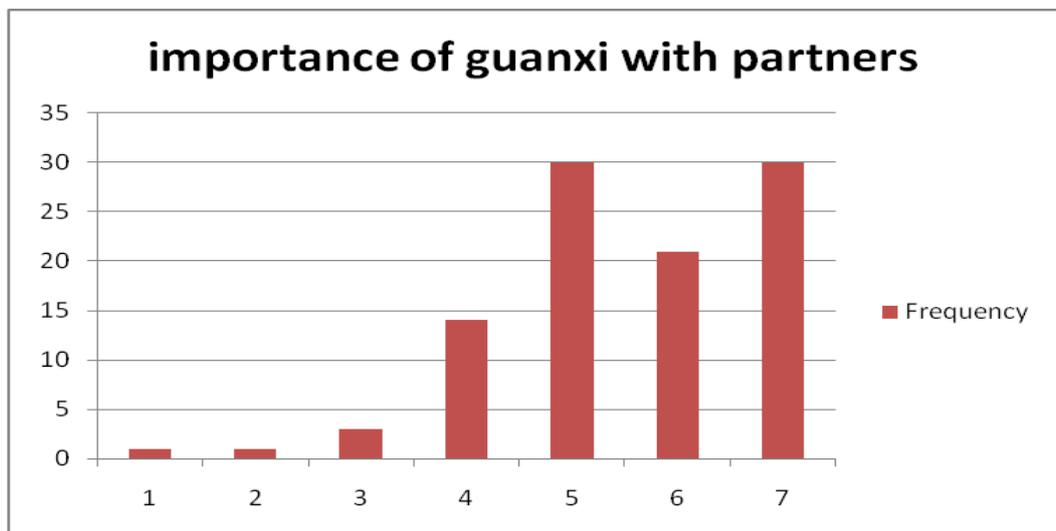
The three regression analysis show that there are two independent variables which have significant negative relationship ($p < 0.05$) with all of our three dependent variables—loyalty, satisfaction and trust. These two independent variables are “being insulted” and “comfortable introducing”. Another independent variable – respondents’ nationality also has significant relationship with two of our dependent variables—loyalty ($p < 0.10$) and satisfaction ($p < 0.05$). Therefore, these three independent variables (“being insulted”, “comfortable introducing” and respondents’ nationality) can be considered as the most important factors to Guanxi. Foreign managers need to

take three factors into account when dealing with their Chinese partners.

Importance and future role of Guanxi:

Most of our respondents think Guanxi is somewhat important or moderately important, as the average figure for this question is 5.54 and mode is 5. There are a few respondents think Guanxi with their partner is highly unimportant, and more of them think Guanxi with their partner is highly important.

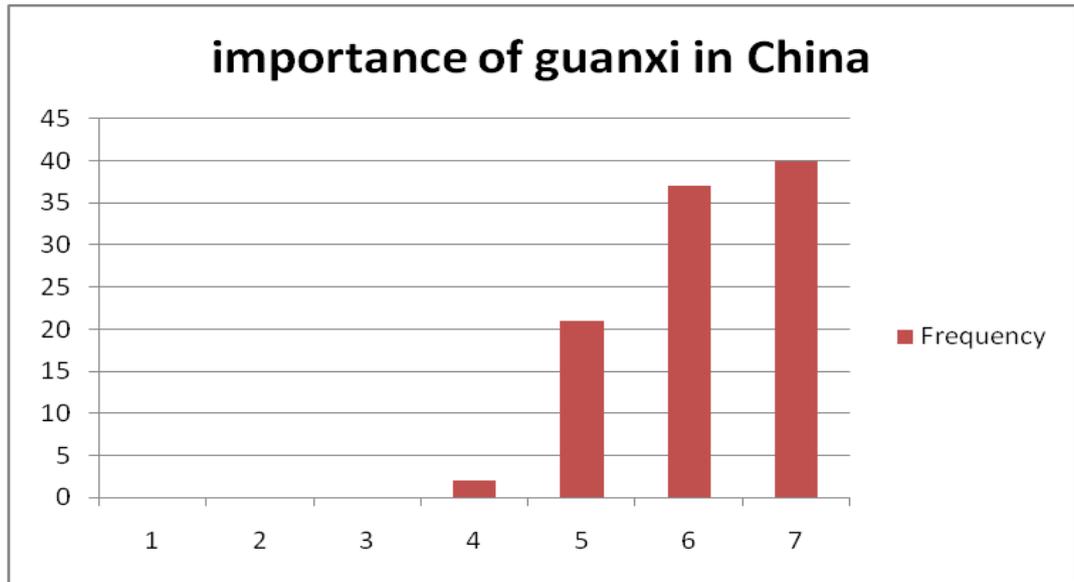
Figure 5: importance of Guanxi with partners



Note: 1=highly unimportant, and 7=highly important

A higher mean of 6.15 was generated when being asked “how important is Guanxi to business success in China?” and the most mentioned number is 7, which means most of our respondents have confirmed high importance of Guanxi in doing business in China. In addition, there is no respondent think Guanxi is highly unimportant in China- the lowest score of all respondents is 4 (neutral), and the majority of the respondents think Guanxi is indeed important in doing business in China. Most picked score is “somewhat important” (mode=5)

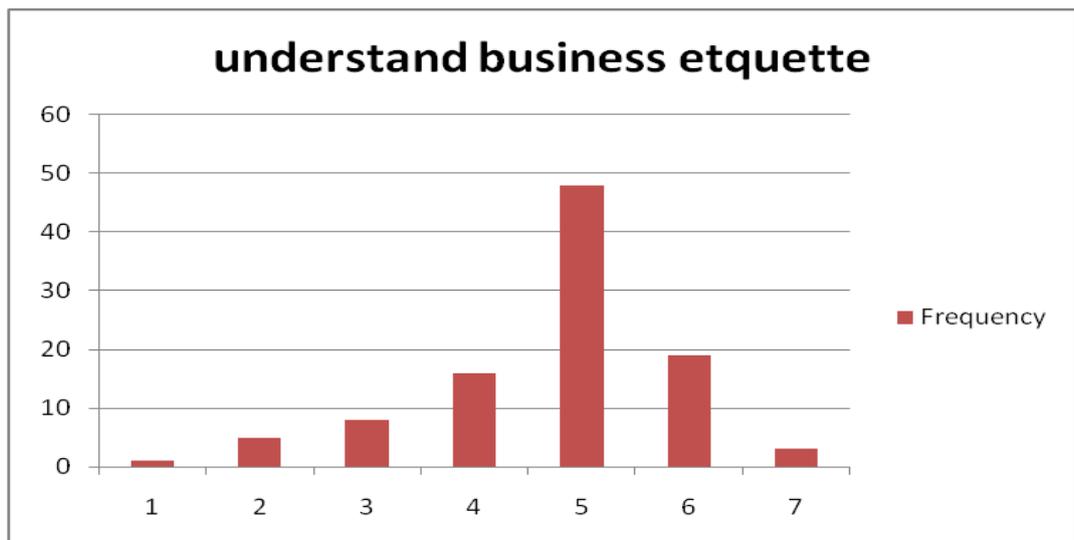
Figure 6: importance of Guanxi in China



Note: 1=highly unimportant, and 7=highly important

When being asked if they think their partner understands their country's business etiquette, a mean of 4.74 and standard deviation of 1.16 indicates that most of our respondents think their partners do understand some of their country's business etiquette.

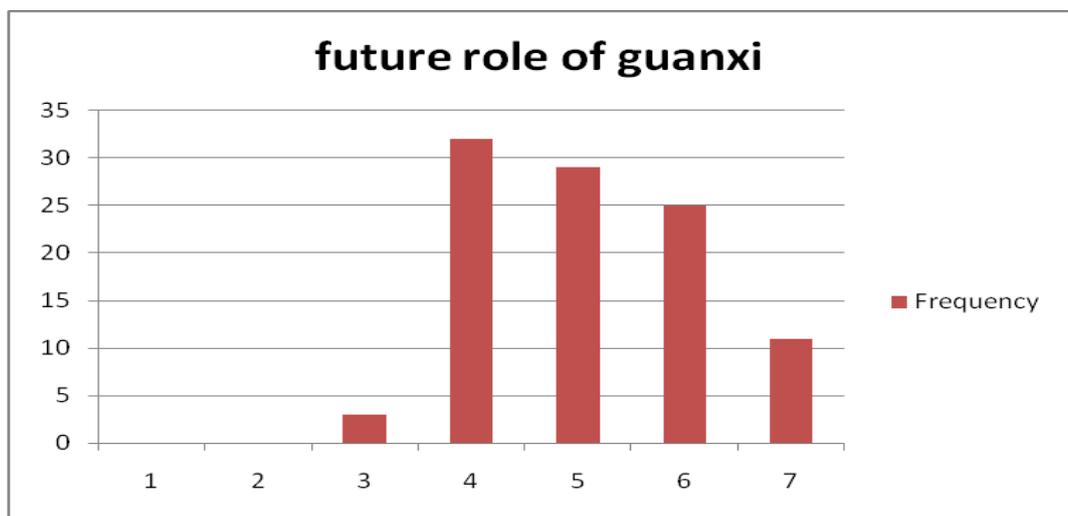
Figure 7: understand business etiquette



Note: 1=highly unimportant, and 7=highly important

Not surprisingly, the future role of Guanxi from managers' opinion is quite different from what researchers thought. A mean of 5.09 indicates that most of our respondents think role of Guanxi would not change or maybe increase in the future. The value of mode equals 4, which means the biggest group in our respondents think future role of Guanxi would not change. Only a few of them think it could be decrease. For more details, please refer to the figure below.

Figure 8: future role of Guanxi



Note: 1=highly unimportant, and 7=highly important

Results of Gift giving behavior

Regarding the gifts being given by our respondents, there is only one respondent refer to non shared experiences, and he/she rated the luxury level as 4 which is quite neutral. There are 71 respondents have given shared experiences, The mean of times they received shared experiences is 1.62, which means most respondents have given shared restaurant meals for at least one time. For those who have given shared experiences, the most mentioned number of the luxury level is 4 and 5, which means many of them considered

the gifts as neutral to somewhat luxury.

There are 17 respondents who have given alcohol as gifts, the mean score is 0.21, which means not many respondents have given alcohol as gifts. For those who have given alcohol as a gift, their average of luxury score is 0.74, which stands for none luxury items. However, the most mentioned numbers are 4 and 5, which stand for neutral to somehow luxury. 7 of our respondents have given food/supplements as gifts, the mean figure is 0.09, which means food and supplements are not common gifts as shared experiences and alcohol. Most respondents who have given food and supplements considered them as luxury items as most mentioned number is 5. 11 of our respondents have given jewelry as a gift, and all of them have only done it once. However, jewelry seems to be a more common gifts than food and supplements as the mean is 0.11 which is bigger than 0.09. Jewelry is also considered as somehow luxury gifts, which could be seen from the most mentioned scores (4, 5 and 6).

33 of our respondents have given souvenirs as gifts, from its mean (0.35) we can tell that souvenir is the second common kind of gifts that are given among our respondents. Most of Respondents rated 3 for luxury level, which stands for none luxury items. However we do have one respondent rated 6, which means the gift is a luxury item. In addition, there are 8 respondents reported they have given other type of material gifts once (mean=0.08). Its average of luxury level (0.3) shows other material gifts are mostly less luxury than most of other types of gifts.

On the other hand, regarding people receiving gifts, none of our respondents have received any non-shared experiences. 45 respondents have received shared experiences, the average time of receiving shared experiences is 1.11, which means most of our respondents have received at least once shared

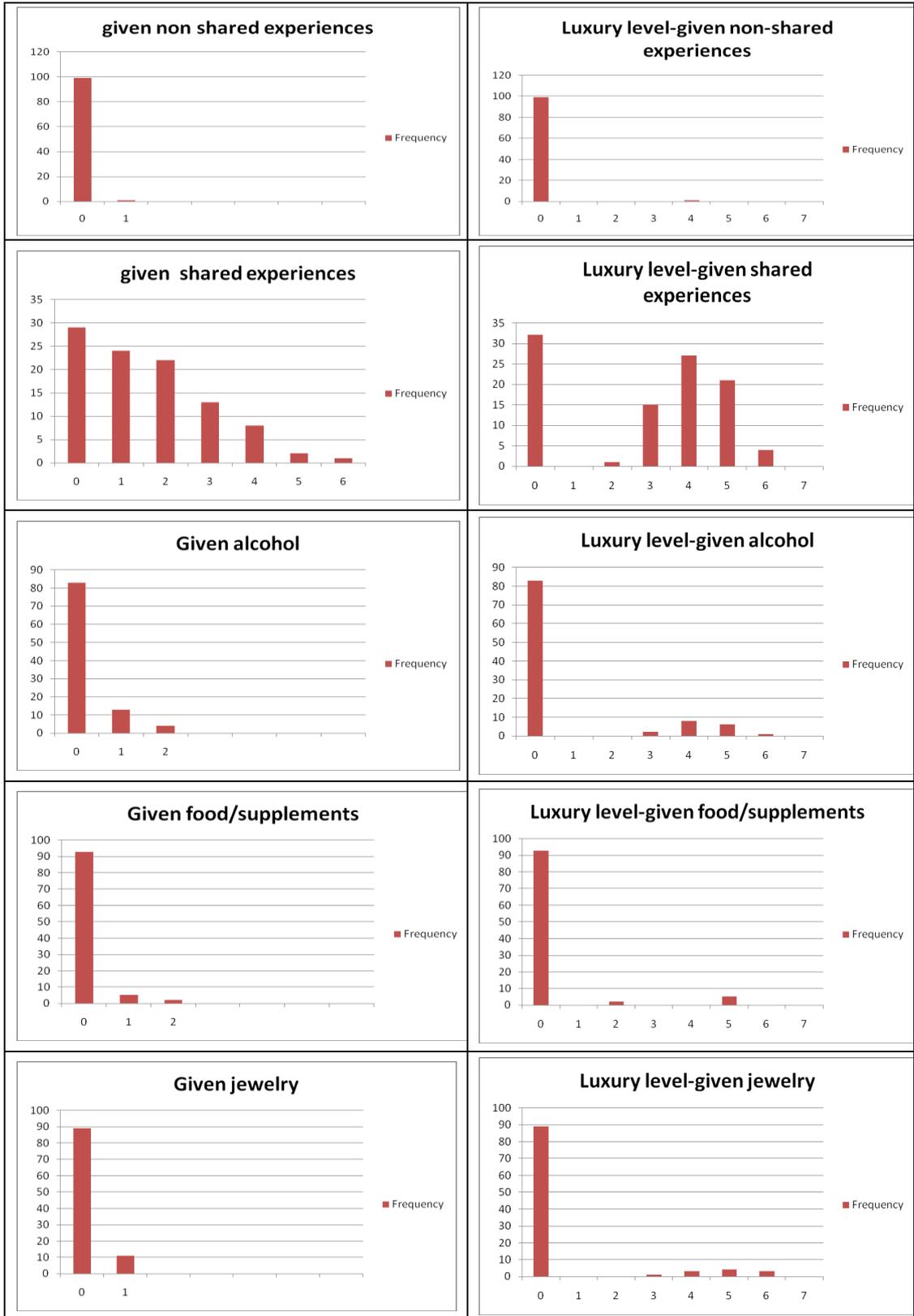
experiences like restaurant meals. For those who have received non-shared experiences, the most mentioned numbers for luxury level are 4, 5 and 6, which stands for neutral or somehow luxury experiences.

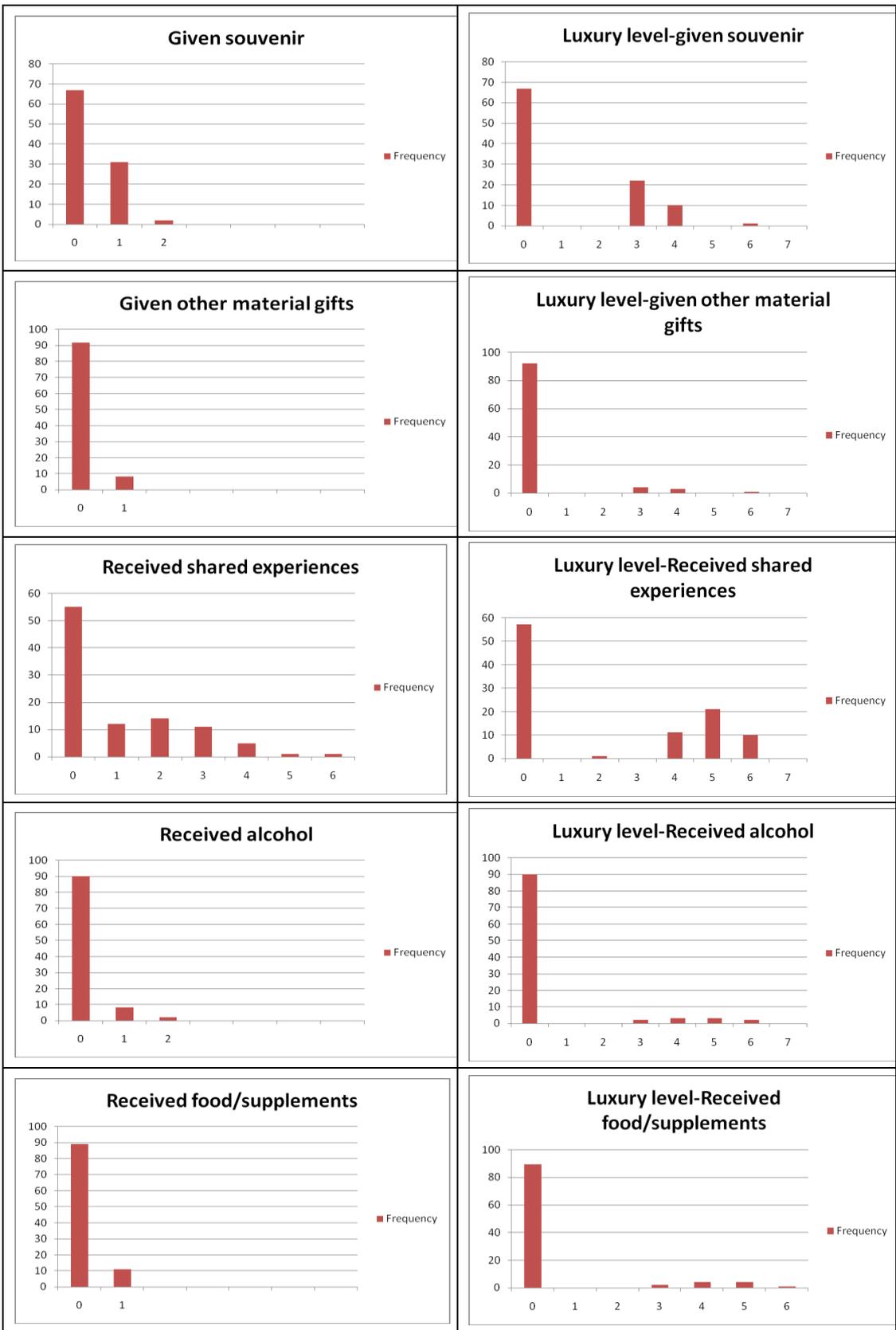
There are 10 respondents receiving alcohol, their average time of receiving is 0.12, which means not many people have received alcohol as gifts. The most mentioned scores of luxury level for alcohol are 4, 5 and 6, which means alcohol they received were luxury items. 11 of the 100 respondents have received food and supplements as gifts, the mean of times they received them is 0.11, which means not many people have received food and supplements as gifts. The most mentioned numbers for luxury level are 4, 5 and 6, which means food and supplements they received can be considered as neutral or luxury items. 12 out of 100 respondents have received jewelry as gifts-the average time of receiving is 0.12, which means similar amounts of respondents have received jewelry as respondents who have received alcohol, food and supplements. The most mentioned numbers of luxury level are 4, 5 and 6, which means the jewelry they received can be considered as neutral or luxury gifts.

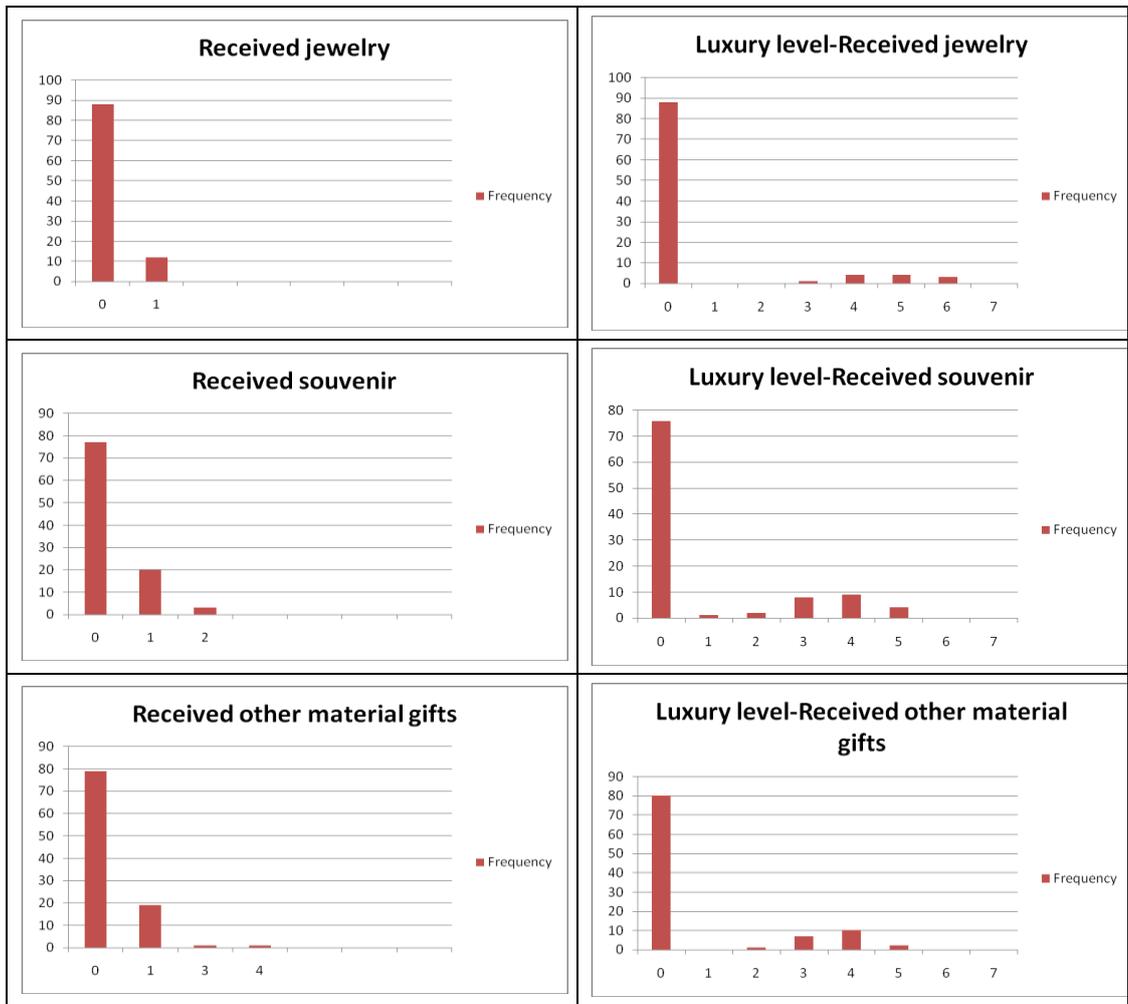
23 respondents have received souvenirs as gifts, the mean of times respondents received souvenirs is 0.26, which means souvenirs are the second common type of gifts that respondents received. The most mentioned numbers of luxury level are 3, 4, and 5, which means the souvenirs they have received are neither luxury nor non-luxury. 21 respondents have received some other types of material gifts. The mean of times they received is 0.26, which means there are also many respondents received other types of material gifts. The most mentioned scores of luxury level are 3, 4 and 5, which means the material goods they received are neither luxury nor non-luxury.

For more details on gifts, please refer to figure 9 Gift given and gift received.

Figure 9: Gift given and gift received







Note 1: means for different types of gifts refer to of times each type of gifts have been given or received

Note 2: means for luxury refer to a scale from 1 to 7, in which 1=not a luxury item, and 7=definitely a luxury item.

The figures of received gifts seemed to be consistent with the results of previous gifts questions that we asked respondents to list the gifts they have received during their entire relationship with their partners. Most of their answers fall in those categories that we designed in later gift questions. However, most of them mentioned souvenirs and jewelry a lot, rather than non-shared experiences, maybe that is because when being asked about gifts, many respondents did not take “restaurant meals” or other shared or non-shared experiences as physical gifts. For detailed statistical figures, please refer to the table above.

Discussion

Not surprisingly, our quantitative research has provided statistical support for previous literatures on importance of Guanxi in China. It also shows that most respondents have relatively good Guanxi with their partners in regard with loyalty, satisfaction and trust. In addition, several important factors that could influence Guanxi are discovered as predicted. Such as if the partner has been unintentionally insulted—it has a significant negative relationship with all the three Guanxi dependent variables, loyalty ($p < 0.05$), satisfaction ($p < 0.05$), and trust ($p < 0.10$).

In our previous qualitative research, most respondents have mentioned they could not forgive any disrespecting behavior done by their partners. (some typical disrespecting behaviors they mentioned are making fun of Chinese symbols, such as national flag and Chinese dragon; act in an arrogant, overly self-assured, or conceited manner during meetings, etc.) This indicated that whether being insulted is a very important determinant on Guanxi: if one has been insulted, his/her Guanxi with this particular partner would tend to be damaged badly. According to our qualitative research again, typical insulting behavior could be giving clock as a gift, or not respecting Chinese culture. Therefore, in order to avoid such damage, managers should be cautious when dealing with foreign managers, and learn some business and behavioral etiquette of that specific culture. Having a Chinese partner can help foreign manager observe and learn Chinese way of doing business. Showing respect and being not afraid of apologizing when making mistakes can help foreign managers build good guanxi with their partners. Their partners in return would help foreign managers obtain and maintain other valuable guanxi in China.

On the other hand, there are also some positive influences on Guanxi that are found in our quantitative research. Such as how comfortable a manager feel introducing his/her partner to other business colleges. It has a significant positive impact on all the three dependent variables at a 0.05 confident level. Some relevant Guanxi literatures have also found interpersonal transfer of trust had a positive impact on one's Guanxi network expansion. (Gu, Hung, & Tse, 2008) This factor can be a good indicator of how good Guanxi is, and therefore it could also become an efficient signal for managers to monitor their Guanxi with foreign managers. In addition, nationality also has significant relationship with two dependent variables, loyalty ($p < 0.10$) and satisfaction ($p < 0.05$). This could mean foreign managers are more loyal and satisfied with their partners than Chinese managers. However, there is also another reason for this result, that is Chinese people do not like to give extreme answers when being asked. Therefore in this case, we cannot conclude foreign managers are more loyal and satisfied in their relationships with their partners.

There are also three dependent variables that have positive relationship with one of the dependent variables. They are variable "how often managers socialize with their partner (with loyalty, $p < 0.10$)", and variable "if the gifts managers received being the similar quality as the gifts they gave" and variable "how long their Guanxi have been operating in China" (with trust, $p < 0.10$).

Firstly, the more often they socialize the more loyalty they commit to their Guanxi. In our qualitative research interviews, most respondents also mentioned having meals was an efficient way of maintaining their Guanxi with partners. Moreover Gold, Guthrie, and Wank (2002) have also mentioned shared experiences had great contribution on expending one's Guanxi network. Therefore managers are encouraged to socialize with their

partners more often to maintain and reinforce their Guanxi. Social gathering like this helps to build loyalty between them. This result is consistent with results on gifts, that shared experience is considered as the most common gift managers give and receive. Spending more time together would be a great way for foreign managers not only to build good guanxi with their business partner, but also to learn and know more about Chinese culture. Many foreign managers leave this part with their Chinese partners. However it can only reinforce their partners' guanxi network, not theirs. Therefore having meals and sharing good moments is a Do-it-yourself process for foreign managers who may find it hard to communicate during meals at the beginning. In order to avoid embarrassment, they can start conversations with travelling and interesting news. Most Chinese people are open minded and welcome different thoughts. Foreign managers would find it much easier after a few times.

Secondly, if managers receive better quality gifts than they have given, they tend to have more trust in their relationship. This could be a good advice for managers regarding their gift giving behavior. That is giving higher quality gifts (it does not have to be a lot higher) could help their partners build trust on their Guanxi. In order to give appropriate quality gifts, managers need to keep an eye on gifts they have given and received. The most recommended type of gift is restaurant meals, which could reinforce personal guanxi between both parties. Offering a favor is another recommended type of gift, it is way better than normal kind of physical gifts. It can boost one's guanxi network immediately.

Lastly, as Guanxi is a long term and continuous relationship (Vanhonacker, 2004), the longer their relationship operates, the better the Guanxi managers can expect to have. It also confirmed our results of qualitative research, as many respondents suggested Guanxi cannot be rushed to build. Therefore,

foreign managers need to avoid impatience, and take some time and effort to build a desirable guanxi network. Gift giving, greeting phone calls and spending time together may help shorten the period.

Regarding gifts, shared experience is found to be the most common gift managers give and receive among all the gift categories, as mentioned before. According to our qualitative research, typical shared experiences are having restaurant meals, and going to karaoke bars together. Souvenir and alcohol can be considered as the second and third popular kinds of gifts managers give and receive. Again, according to our qualitative research, souvenirs can be Olympic souvenirs, company calendars and local aboriginal stuffs, such as sheep skins. Surprisingly, regarding luxury level, not many gifts are considered as luxury items. The most luxury among all types of gifts is shared experience, that mostly means having restaurant meals or going to karaoke bars. However, it is quite consistent with our qualitative research results. Inexpensive gifts are more preferable than expensive ones. Therefore foreign managers can improve their gift giving behavior by adding more shared experiences and inexpensive but memorable gifts, and do it more often.

Not surprisingly, our quantitative research shows a quite different result on the future role of Guanxi with many existing literatures. Most of our respondents do not see a decline of use of Guanxi in the future, rather they think it could be either no change, or increase. Moreover, this result is consistent with our qualitative research which is done previously. Therefore, managers should never under-estimate the role of guanxi in Chinese economy both currently and in the future.

Summary

Our quantitative research has provided a comprehensive understanding on

Guanxi and its influences currently in China. The important role of Guanxi has been confirmed, and some of the important and significant factors that could influence Guanxi are determined. In addition, a main objective of our study is to determine gifts that are commonly given and received to initiate and maintain Guanxi. In our quantitative study, this objective has been successfully fulfilled. At last, the future role of Guanxi of front managers' opinion has also been discovered, which raises a different voice for the current literatures.

Managerial implications

This study provides several managerial implications for foreign firms entering and doing business in China. Although the important effect of Guanxi has been studied in many literatures, it is still very important for foreign managers to understand the deep root of Guanxi, the influencing factors on Guanxi, the key role of Guanxi on business operations, and how they could manipulate Guanxi in their real life businesses.

First of all, this study has discovered the root of Guanxi in several different aspects. The historical and current guanxi concept and some major principles are discovered and discussed. Guanxi has a great impact on both Chinese people's daily life and business and marketing activities. Understanding root of guanxi can help foreign managers understand the current guanxi principles, why Chinese people do certain things in certain ways, and how to deal with Chinese in certain situations. Guanxi is a way of life in China, foreign managers need to adopt it, learn it and manipulate it in order to gain business success in China.

Secondly, regarding gift exchanging, both of our qualitative and quantitative

analysis shows that shared experiences such as restaurant meals are way better and more common than physical gifts. Besides, people prefer inexpensive local gifts (souvenirs and alcohol are commonly exchanged) from different countries than those expensive ones, such as jewelry and cosmetic products. Foreign managers are suggested to spend more time with their partners, and give inexpensive but memorable gifts and greeting phone calls more often. Moreover, managers will need to watch the way they exchange gifts with their partners, as Chinese managers think a lot of issues of “respecting Chinese culture”. Giving gift itself is an easy task, but when and how to give is not. Foreign managers need to learn to give appropriate gifts at the right time, in a respective way. (The gift giving events are discussed in social and culture part under root of guanxi section.) This could really boost their guanxi. However, whether bringing a gift or not at the beginning of their relationship did not seem to influence their Guanxi later on.

In addition, the results of both qualitative and quantitative analysis have confirmed the importance of Guanxi in Chinese society and business world, as many literatures emphasized. There are also several essential factors are discovered, which could influence Guanxi either positively or negatively. Such as if the partner has been insulted, even though unintentionally, their Guanxi can be badly damaged. Therefore foreign managers are advised to learn some Chinese culture before entering China. A reliable Chinese partner could also help with this. The more comfortable managers feel introducing their partner to other business colleges, the better their Guanxi seems to be. That could be seen as a good sign of Guanxi for managers to tell how well they manage their Guanxi with Chinese partners. Moreover, whether they socialize with their partners often, or they give higher quality gifts compared to the gifts they receive, these can also improve their Guanxi with partners. These activities are also a great part of their guanxi itself. Foreign managers can maintain and reinforce their guanxi by socializing with their partners and

giving appropriate quality gifts regularly.

Surprisingly, this study shows a quite different result on future role of Guanxi compared with existing literatures: the role of Guanxi would either not change, or increase in China in the future. Therefore, both foreign managers and Chinese managers should never under-estimate role of guanxi; it is always one important attribute of Chinese economy. Last but not least, find a good partner and show your respects to Chinese culture are very essential in doing business in China and dealing with Chinese managers. This is also the most given recommendation from our qualitative and quantitative research.

Conclusion

“In the west, relationships grow out of deals. In China, deals grow out of relationships.” (Vanhonacker, 2004) Guanxi network is instrumental in Chinese people’s daily life. (Gold, Guthrie, & Wank, 2002) Guanxi is a continuous and long term relationship, which is influenced by the Chinese culture and ruled by a strict ethic of reciprocity and obligations (Vanhonacker, 2004), it is not as simple as exchanging gifts. To do business successfully in China requires foreign firms to have appropriate Guanxi networks. To build and maintain appropriate Guanxi networks requires great efforts from both parties. Guanxi takes a long process to build and grow, but could be ruined in one tiny mistake. Guanxi is indeed very important in China, now and then, however it does not mean everything, the core marketing principles would always be essential anywhere including China.

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Appendix 1: Interview questions

The questions asked in in-depth interviews are attached as follow:

For Foreign managers:

1. Talk about yourself. How long have you been in China, do you have any difficulties living in China compared to living in your own country?
2. Have you heard about the term Guanxi? Talk about it, where, when in what situation, etc. How much do you know how it works? Or how do you think the way it works. Have you dealt with guanxi in some situation? Talk about your own experience with guanxi please.
3. Did you ever exchange presents with your business partners in China? Which types of guanxi or gifts do you think is a) expected from foreign companies in China? b) accepted from foreign companies in China and c) not acceptable from foreign companies in China? please give examples.
4. Can you think of common mistakes of foreign companies trying to apply guanxi in China? Give examples.
5. How important is guanxi when doing business in China?
6. How is it different from the way in your country?
7. How do you predict the importance of guanxi in the future, trends, like increasing or decreasing, why?

8. Can you think of any factors that could decrease the need for guanxi in China in future?

9. Any recommendations to other foreign companies or managers who are interested in coming to China regarding guanxi?

For Chinese managers:

1. Talk about yourself and your work. How do you feel about guanxi in your life? Describe the way, importance, frequency, etc. Could you give your own examples or experiences?

2. Do you have experiences dealing with foreign managers? How was it? What did you feel? What did you expect from them?

3. Which types of guanxi or gifts do you think is a) expected from foreign companies in China? b) accepted from foreign companies in China and c) not acceptable from foreign companies in China? please give examples.

4. Can you think of common mistakes of foreign companies trying to apply guanxi in China? Give examples.

5. How important is guanxi in China now?

6. How do you predict the trend of guanxi, increasing or decreasing, why?

7. Can you think of any factors that could decrease the need for guanxi in China in future?

8. Any recommendations to foreign companies or managers regarding guanxi?

9. Anything you want to add about guanxi?

Appendix 2: Transcripts for Chinese A

Interviewer: Firstly, I'm really appreciated for your participation. This is a research study of Guanxi (networking) in China for my master study. For your own safety, your personal information will remain confidential at all time. I'm gotta start with some basic demographic questions now.

Alfred: Go ahead

Interviewer: Ok, Talk about yourself, your work, your position

Alfred: I work as an oversea sales Director in Gionee Group which is the 2nd biggest Domestic Mobile business company

Interviewer: wow, that's quite impressive

Alfred: (Laughed)

Interviewer: Working as a sales director, you must have a lot of guanxi to deal with, I reckon?

Alfred: you are right

Interviewer: Talk a little bit more about it then

Alfred: How to keep a good relationship with customer is one of the most important issues in my work

Interviewer: How do you maintain a tight relationship then?

Alfred: well, first, as a supplier, understand what customer is looking for is very important, start with customer's background, their market situation

Interviewer: you mean, do some kind of personal research?

Alfred: yes, all related information about the market, as well as the internal relationship between different people in the company

Interviewer: do you have to use guanxi when obtaining these kinds of information?

Alfred: Well, firstly to get some general information, your network can definitely give you an idea

Interviewer: and then?

Alfred: Then start from some particular point, use guanxi to get more information you need

Interviewer: can you be more specific, give some examples?

Alfred: ok, you need to find out who from your customer's company is easier to get close with

Interviewer: to find the right person to start with your networking thing? But how?

Alfred: it could be done by phone, by talking

Interviewer: and then?

Alfred: and then try to get him or her become your friend

Interviewer: hmm

Alfred: Let him/her think you as a friend, not a biz partner, not a supplier. And then through friendship to get more information, how company inside works, and how dif relationship exists between dif. people

Interviewer: that's tough job, how do you get him/her to think that way then? I mean how do you get that person to become your friend then?

Alfred: always start from the topic related to our business, and then move to personal information a little bit

Interviewer: kind of strategic chatting

Alfred: exactly! Try to find out same experience as they had, or pretend to have same hobby

Interviewer: so you kind of intend to make him or her become part of your guanxi network?

Alfred: yes, but you can't really let him or her feel that way

Interviewer: ha-ha, that's smart. How do you feel about guanxi in your life?

Alfred: as a sales, first thing you need to learn is the stuff you sell, learn

everything related to your product. Second important thing will be the relationship!

Interviewer: that's what we call guanxi, right?

Alfred: yes. Customer is gonna purchase goods from suppliers anyway, most of the time it's the relationship making he decide which supplier he is gonna place the order to.

Interviewer: so can I say guanxi, or relationship is a very important part of your business life?

Alfred: yes, you are right!

Interviewer: Can you explain a bit more? Like the way it influences you, how important it is, and how frequent you use your guanxi

Alfred: ok, when you get him or her as your personal friend, then you might have the chance to know all the detailed information in that customer's company

Interviewer: and that's gonna tell you about?

Alfred: when you get to know their company more and more, you'll have more chance to know what kind of suppliers they are looking for, and what kind of goods they are looking for.

Interviewer: haha, it feels like a bit of spy thing

Alfred: Yep, kind of, ha ha.

Interviewer: so you know what they need, and then?

Alfred: and then you have time to prepare your company and product information according to your customers' requirements

Interviewer: Still, I think it's really tough to get them talk about these kinds of things, how could you manage to do that?

Alfred: because people always like to complain their company, their job, and their boss.

Interviewer: hmm, that's good strategy, you really got a good starting point to get through

Alfred: that's because I'll treat him as a friend as well, so it's like two friends who can share what happened in their life

Interviewer: that's not easy I reckon.

Alfred: you are right, at the beginning you might think yourself as a spy a little bit more

Interviewer: and then as you talk through, you become more like friends?

Alfred: yep, a good starting point decides how things end

Interviewer: exactly, so do you feel like using guanxi all the time?

Alfred: not all the time, umm, maybe most of the time.

Interviewer: so that's how you get your guanxi network working huh?

Alfred: what do you mean?

Interviewer: what if, say, a friend comes to you and asks for a little help, would you offer him a short cut?

Alfred: yes, of course, I will!

Interviewer: hmm, definitely you will.

Alfred: but not to break my principles

Interviewer: what if somebody else who you don't really consider as a friend come to you for the same issue? Would you treat them the same?

Alfred: well, it depends on what he is asking for

Interviewer: what about something related to your work?

Alfred: if it's regular work, I might do the same thing, but might not care too much about the process. If it's something out of my league, then I won't even try

Interviewer: what do you mean by "might not care too much about the process"?

Alfred: it means I will do it only because of the responsibility

Interviewer: Can you explain a bit more?

Alfred: I will try to do it once, but I won't push the thing for the second time. And I wouldn't care whether it's done or not at all.

Interviewer: Got what you mean. Suppose, two identical suppliers come to you for your offer, would you consider the one you have more guanxi with?

Alfred: yes, if the products are nearly the same

Interviewer: ha-ha, that's the magic of the Chinese culture.

Alfred: exactly, ha-ha, I think you are good at it too.

Interviewer: by nature, I guess.

Interviewer: um, you are dealing with international market, you must have a lot of experiences with foreign managers, right?

Alfred: well, yes!

Interviewer: when dealing with foreign managers, what are your expectations regarding Guanxi and Renqing?

Alfred: well, I used to live in Canada for 7 years, that gives me a lot of experience in how to deal with the relationship with foreigners

Interviewer: what about working here in China? You must have developed some kind of unique way then?

Alfred: what do you mean by unique way?

Interviewer: I mean the way you work with foreign managers.

Alfred: the way how I work?

Interviewer: yep

Alfred: well, working in china it's even a little bit harder

Interviewer: why?

Alfred: because on one side you need to deal with the foreigners, follow their way of thinking in order to achieve your target

Interviewer: um

Alfred: on the other side, you need to deal with the relationship in your own company, the Chinese way

Interviewer: Can you define the "Chinese way"?

Alfred: well, there's internal competition everywhere, also relationship with your boss, with your colleagues, with your underlings

Interviewer: wow, sounds very complicated to me...

Alfred: well, to me as well, but I think most of the Chinese companies have the same problem

Interviewer: yep, complicated guanxi...

Alfred: so survival of the fittest.

Interviewer: ha-ha, yep! You mentioned the two ways, so you don't really expect foreigners to behave our way?

Alfred: I believe they used to keep their own way of doing business.

Interviewer: and then, then changed?

Alfred: I guess so, its' ok for them to understand our way, but it's hard for them to follow

Interviewer: how understanding, foreigners must pray for someone like you..(Laughter)

Alfred: laughed

Interviewer: But do you expect them to use guanxi or offer gifts at all?

Alfred: it really depends on where the customers are from

Interviewer: oh? How does it different then?

Alfred: customers from the States or European countries don't usually do that. For customer from South East Asia, Russia, or Africa, they work more similar as what we do.

Interviewer: and at the same time, do you expect them to do so?

Alfred: well, for me, yes.

Interviewer: why is that?

Alfred: because at least I know I'm in a very important position in their eyes.

Interviewer: ha-ha ~how does it work then?

Alfred: well I think when European, and American customers buy you a gift, they do not need to be an experienced person. Normally you are already not just their suppliers.

Interviewer: what else you become then? A friend?

Alfred: yes, to most of my customers.

Interviewer: that's not easy..

Alfred: lucky me, eh?

Interviewer: absolutely!

Alfred: I bought a lot of gifts to them for exchange too.

Interviewer: how do I understand this exchange, maintenance of your relationship?

Alfred: it's more like a welcome kind of thing.

Interviewer: a welcome??

Alfred: people always like receiving gifts, no matter big or small gifts.

Interviewer: that's right.

Alfred: because they will know I do care about them

Interviewer: Can I ask is it for your personal life or your career?

Alfred: well, for both

Alfred: right now maybe more for my career, but from long term point of view, maybe both..

Interviewer: Do you think from your experiences or people around you, most Chinese kind of mix their personal relationship with their business?

Alfred: I think most of them are, but depends on jobs as well

Interviewer: How?

Alfred: technical jobs do not involve that kind of problem

Interviewer: I guess so

Alfred: yep.

Interviewer: Which types of guanxi or gifts do you think is expected from foreign companies in China?

Alfred: it depends on the relationship between you and your customer

Alfred: normally buy some traditional gifts will be enough

Interviewer: suppose, you are the key person, they are suppliers

Alfred: if they've got good personal relationship, then it's better to buy something they use in their personal life which will remind him how good you treat him

Interviewer: ha-ha, you are a professional!

Alfred: ha-ha, I have to be.

Interviewer: so it's not necessarily something like money?

Alfred: most of the time no

Interviewer: most of the time?

Alfred: yep, but for special occasion, money works.

Interviewer: Really? Define special time

Alfred: Well, you can always give commission to your customer

Interviewer: commission, that's a nice name

Alfred: but this is the last step, most effective and most dangerous way.

Interviewer: what about what types of guanxi or gifts do you think is accepted from foreign companies in China? Not expected

Alfred: for example, tea and Olympic souvenir

Interviewer: why?

Alfred: it's traditional

Interviewer: hmmm, something you could keep forever?

Alfred: customers think it's acceptable, not expensive

Interviewer: and it doesn't break their rules?

Alfred: yes

Interviewer: What types of guanxi or gifts do you think is not acceptable from foreign companies in China then?

Alfred: giving expensive gifts in front of others

Interviewer: why?

Alfred: Do not give personal gifts in front of others

Interviewer: so it's better done in a personal way?

Alfred: yes

Alfred: say if you buy a really expensive gift to the boss, then his colleague might think there is something under-table going on

Interviewer: that's right!

Alfred: not good for you, not good for him

Interviewer: Got it! Can you think of some other common mistakes of foreign companies trying to apply guanxi in China?

Alfred: You know usually they don't need guanxi, they are always the customer

Interviewer: ha-ha, you reckon?

Alfred: yes, from my experiences.

Interviewer: there must be somewhere they need to use guanxi as well, can you imagine some common mistakes?

Alfred: need to think about it...

Interviewer: sorry about my hard questions.

Alfred: he he, that's no problem.

Interviewer: I don't mean to challenge you at all

Alfred: it's just I never faced some of the situation.

Interviewer: it could from your friends or your colleagues or their complain.

Alfred: I think maybe it's hard for them to clear out the internal relationship

Interviewer: you mean with Chinese partner?

Alfred: yes, I guess so

Alfred: or might be hard for them to get really close to Chinese partners

Interviewer: trust issue?

Alfred: yes

Interviewer: Maybe because Chinese are not easy with somebody outside their group

Alfred: that's exactly what I mean..

Interviewer: so how important do you think guanxi is now in China?

Alfred: well, I think it's very very important

Interviewer: haha, I can see the seriousness here

Alfred: I think you can feel it too, it is indeed very very important.

Interviewer: yep, how do you predict the trend of guanxi then, increasing? decreasing?

Alfred: definitely increasing

Interviewer: ok, why do you think it's gotta be increasing then?

Alfred: Well, because everybody wants to extend their own relationship network

Interviewer: ok

Alfred: so they will try to do anything to achieve this.

Interviewer: um.

Alfred: basically all of them will try to set up more and more guanxi

Interviewer: why do you think they want to extend their network? To get their business done more easily?

Alfred: it could be their business, or personal things

Interviewer: ok

Alfred: it's always good to have a bigger network

Interviewer: um

Alfred: whenever you need anything, you have the right person to contact with

Interviewer: does it mean you actually think guanxi is everywhere in China, not only for people's work, but their personal life too

Alfred: yes, that's what I think

Interviewer: ok

Alfred: personal life guanxi more like friendship

Interviewer: and without guanxi, people will find their life a lot harder?

Alfred: maybe not exactly.

Interviewer: why?

Alfred: when accidents happens, it will be easier for you to deal with the problems if you have a bigger network

Interviewer: so it's kind of a "in case" situation?

Alfred: emmm, i think so.

Interviewer: ok

Alfred: because for a normal life, I don't think you will use guanxi a lot. But who knows, it may just happen to anyone, that's how Chinese want to have a great powerful guanxi network I guess. At least, that's how I see.

Interviewer: a matter of secured life, and we can see it in the finance sector too. Chinese people would like to keep most of their money in the bank in

case of accidents.

Alfred: exactly! Our Chinese brain works like this!

Interviewer: Can you think of any factors that could decrease the need for guanxi in China in future?

Alfred: policy changes

Interviewer: what kind of changes?

Alfred: getting better, more transparent.

Interviewer: ok.

Alfred: government changes, ha-ha.

Interviewer: do you see it happen in a few years?

Alfred: I don't see it happen

Interviewer: ha-ha, not at all?

Alfred: yep! And I think so does everybody else

Alfred: that's' why people still rely on guanxi so much now.

Interviewer: right. Any recommendations to foreign companies or managers regarding guanxi?

Alfred: emmm

Interviewer: another tough question.

Alfred: ha-ha. Find the right person, pick the right time to do the right thing

Interviewer: Ha-ha, that's like a formula.

Alfred: to understand our internal situation and relationship first, before doing anything.

Interviewer: so you do recommend them to find the right person to start with

Alfred: yes

Interviewer: anything else?

Alfred: and to be more like a Chinese, don't let us feel he is an outsider, a foreigner

Interviewer: ha-ha. It's gotta be hard for them I guess

Alfred: but it's important.

Interviewer: anything else you want to add about guanxi?

Alfred: I think that's it.

Interviewer: thank you very much for your effort and time! I'm really

appreciated.

Alfred: pleasure!

Appendix 3: Transcripts for Chinese B

Interviewer: Hi, I'm currently doing a research for my master study in relationship marketing. Thank you for being one of my interviewees. Just to let you know, your personal information will remain confidential at all time, so don't worry about it. Shall we get started?

Sam: Sure, go ahead.

Interviewer: Let's start with some basic questions, can you talk about yourself first please?

Sam: I'm a trader now, with my business mainly focused on international wine trading business. I personally like wine very much and find that there are not many good wines in China, that's why I am devoted into this business—to let more Chinese people enjoy better quality wines.

Interviewer: So you work for your own company dealing with international trade, did I get it right?

Sam: That's right.

Interviewer: Are you doing like importing wines selling them in China?

Sam: Not only importing wines but also working with some local wine producers and distributing all the wines.

Interviewer: Do you mean local Chinese company, I mean wine producers?

Sam: Yes. We have wines both from abroad and locally produced from china.

Interviewer: Oh, ok. So you must have a lot of experiences dealing with foreign managers?

Sam: You are right

Interviewer: How do you feel about the Guanxi with them and guanxi with your Chinese produces and distributors?

Sam: Guanxi is relatively very simple and straight when dealing with foreigners, that's just business for business's sake. On the contrary, dealing with Chinese producers and Chinese distributors are quite different story. Your situation changes when dealing with different people. It's not just business, but friends, co-worker, enemy... every possible relationship will come up during the whole process having contact with them.

Interviewer: Wow, that sounds quite complicated. Could you give some examples?

Sam: Alright. It is very complicated. When we are buying from foreign managers, we negotiate with them, bargain with them and make the final decision on prices, payment, freight, and other issues.

Interviewer: ok.

Sam: And, they will contact us with more update information such as new products, new promotion strategy and so on after this order.

Interviewer: that's good.

Sam: yeah, that will be an expected and appreciated relationship.

Interviewer: what about guanxi with Chinese managers then?

Sam: As for relationship with Chinese managers, they would pay you visits with gifts after the contract, and call you quite a few times during the year, not for products information but out of courtesy. They would also send you gifts as festival coming... I have to stop from my daily work to deal with them once and once again, with no practical use.

Interviewer: that's with the producer?

Sam: yep, and as for buyers, that's more complicated situation. Besides visits, gifts, contracts, you have to do a lot of side works to keep a good relationship with the buyers' department manager.

Interviewer: what do you mean by side work?

Sam: Side work means you have to treat them for dinner some times, help them with their works and buy some things you don't need at a high price from them some times. And a good relationship means, he won't make trouble for you during the daily works and normal processes.

Interviewer: so if you don't do such thing, they may bring some troubles? Is that what you mean?

Sam: sadly yes. They would bring troubles to you and neglect your request for quite a long period. For example, they probably tell their customers that

they don't have any of our wines in stock and introduce other wine brands from those who have a better relationship with them, even if we still have a few cases of our wines in their warehouse. Pretty awful, right?

Interviewer: yeah! That's terrible. I mean, you can only be their friend, or you'll be out of the game.. Is it a common situation in the wine selling industry?

Sam: I'm afraid yes. But you have to follow the rules.

Interviewer: you told me dealing with foreigners seems a lot easier, right? Do they have to do these sorts of things with you to make a sale?

Sam: I don't think so. Personally I am the boss, so I don't care about those things as long as they provide good quality wines at a reasonable price. I know it's my money they spend to buy me gifts and other sort of things.

Interviewer: right, if it's not gifts, do you expect anything from them?

Sam: good quality, cheap price, up-to-date information and quick feedback to our questions. That's all.

Interviewer: what about regarding Guanxi or what we say Renqing, do you expect anything from them? Like understand our culture and our way of doing things?

Sam: I know they are from different culture so I won't blame them if they don't meet our expectations regarding Guanxi. But I do hope they understand our customers. As the consumption habits of our customers are highly connected to guanxi. You might know that most of our customers buy wines

not for themselves but for others as gifts...

Interviewer: you must have some expectations from them. I mean, even if you don't blame them. Like have you ever exchange any presents with your foreign managers? Or invite, being invited to have dinner in a restaurant, like what we always do in China?

Sam: Maybe you are right. There might be some expectations but I always find excuses for them. There was once, I ordered half a container's wine from abroad and the manager did invited me and my wife to his winery for dinner. That was out of my expectation. Maybe my expectation is just some bottles of wine? That's because their wines are really good.

Interviewer: ha-ha, just one bottle of wine? You've been really nice, Sam! Can you think of gifts or type of guanxi would be expected from foreign companies to Chinese companies?

Sam: what do you mean? From?

Interviewer: I mean what kind of gifts would be great to bring to Chinese companies from foreign companies.

Sam: I think it would be different from industry to industry. For our wine industry, if I am just a manager, commission would be great, or maybe some gifts from abroad which are rare in China. But having my own company and going abroad quite often, I won't be expecting anything expensive, coz as I said, I know that's my money they are spending, so I would just look forward to some small special things.

Interviewer: that's right. It's your money anyway. What do you mean by small

special things? Have your partners ever bring you anything like that?

Sam: um...

Interviewer: like what sort of things or behavior from them you would be happy with?

Sam: again, what I care most is the quality of their wines.

Interviewer: what about other things like guanxi with them? or little gifts from them?

Sam: gifts, gifts, gift...maybe something local. I don't like dining with other people, but it is fine dining with friends. I would like seeing each other often first and then get to know each other, and then become friends. After that, we may visit each other or dine together.

Interviewer: so you prefer friendship rather than just business partners?

Sam: I would say, getting to know each other is good. I would like to know each other because I am worried about the quality. I believe friends would be less possible to lie to me than strangers.

Interviewer: that might be the Chinese part of you I guess

Sam: hehe, maybe so.

Interviewer: so can I say you do expect different types of guanxi with foreign managers? I mean compare to guanxi with Chinese managers.

Sam: yes. Chinese managers are different from foreign managers in respect of guanxi. Guanxi is something traditional in china. It's Chinese mind. Foreigners don't have enough knowledge to perform as Chinese people. Once you have this in mind, you won't be expecting foreign managers do as Chinese managers do. But you might realize that Chinese people prefer doing business with familiars rather than strangers.

Interviewer: ok, got it. Given the fact that you don't expect them to behave like a Chinese manager, what sort of gifts do you think would be acceptable then? I mean from foreign managers again.

Sam: you just asked about the same question.

Interviewer: that was gifts that expected, what I'm asking now is gifts acceptable. Kind of different, gifts acceptable could involve a big range of things.

Sam: something would be better than nothing.

Interviewer: could you give examples?

Sam: There are a lot of things foreigners may give. From as small as a box of glasses to as big as a set of jewelry, anything may be acceptable actually.

Interviewer: wouldn't Chinese managers take these sorts of things as bribery?

Sam: Bribery is not judged based on the value of gifts, but the person who give the gifts.

Interviewer: can you explain a bit more?

Sam: would you take gifts from strangers?

Interviewer: so they need to have guanxi first you mean?

Sam: you are right. a gifts can be given by friends but not by strangers. A gift, no matter how expensive it is, if given by friends, is Guanxi Wanglai (exchange), but a gift, no matter how cheap it is, if given by enemies, is bribery.

Interviewer: ha-ha, got it! Can you think of gifts that are not acceptable?

Sam: there were many jihui 忌讳 (something always to be avoided) in ancient China. but since China opened itself to the world again, many 忌讳 s are dying out, at the present, I would say, as long as the gifts don't have bad indication, the gifts are acceptable.

Interviewer: what do you mean by having bad indication? Can you give examples?

Sam: such as clock?

Interviewer: haha, ok. Anything else?

Sam: no, I can't think of any...

Interviewer: alright, you talked about you don't expect foreign managers to act like a Chinese manager, can you think of some common mistakes of foreign managers when applying guanxi?

Sam: they may turn to be too rush or too eager to get the business done. Or they may take guanxi too seriously. Guanxi is not 万能, product quality is the key. Never put things up side down.

Interviewer: do you mean having good guanxi takes time and effort? It's not a one-off thing?

Sam : no. guanxi is a long term relationship. One-off thing? That is bribery.

Interviewer: right! Anything else they need to watch out?

Sam: that's out of my mind. Many people say, when you are in Rome, do as Romans do. But I don't believe so. When you are in Rome, you need to know how Romans act and respect their tradition. As long as you don't go against their tradition, just act as yourself. Educated people and people who know about the world will respect other cultures as well.

Interviewer: so at least they need to learn a bit about the Chinese culture?

Sam: yes. They need to know a little Chinese culture before they do business with Chinese people. Or, if they don't learn before they come to china, at least they should show respect to Chinese culture and show that they are eager to learn.

Interviewer: so disrespect our culture would be a big mistake right?

Sam: good point!!

Interviewer: ok, how important is guanxi in China now would you say?

Sam: half half. I just mentioned guanxi is a long-term thing. It may help with maintaining a business relationship.

Interviewer: what about the other half then? Is it like destroying business relationship in some way?

Sam: No. The other half is quality and service. If you don't do these two well, you are destroying your business. Well, you are right at some point.

Interviewer: so do you say it is somewhat important? or very important? or not important?

Sam: you mean guanxi? Yes, it is important, but it's not everything you need. That's my point.

Interviewer: so it's just important, not very important?

Sam: It's like the engine in a motor boat, it can help you go faster, but can't help you fly.

Interviewer: but you can't do business without it in China right?

Sam: I don't think so. There is one foreign winery, the one I mentioned above, we don't have anything beyond business relationship, and I think we have having a very good partnership.

Interviewer: do you see this kind of relationship common in China?

Sam: let me think about it. No, it's not common within Chinese people. But this may happen when a Chinese-foreign business relationship comes up. If

that's two Chinese people doing business, there will be guanxi, that's almost for sure. However, having business with foreigners can be different, that's because both sides know that there are cultural differences.

Interviewer: how big the difference would be then? Like foreign managers don't need to use guanxi at all or what?

Sam: knowing guanxi will for sure help the foreign managers have business easier.

Interviewer: how?

Sam: Everyone has a behavior habit. And he always expects others to behave according to his rules. If you know what I mean. People don't want to change themselves to cater for other people. So if you do want to have this business done, a good way is to do business according to the other side's habits. In China, that habit is guanxi. A foreigner knowing guanxi well means he knows china well and respects his business partner. This is a very good advantage especially when his partner takes service or business relationship very seriously. A common Chinese mind will see a good guanxi or relationship as a very important part of a good business relationship.

Interviewer: ok, I see, it is very important. But it also depends on how the Chinese partner see the relationship, am I right?

Sam: can you explain a bit more of your question? Before that, I will try to explain my point in a different way. Say from now on I will be the Chinese buyer and you will be a foreign manager with a good product. And from the minute we meet, you will be representing your company and your products. All you need to do to have the business done is to make me happy. I won't

buy your product unless I am happy with your products, the way you present your products and our relationship. Though it's just a very short period of time we meet, if I am happy with you and your products are "alright", I am happy to buy. If you make me angry, I won't buy your products even if you have the best products and the lowest price. You see the difference?

Interviewer: yep. Got your meaning. If I ask you to rank the importance of guanxi in China now, which would you choose: not important, somehow important, important, very important, and extremely important?

Sam: I would choose important.

Interviewer: great. What about the trend of using guanxi then? Do you see it increasing or decreasing in the near future?

Sam: in the near future? It is something in the Chinese culture, so I won't say it's decreasing. But it won't be increasing as well.

Interviewer: why? What makes you think so then?

Sam: China is now becoming more and more international. There are so many foreigners coming to china for business, and more or less they would learn a bit of guanxi which makes guanxi internationalized. In this way, guanxi is increasing. On the other hand, Chinese people also realize that it is good and necessary to make business easier for foreigners, so they would try to use less guanxi when dealing with foreigners. And as you may know, guanxi leads to corruption. The government also realizes this and will put a stop on this. So I say, in a long term, guanxi will be decreasing. But the time could be as long as 40-50 years or even longer.

Interviewer: so for the short run, it may remain the same?

Sam: yes, it will remain the same.

Interviewer: besides government and social reasons, can you think of some other decreasing factors?

Sam: cultural factors. Guanxi comes mainly from confusions. Confusion is very important, but it is just one school of thoughts in Chinese history. There are many more thoughts in China. And as the fast progress of Chinese development, there are more and more emphasizes on other old schools of thoughts, these thoughts influences the modern Chinese people. Besides, there are even more ideas and ideologies rushed into china. Chinese people are getting to know the world and many people turns to adapt the modern “quick and straight” living style. All these factors will decrease the importance of guanxi in business life.

Interviewer: interesting, when you say “quick and straight”, do you mean the fast moving economy as well? Besides the life style, I mean.

Sam: yes. In modern times, time is very important. “time is money”. We can often hear people say this. And people often find their time very tight. This makes them turn to make decision really quick. Quick but not rush. In this case, “guanxi” which takes long time to establish and doesn’t have a very significant impact or obvious facts will no longer suit the new business style any more. When something does not fit the convenience of the modern people, it dies out.

Interviewer: right, so not just guanxi itself, but the trend of guanxi is complicated too.

Sam: hmm, you are quite right!

Interviewer: at last, what do you recommend foreign managers to do, when doing business in China?

Sam: come with good products, high tech and respect, don't trust people easily, find a good partner or else do it yourself. China has a huge market, and the market is only for those who fully prepared.

Interviewer: ok, that's very specific! Thank you very much Sam! I'm really appreciated. That's all for my interview.

Sam: Thank you for your interesting topic.

Interviewer: that's my pleasure, hope you enjoyed it.

Sam: haha yeah.

Appendix 4: Transcripts for Chinese C

Interviewer: Hi, I'm a master student doing a piece of research in guanxi. Do you mind being one of my interviewees?

Chris: ok.

Interviewer: Your personal information will only be used in academic purposes, so you don't need to worry about this. So shall we start?

Chris: yep

Interviewer: could you talk about yourself?

Chris: my company helps oil drilling companies solving difficulties they face. We have top brains in this field and have invented some very useful tools to help with this purpose. And I am in charge of international market.

Interviewer: that sounds quite professional so you must have a lot of experiences dealing with foreign managers then?

Chris: I should say all I am dealing with are foreign managers.

Interviewer: ok, that's great. So how do you feel about guanxi in your working life?

Chris: many foreign managers, when they first come to china, they don't know guanxi at all. But to us, I mean Chinese managers, guanxi is a very important part of social network—you can't do without it.

Interviewer: do you have examples?

Chris: alright, we had one manager from the US, he is about fifty years old.

Interviewer: ok, a mid-age US manager.

Chris: He came to us and wanted to invest in our company. He was quite straight forward and never left any space for us in his words—too extreme.

Interviewer: oh, too straight..

Chris: that's right. Investment for us is important, but if you just see this action as business, I don't think this idea would be welcomed.

Interviewer: so you feel uncomfortable dealing with this US guy?

Chris: No, I don't like that guy at all. In my opinion, he was already in his fifties, but he did not show that he was wise enough to respect others.

Interviewer: so did your personal opinion upon him affect your way of doing business with him?

Chris: yes, of cause. I judge and decide according to my personal opinion and my past experience. That is what our company is paying me for.

Interviewer: so he lost his chance?

Chris: of cause. Nobody liked that guy. How can you work with someone nobody likes?

Interviewer: right! Nobody wants to. So what kind of mistake do you think he made?

Chris: I heard that when you are in Rome, do as Romans do.

Interviewer: haha, yeah!

Chris: So when you are in China, do as Chinese do. That is the mistake he made. And this mistake is a very serious one.

Interviewer: really? You think?

Chris: absolutely! If he knew more about China, he could have won that chance and made quite a lot of money.

Interviewer: so knowing our culture is important. What about gifts? Do you expect any gifts from them? I mean when they first come.

Chris: yes I do.

Interviewer: haha, you are quite straight too. I mean compared to ordinary Chinese managers.

Chris: haha, yes I am. Chinese culture rules Chinese people. One has to have Chinese mind when they come to China.

Interviewer: right!

Chris: You see, China is a country of “gift”. So how can you don’t expect

gifts when you come to a country of gift? In China, there are many situations you need to give and receive gifts.

Interviewer: For example?

Chris: there are many situations you need to give gifts. For example: when you first see someone—someone special.

Interviewer: ok.

Chris: This does not have to be the first minute you see him, but the first time you meet this guy. Take the US guy for example, he was in China for 5 days. When he left, I gave him some gift on behalf of my company.

Interviewer: even if you don't think he would have anything to do with your company? Still you'd give him something?

Chris: even if we don't like him at all!

Interviewer: haha! Why?

Chris: you see, in China, business is one thing, and Guanxi is another.

Interviewer: could you explain a bit more?

Chris: this topic is too complicated. I don't think I can explain that. It is tradition, it is a built-in software.

Interviewer: could you try? Just a bit more?

Chris: alright. Guanxi is about network. You are not seeing one guy but facing the whole network whenever you are with someone.

Interviewer: ok, network, a group behavior.

Chris: yes! Take the US guy as an example, I was not giving the gift to him as an individual person. I was giving him the gift to tell everyone in the world we respect our guests.

Interviewer: oh, yep!

Chris: Besides, the US guy was not here to bring us trouble.

Interviewer: I guess he wouldn't do so.

Chris: To be honest, despite that he did not know China, he is an honest person and keen to do business. He is a good US businessman.

Interviewer: haha, not to mention his attitude though.

Chris: yep! If he was here to bring us trouble or came with some evil ideas, we would not take him as guest but enemy and in that case, we would not give him any gift. Or in other words, as long as you are here as a good guest, as long as you are here for good, we will respect you.

Interviewer: right! It's our way of showing respect.

Chris: yep! To show our respect, we give you gift. This gift is valuable, not because it is expensive, but it is a gift with meaning, a gift with our respect.

Interviewer: how understanding. So this is really not an action of yourself, but like a representation of your company, or China?

Chris: yes

Interviewer: so do you think not bring gifts would be another mistake?

Chris: I don't think that is a mistake. Judging from their culture, what he was doing was right. But judging from our culture, he could do better.

Interviewer: ok, so bringing gifts would make his performance better, is it what you mean?

Chris: yes. He would earn a higher starting point if he came with gifts, while we won't give him negative point of view only because he did not bring any gifts.

Interviewer: so what kind of gifts would you expect then?

Chris: anything. As I said, the gift is only about respect, so as long as you respect us and our culture, anything will do. But be sure not to give anything too cheap, that would be insulting.

Interviewer: so anything could be ok for you? You must have a personal choice?

Chris: anything could do. The gift represents your heart, so I don't have any personal choice. The gifts themselves tell a lot about you. Maybe having meals together is a good idea.

Interviewer: why?

Chris: so you have a chance to know each other better.

Interviewer: so anything nice will do. What about gifts that are not acceptable?
What kind of gifts would make you feel uncomfortable or bad?

Chris: um, need to think...

Interviewer: ok, take your time, I know it's a hard question.

Chris: yes I'm afraid it is.

Interviewer: haha.

Chris: anything insulting is a bad gift.

Interviewer: for example?

Chris: if you think Chinese people like paintings, and you bring us a painting with a Chinese dragon being tortured, that is a very bad idea.

Interviewer: so again, knowing our culture is essential, right?

Chris: you are right!

Interviewer: alright, what common mistakes do you think foreign managers would make when they try to apply guanxi in China?

Chris: need to think again. You know, Chinese people are good at giving positive ideas, putting positive comments, while negative questions are really hard to answer. So, give me a few minutes.

Interviewer: sure, take your time.

Chris: to do business in china, you need to build guanxi before building business relationship.

Interviewer: ok.

Chris: Chinese people don't easily do business with strangers even this stranger has a very nice idea, very well organized contract, very keen attitude.

Interviewer: what makes you do business with another person then?

Chris: You need to get to know each other before you actually do the business. And getting to know each other is a very important part of guanxi.

Interviewer: so better not to be too straight forward to get business done.

Chris: yes.

Interviewer: anything else?

Chris: I don't think I can find out any at this moment.

Interviewer: what about examples of that mistake, I mean what you've just mentioned, have you got such bad experiences dealing with them?

Chris: the US guy is a very good example. He just wanted to do the business and forgot that it is in China. He was doing that in the US way, it's not our way, so we won't accept.

Interviewer: anyone else?

Chris: maybe not. Foreigners are getting to know china better and better. They learn a bit of china more or less before they come to china. that is very interesting when you first see them saying "nihao".(hello)

Interviewer: yes it is, especially in the big cities. Well, how important do you think guanxi is in China now?

Chris: guanxi is very important. it is almost the foundation of everything. It is the first priority.

Interviewer: very important, hmm, I can see the importance now. What makes you think so then? Is it like everywhere in your life?

Chris: China is a country with over 5000 years of history. In this 5000 years, there are many schools of thoughts are developed.

Interviewer: yep! We are proud of that!

Chris: When we were young, we learn a bit from these thoughts. And as we growing up, we get to know better of some of them. there are many popular thoughts, you don't even need to learn and you know them.

Interviewer: yes, it's like in our genes.

Chris: yeah, we are not learning these ideas; we are living in a world built up with these ideas.

Interviewer: yep! That's a better way of expressing it!

Chris: Many popular ideas are still ruling people's mind. You have no choice but to know them, to adopt them.

Interviewer: yeah!

Chris: I have to say, most of these ideas are still working well, they still have positive effects on the world nowadays. That's why these ideas are still alive and there are still many people following these ideas.

Interviewer: exactly!

Chris: And guanxi is definitely one very important and popular idea among all these ideas.

Interviewer: so we are actually living in a world of guanxi in China?

Chris: exactly!

Interviewer: how do you see the trend of guanxi in China then?

Chris: trend?

Interviewer: like decreasing or increasing.. I mean the trend of use of guanxi.

Chris: guanxi is still very popular, I don't see any reason we should abandon it. So it won't be decreasing. Neither can I see any reason that guanxi will be increasing. It is already in its high tide.

Interviewer: you mean it won't change?

Chris: (nod)

Interviewer: well, could you think of any factor that could decrease the use of guanxi in the future?

Chris: China is not the traditional old china any more. There are many western ideas rushing in.

Interviewer: yep, definitely!

Chris: these ideas are very easy and very straight. There are many people who don't want trouble will adopt these easy western ideas.

Interviewer: yep! Many young people tend to do so.

Chris: yes, if there are more and more people want it this way, guanxi might be decreasing. And the world is a small world now, and china is open to the whole world.

Interviewer: right! we got a quite open market now.

Chris: Chinese managers should also learn about other cultures to do business with foreigners. This might be another possible reason.

Interviewer: ok, so emerging market, and western influences could be factors that decrease use of guanxi.

Chris: I would say global market and western thoughts influences.

Interviewer: ok, got it! Do you have any recommendations to foreign managers who want to come to China?

Chris: ok. First of all, you have to respect Chinese culture, as I said previously.

Interviewer: ok. And then?

Chris: Secondly, it is a very complicated world in China.

Interviewer: how?

Chris: yes china is open to the world and many part of china has been westernized, but it is not totally westernized, but a mixture of western culture and Chinese traditional culture.

Interviewer: yes, we can feel it in our lives.

Chris: The western part is quite straight and easy to understand but the Chinese part is very deep.

Interviewer: what do you mean?

Chris: I mean, you need a Chinese mind to interpret. So it is very important to have a Chinese partner. This will make the learning process much shorter.

Interviewer: so foreign managers better learn some Chinese culture, and find an appropriate partner to start with.

Chris: exactly.

Interviewer: great! Anything else you want to add about guanxi?

Chris: China is very huge country. Different provinces have different culture.

Interviewer: that's a good point!

Chris: There is a big foundation culture in most of china. but there are little differences here and there. Foreigners should bear this in mind.

Interviewer: right! Anything else?

Chris: Besides, different companies may also have different culture as well. The state owned companies have more emphasis on guanxi than private owned companies.

Interviewer: so it depends on what kind of companies they are facing.

Chris: it's not gotta be huge difference, but if you watch carefully, you will find the difference.

Interviewer: ok, they will need to observe and learn.

Chris: right, look listen and learn!

Interviewer: ok, got it! Thank you very much for your time and effort!

Chris: it's alright.

Appendix 5: Transcripts for Chinese D

Interviewer: firstly, thank you for being my interviewee; this is an interview about how foreign managers do guanxi in China. Your personal information will only be used for academic use.

David: ok. No problem.

Interviewer: so shall we start?

David: ok.

Interviewer: first of all, could you talk about yourself?

David: I'm a general manager of a state owned Steel corporation.

Interviewer: how do you feel about guanxi in your life?

David: this is a very big question. Where shall I start?

Interviewer: like how guanxi interact with your daily life, especially regarding your work.

David: ok. Guanxi is very important in China. it is everywhere in my life.

Interviewer: why?

David: When I was young, China is quite different from what it is now, the whole economic system is totally another story. It is called "planning

economy”, not market oriented economy.

Interviewer: right, we used to have totally planned market.

David: In those days, guanxi is especially important. Everything, even purchasing products such as meat, food, bikes, cloths, everything, you need guanxi to get what you want.

Interviewer: yes, I've heard about it from my parents too. That was tough time.

David: it was, at the time, “ticket” not money is used for purchasing, and the products are limited—too few products compared with the needs. How can you make sure you can have the products when you have the “ticket”?

Interviewer: how?

David: you use guanxi. If you have a good friend or relative, or at least someone in your network is the shop assistant, you may ask a big favor from him/her that he/she may help you get the most demanded products. If you don't have any guanxi in that shop, then you have to wait and wait until everyone else who have guanxi had bought that product. That's not fare, but that is the situation at that time.

Interviewer: haha, so guanxi means more food and clothes for you when you were young?

David: not only that, guanxi means everything. Young people can hardly believe that. It was a special time that most people cannot imagine. When we recall memories from those days, we sometimes do not believe it either.

Interviewer: haha, what about now? we don't have food supply problem, is it still that important as it was in those days?

David: guanxi means you can have a better life when I was young. It is different now. we are already having wonderful lives, to buy food, we don't need guanxi anymore. But if you want to have something done, you still have to use guanxi.

Interviewer: what kind of things then?

David: many things. You want your kids go to a better school, you want to have a better plate number for your car, you want to have business with someone, you want to buy train tickets when train tickets are in short supply.

Interviewer: wow that's a lot of things! Do you have examples? Like why do you need guanxi with your kid's schooling thing?

David: according to the rules, a kid can only go to the schools close to where he lives. But the schools in that area may not be as good as others.

Interviewer: yep! I grew up with this.

David: You know, some schools have better resource of teachers, funding, and equipments, thus better environment and teaching quality. You always want your kid grow up to be a successful person, to ensure that, you want him go to the best school that you can send him to.

Interviewer: haha, every Chinese parent would think this way.

David: But you cannot send him to whatever school in this country or in your province, besides, the good schools have limited seats for kids, so you have to find out your way to change the rule a little bit to allow your kids go to schools outside your area and to go to a school what have limited open seats. Do you see where I come from?

Interviewer: yep! I got it! so you feel guanxi is still everywhere in your daily life, what about your working life?

David: it used to be not that important, because when I was young, few workers care if their work was done or not. People only want an easier and better paid job. Or a job that are highly “respected” like shop assistant.

Interviewer: haha, right. Because of the planned market economy.

David: yes. If you want a good job, you need guanxi to realize your dream. You need someone in HR department to help you transfer your job position.

Interviewer: what about now?

David: Now, people are keen to work hard, but to have a business done, you need guanxi as well.

Interviewer: you must have some examples, right?

David: ok. Say a project need to be done, and there are five companies bidding. What could be the price you will be bidding?

Interviewer: I don't know...

David: The best bidding price is not the lowest price but the price close to the “expected price” that the project holders have and a little bit lower.

Interviewer: ok..

David: So it is important to find out what the expected price is. Here you need guanxi. You might find out some core people who know this price and then find someone that you know and who knows the core people at the same time. this is guanxi.

Interviewer: ok

David: And once you find out the price, there are still things to do.

Interviewer: wow, complicated!

David: haha, yes. There might be more than one company bidding for two similar prices. So who will win the project if these two companies have similar experience, similar technical competency and similar industrial background?

Interviewer: um, must have something to do with guanxi then...

David: right! The one with better and stronger guanxi will win. Now you can see the importance of guanxi in work life?

Interviewer: yep! Absolutely! You must have dealt with foreign managers?

David: yes, I have. I can still remember the first time, that’s several years ago.

Interviewer: how was it?

David: it was an Australian company that was seeking partnership in a big project. The manager of this company came to me and we held meetings in china discussing about all aspects of this project. It was a nice experience working with them. But unfortunately, our priority did not match and we did not have the partnership though we had very good guanxi.

Interviewer: wow, that's interesting, you didn't do business together, but you've got good guanxi eventually.

David: yes.

Interviewer: so could you talk about guanxi with them? What were your expectations when you first met them?

David: we were strangers to each other when they first came to me. Oh, maybe I should say they are strangers to me while they might already have some information about my company.

Interviewer: so what did you expect then?

David: all I was thinking of is the business. Business for business's sake. Nothing else.

Interviewer: did you have personal expectation from those foreigners?

David: no, not at all. That was several years ago and china is just opened to the world. You don't find many foreigners in China. to do business with

foreigners, that's rare. And we noted that there were huge cultural differences between us, and thus we tried to understand each other. We call this "seek common points while reserving difference".

Interviewer: so you don't expect anything like gifts at all?

David: not at all. At that time, it is almost impossible for foreigners to know china. we understood that point. Besides, they showed enough respects to Chinese culture and our Chinese people. That is enough.

Interviewer: so can I say, your expectation was them respecting our culture and people at the time?

David: yes.

Interviewer: what makes you feel they respected our culture then? They must have done something impressed you?

David: I don't know if foreigners have watermelon seeds or not. Maybe not. Because when they see us eating that, they tried to learn. You know, those seeds are like nuts, you don't eat the shell but the seed inside. We put the whole thing into mouth, and they did the same thing but never noticed that we spit out the shells. After quite a while, one of them asked why do you like this, it's a bit hard to chew...

Interviewer: gosh, so they ate the whole thing... it must be hard to eat! Very hard!

David: yes. We laughed about that. But we know that they are trying very hard to learn and to understand our culture. That was very impressive.

Interviewer: as long as they show their respect, right?

David: yes!

Interviewer: so when you deal with foreign managers now, do you have any expectations? I mean, there are so many foreigners here in China now, to understand our culture is not a difficult thing for them anymore.

David: no. I don't think there are any expectations. They are foreigners, not Chinese. We don't need to force them to do as Chinese do.

Interviewer: what if a foreign manager comes with some gifts, would that impress you in some way?

David: yes. But that won't be a great deal. I mean, that will impress me, but only a little.

Interviewer: so you don't expect gift from them. what about gifts that are acceptable for you? What kind of gifts they bring would be acceptable?

David: no. I still don't expect any gifts. If they are bringing any gifts, I won't expect anything expensive. Some little stuff from their country will do. Something that can represent their culture.

Interviewer: ok, what about gifts not acceptable?

David: hard to think of any...

Interviewer: what about behavior? What kind of behavior would not be

acceptable then?

David: if they don't respect our Chinese culture or people, that would be insulting for me. And also their attitude is very important.

Interviewer: could you be more specific?

David: again, hard to say. It's the way they behave during our meeting and talking. At least they need to show their respect of different culture if they really don't know our culture. And if they discriminate any symbol of Chinese culture, that would be very rude, and I won't forgive this kind of behavior.

Interviewer: ok. Got it! Show respect! This could be common mistake they could make when applying guanxi in China. could you think of any other common mistake?

David: again, at least they should show their respect to Chinese culture. It would be much better if they could learn some Chinese culture or even tradition before they come to China.

Interviewer: ok, understand our culture. Anything else?

David: besides guanxi, the first priority is that they can have their job done well. That is very important. we can say, that's the foundation of partnership. Ok, as I said, Guanxi is very important, but having guanxi only, doesn't make the deal. You see my point?

Interviewer: yes! Right! So how important do you think guanxi is in China now?

David: very important.

Interviewer: how important, like if 1 stands for not important, and 7 stands for very very important. Which would you choose?

David: eight!

Interviewer: haha! That told a lot!! Why do you say so? What makes it so important in your mind?

David: it is really hard to explain. As I said before, it is everywhere in our life here in China. I'm sure, you can feel it, everyone in China, including foreigners would be able to feel it.

Interviewer: ok, got it! So how do you predict the trend of guanxi?

David: trend of guanxi...

Interviewer: I mean the use of guanxi, would it be increasing or decreasing?

David: um, guanxi has been very important for centuries in China. the situation haven't changed for these centuries. And I don't think the situation will change in the future.

Interviewer: ok, why?

David: because it is a root thing in our mind. it is so deep in mind of Chinese people. And many Chinese cultures and traditions are developed on it. It is our spirit. When you see guanxi, you see Chinese people, when you see

Chinese people, you see guanxi too. It is a fixed combination.

Interviewer: ok, got what you mean. But can you think of any factors that could decrease the use of guanxi in the future?

David: there might be some western influences coming with the open market. But I believe all these factors will not change a bit of the deep root in our mind. Chinese will always be Chinese, the Chinese culture is very accommodating with other cultures.

Interviewer: what do you mean?

David: I mean when a new ideology comes to China, the Chinese culture tends to deconstruct it, interpret it, and reconstruct it based on the Chinese culture. So the core essence of the Chinese culture will not change.

Interviewer: hmm, very interesting.

David: maybe it is hard for your generation to understand this for now, but I'm sure you will in a few years.

Interviewer: actually, I can understand what you said, and I totally agree with you! Because my dad taught me a lot of traditional thoughts, when I was still in my early school age.

David: that's good. So you get to know more about our culture than many other young people.

Interviewer: haha, I tried. So do you have any recommendations to foreign managers who intend to come to China?

David: first of all, although China is a very big market, she is still a developing country. She is in great need of high technology and creative products. So welcome to China.

Interviewer: haha, I think they will be pretty happy for your welcoming greeting.

David: But, be prepared. Many Chinese products are very competitive. If you don't have high quality products, you might be in danger. Because Chinese market is only for those who are well prepared.

Interviewer: ok, so it's not just good news!

David: haha, of course, besides good products, you should also keep in mind that you should have a Chinese mind in order to do business in China. At least have a little bit of the Chinese mind.

Interviewer: ok, what kind of Chinese mind then? Could you explain a bit more?

David: that means you should learn some Chinese culture beforehand. And spend some time observing Chinese people's logic. It can't be taught through words, but only from your experiences or mistakes.

Interviewer: alright! Anything else you want to add about guanxi?

David: guanxi is a very Chinese thing. It is difficult for a foreigner to understand and perform. Just as if we don't live in western countries since our childhood, it is not possible for us to understand and perform western cultures

well.

Interviewer: that's right!

David: That is the same thing. We all understand this. So Chinese people will not expect foreigners can perform and act exactly as Chinese people do. Foreigners should be aware of this.

Interviewer: ok..

David: The most important thing for foreigners is not to learn a lot of Chinese culture and Guanxi, but to show enough respect to Chinese culture.

Interviewer: got it!

David: Once you can do this well, Chinese people will tolerant other little mistakes. And I want to raise this point again that guanxi can only give more flowers on the brocade—that means when you have good products or technique, guanxi can help you win business opportunities and expand your market share. But if you count on guanxi only and neglect to improve yourself, you are chasing the wrong deer in this case.

Interviewer: totally agree! So come with great products!

David: exactly!

Interviewer: thank you very much David! I'm really appreciated for your time and valuable opinions!

David: haha, you are welcome!

Appendix 6: Transcripts for Foreign A

Interviewer: how long have you been working in China?

Allen: I've been working in China for one year, since last July, I'm working in Beijing.

Interviewer: talk about yourself, your work, your life in China.

Allen: I'm from Turkey, and I'm doing marketing for a software company in Beijing, life in China, um, quite difficult for me.

Interviewer: why is that?

Allen: because... um... it's quite hard to explain. Like in China, when you are asking for an issue from Chinese, and if it's not their responsibility, they will just say "meiyoubanfa" (can't do anything)

Interviewer: that's sad, why do you think they don't wanna offer a hand then?

Allen: to be honest, I don't know...I'm just not used to it.

Interviewer: so it's very different from your country?

Allen: yep! People in my country are always very helpful. Even they don't know you at all.

Interviewer: have you heard about the term Guanxi?

Allen: yes, it's relationship, isn't it?

Interviewer: right, how do you understand guanxi then?

Allen: um, it feels like when I ask for an issue here, if I know somebody well, and this somebody can be helpful, I'll be cool! But if I don't know anyone, I'm in trouble, and it'll never be done. As I said, life is not easy in China if you don't know somebody.

Interviewer: Can you give some examples?

Allen: um... hard to say any from my position, they are private... Ha-ha

Interviewer: What about from people around you?

Allen: um, ok, a friend was planning a trip to the North West part of China. I think it was a hot season.

Interviewer: Chinese New Year?

Allen: right! Chinese New Year! You know what, he tried to get train tickets from the station, and they told him not even one ticket was left. But it's only an hour after they released those tickets.

Interviewer: that's kind of common problem in China.

Allen: yep, and he asked for another friend, who knew somebody from ticket centre. Got the ticket, that simple! You have guanxi, cool! You don't, you are screwed up!

Interviewer: so how much do you know how guanxi works?

Allen: I don't know, it's complicated I think. I don't know how they decide which person are close, which are not... it just feels like what you called Wu (frog) to me.

Interviewer: Do you have experiences dealing with guanxi?

Allen: of course, I do. It's hard not to have any in China..

Interviewer: Ha-ha, can you talk about your own experiences?

Allen: um, no, they are private. But I can tell you I don't like it.

Interviewer: oh, ok. Did you ever exchange gifts with your Chinese partners?

Allen: yes.

Interviewer: talk about it

Allen: we arranged a party among us, everybody brought gifts to give them to others. We gave them numbers and we made a lottery. It was like that.

Interviewer: is there any purpose for this specific event?

Allen: According to my manager, it is arranged to know each other better, to create a team spirit, and to improve our relations

Interviewer: Did it work?

Allen: for me it was meaningless

Interviewer: ha-ha, so you don't think exchanging gifts could help with anything?

Allen: yes, it doesn't mean anything! At least for me!

Interviewer: How do you like your relationship with your Chinese partners?

Allen: they are nice, but not easy to get close. They don't want to talk to me...

Interviewer: really? Why?

Allen: I don't know! As I said before, normally, we are only dealing with work. When I ask for an issue, they'll just say "meiyoubanfa" (can't do anything). They have their own group. And we are just outsiders.

Interviewer: what do you mean by group?

Allen: you tell me, you are Chinese.

Interviewer: Ha-ha, but how is it like in your eyes?

Allen: um... I mean, they are close to certain people. They chat quite a lot, and they have lunch together. I'm definitely not a member of them. I don't know why, but they don't want to talk to me. They only talk to Chinese...

Interviewer: How do you think you could improve your guanxi with them then?

Allen: I don't know... really, I don't know. I tried to talk to them, they've been nice, and smiled to me, but I can feel the... the.. difference.

Interviewer: the distance between you?

Allen: yes, the distance!

Interviewer: Do you think giving gifts would decrease the distance?

Allen: no

Interviewer: no? why?

Allen: to give a gift for improve your relationship? It's like bribe for me

Interviewer: do you mean it is not acceptable for you?

Allen: I give presents only to people I love

Interviewer: ha-ha, that's the difference then

Allen: yes, I guess so.

Interviewer: what about thinking about relationship here in China? Do you think giving out gifts would help build relationship with them? (Despite your own feeling)

Allen: for Chinese I think it can work

Interviewer: why you think so?

Allen: i don't know

Interviewer: um..

Allen: I guess

Interviewer: ok

Allen: you tell me, does it work?

Interviewer: ha-ha, I'll let you know when I get all the results back from this study

Allen: ok, good! So I can have an easy life here. Ha-ha

Interviewer: ha-ha, let's go back to the question. Is it the way they deal with each other makes you think so?

Allen: um, maybe. Chinese always give each other gifts, even to an outsider like me. When I just got here, my Chinese partner gave me a present too.

Interviewer: What kind of present?

Allen: a piece of jade

Interviewer: how did you feel?

Allen: surprised! I wasn't prepared... I didn't think they would do so.

Interviewer: did you give back anything?

Allen: no. not actually.

Interviewer: what type of gifts or presents would be expected in China, or for your Chinese partners?

Allen: money? Ha-ha

Interviewer: you reckon? Ha-ha, what makes you think so then?

Allen: coz I know

Interviewer: How did you know about this then?

Allen: as a wedding or birthday gift you guys give money to others, right?

Interviewer: yup! It seems you've been here only one year, and you know a lot already~ so if you are invited to a wedding, would you give money?

Allen: I've already done it

Interviewer: really? How do you feel about it?

Allen: strange

Interviewer: but still you will do as others

Allen: oh, yeah

Interviewer: Ha-ha I thought you only give gifts to people you love.

Allen: But I'm in China...

Interviewer: ok, what type do you think is accepted, and not accepted from foreign companies in China?

Allen: um..

Interviewer: I mean gifts

Allen: I've no idea, it depends I think. Maybe most people prefer some little local gifts. Coz I see most of my Chinese colleagues give out gifts from their own towns, I mean cities. And people seem to like them very well.

Interviewer: you talked about it depends, but how? Can you explain a bit more?

Allen: depends on what they like. Maybe forget to bring presents is not accepted, I guess.

Interviewer: Ha-ha, why?

Allen: coz it's so common in here.

Interviewer: do you think guanxi would be important in China?

Allen: oh, yeah

Interviewer: so sure?

Allen: must be

Interviewer: why?

Allen: 1.5 billion people exist here

Interviewer: ha-ha, so it is very different from the relationship in your country?
Anything else makes you think so? I mean make the guanxi important in China?

Allen: yes, it's very different! And sure it is important in China...

Interviewer: Do you have some other reasons then?

Allen: um...

Interviewer: ha-ha, sorry for the difficult question~

Allen: yeah, your questions are hard

Interviewer: Can you think of any?

Allen: there must be some kind of cultural reason I think.

Interviewer: hm.. what kind of cultural reasons?

Allen: I don't know, you tell me! Why you guys give money to children then?

Interviewer: oh, that's just a good wish preventing them from growing up.

Allen: strange! Why? I mean why not?

Interviewer: well, because Chinese parents always want to keep their children around them. It's a tradition.

Allen: see? It sounds so strange to me...

Interviewer: ha-ha, we can talk about it later. Just two more questions, how do you see networking in China in the future, is it gotta increase or decrease?

Allen: increasing

Interviewer: hm, many people say so, why do you think so then

Allen: because china is very big country

Interviewer: ok? A big country.

Allen: it has to have large network

Interviewer: why?

Allen: everything changes so quickly, day by day so many foreigners are coming to china

Interviewer: and?

Allen: and it means hard competition for Chinese

Interviewer: oh, yep, competition.

Allen: they have to improve themselves. I think networking is the easiest way to do that.

Interviewer: do you mean it's the competition making the situation complex?

Allen: I mean this competition will make Chinese network improved

Interviewer: very interesting

Allen: hm (smiled)

Interviewer: why do you think foreign managers keep coming to China then?

Allen: coz it s a new market and it s so huge

Interviewer: How is it different from your country then?

Allen: um, very different. First, we don't have so many people, and such a huge market. That's why I come to China though.

Interviewer: Hmm, huge market.

Allen: yeah, everybody wants to get some share from it

Interviewer: anything else?

Allen: what's your last question?

Interviewer: any other differences compared to your country?

Allen: our market relationship is not that complicated I guess.

Interviewer: that's why we need guanxi here, right?

Allen: yeah!

Interviewer: any recommendation for other foreign managers who are planning to come?

Allen: from me?

Interviewer: yep! Sure! You are pretty much a professional I guess

Allen: I think , I m not...hehehe

Interviewer: you must have some experiences though.

Allen: but I can say (to) them not to come china because it is already so crowded

Interviewer: what makes you feel so then?

Allen: ha-ha, I m kidding!

Interviewer: ha-ha, so there are a lot of foreigners around you as well?

Allen: yes a lot!

Interviewer: ha-ha. What if they insist to come then?

Allen: so it will be Chinese government problem not mine

Interviewer: too bad. You must have some recommendation. Come on!

Allen: hehehe

Interviewer: just from your experience and feeling, what do you recommend then!

Allen: ok, you can come and see, but don't stay!

Interviewer: do you recommend them accept the gift giving behavior?

Allen: It s up to them

Interviewer: do you think it would make things easier for them to accept it?

Allen: um, yes, I think so.

Interviewer: can you think of any factors that could decrease the need for networking in China in the future?

Allen: one sec, my cellphone.

(two minutes later)

Allen: sorry

Interviewer: no problem!

Allen: Sorry, what was your last question?

Interviewer: um, can you think of any factors that could decrease the need for network in China in the future?

Allen: no, it has to be increasing.

Interviewer: ha-ha, you only see it increasing~

Allen: yep, absolutely increasing!

Interviewer: alright, thanks a lot for your time and participation, Allen!

Allen: my pleasure

Interviewer: I'll let you know about the results when it comes out.

Allen: thanks for improving my network

Interviewer: oh, that's my pleasure then!

Allen: ha-ha

Interviewer: Have a nice rest of the day then! I'm really appreciated!

Allen: You too!

Interviewer: Hope you have a good time in China

Allen: I'll try! I'd like to see your research result though.

Interviewer: no problem!

Appendix 7: Transcripts for Foreign B

Interviewer: can we start now?

Ben: Yes

Interviewer: Ok, could you talk about yourself? For example, your work in China, and how long have you been here?

Ben: I've been here since, um, since April 07, so over a year and a half. I work for a steel trading company with HQ in London.

Interviewer: A steel trading company? That's cool! Since then, do you have any difficulties working in China?

Ben: Some communication problems. Like visa, residential procedures have not always been clear.

Interviewer: not like the way you guys do it in the UK I guess

Ben: No~~~ it's complicated here in China. Sorry I don't mean to hurt your feeling!

Interviewer: no, no, don't worry, I have to be professional with my research though.

Ben: So I can talk about pretty much everything?

Interviewer: sure, you can!

Ben: I was kidding. (laughter)

Interviewer: ha-ha, ok. You've been here for a while, have you heard about the term Guanxi , I mean networking in Chinese?

Ben: Yes! (Nodding) sure I have! I have to.

Interviewer: Talk about it, such as when and where in what situation

Ben: I think it's less 'networking' in the sense we would consider networking.

Interviewer: Can you explain a bit more?

Ben: 'Guanxi' as I understand it, which could be wrong, (laughed), encompasses networked and pre-existing personal relationships.

Interviewer: emm. That's how you define guanxi?

Ben: I would term it more "connections" in English.

Interviewer: That's interesting, so do you know how it works here in China?

Ben: Quite frankly actually, I am confused about how most things work in China. But I am aware that guanxi is very important. Perhaps more important than it is so in the west.

Interviewer: You reckon?

Ben: um.. No...Definitely more important.

Interviewer: ha-ha, what makes you think so then? Have you dealt with any guanxi?

Ben: Not directly.

Interviewer: Then why do you think it's definitely more important in China than it is in the west then?

Ben: um...(kept silence for a while, thinking)

Ben: In the UK something can be done, or it cannot be done, usually. There is often some set in stone logic, reasoning, or regulation. Here there are many more 'grey areas'. Where there are 'grey areas' it is possible for different outcomes. Connections or influence will encourage the outcome you desire.

Interviewer: Do you have examples regarding these areas you just talked about?

Ben: For example I read 5 minutes ago something about satellite TV in China - which is not strictly legal. Somebody mentioned you can get a permit. Somebody else mentions...."A permit that is usually virtually impossible to get unless one has some connections or happens to be running a large MNC"

Interviewer: so it confuses you sometimes?

Ben: Got another one! A good friend of mine just got offered a job. The place she will work told her she needs a certificate from the police station indicating she has no criminal record. So she went to the police station. The

police station told her she first needed a certificate from the employer. The employer said it was 'impossible' to issue a certificate...So...

Interviewer: oh, that's sad, I don't know what to say, that's really...

Ben: The policeman said she could not have the crime certificate. Quite a ridiculous situation...

Interviewer: I know, it really is!

Ben: If, say, her father or relative had had any connections with the police, or with the employer. I am quite certain this would have been a simple to solve situation.

Interviewer: definitely!

Ben: But she had no guanxi...she went round and round in circles until magically the policeman did issue the certificate anyway.

Interviewer: That's great!

Ben: And I'm quite sure the employer could have issued her a certificate of employment or job offer without any issue whatsoever.

Interviewer: Agree!

Ben: This would be an example of a "grey area", where existing procedures/regulations are NOT sufficient to produce an outcome.

Interviewer: do you think if she could offer some kind of gifts to the police to get it done?

Ben: It's quite possible.

Interviewer: You think?

Ben: Bribing happens everywhere, and certainly in China.

Interviewer: hmm.

Ben: I think Guanxi is a little different from a pure bribe though.

Interviewer: How?

Ben: A bribe is a one off situation. Guanxi is a 'relationship', in my understanding anyway.

Interviewer: explain a bit more.

Ben: So it could start with a bribe, or involve bribes, but just a bribe on its own is not 'guanxi', it is just a bribe.

Interviewer: you mean Guanxi is kind of long term thing

Ben: It could be. So bribes are more.....'Gifts'.

Interviewer: So did you ever exchange presents with your business partners in China?

Ben: Somebody who works in a Chinese company may have a better idea about this.

Interviewer: haha,so you haven't in whatever situation give out any gifts for getting things done?

Ben: That's the business of somebody further up the ladder.

Interviewer: ha-ha (laughed)

Ben: I haven't done this. No.

Interviewer: Could you imagine which types of guanxi or gifts are expected from foreign companies in China?

Interviewer: like have you heard about this kind of things from your boss or colleagues which type of gifts they are expected to offer

Ben: They wouldn't, because they work for the same company. But from my knowledge, I know you guys give money for wedding, right?

Interviewer: yep! Yep!

Ben: so maybe money would be one of them.

Ben: However I have a good friend who has a good few decades experience in the far east. He is a lot more familiar with this practice.

Interviewer: oh, it can only be your imagination then...

Ben: Well...it's not my imagination given that Chinese officials are regularly being heavily punished for taking bribes.

Interviewer: oh, yep, I've heard about them from the News too.

Ben: Including several receiving death penalty/life imprisonment recently.

Interviewer: Right.

Ben: These extra dollars were to be paid to his personal account a few days later.

Interviewer: So you think they are not taking any bribes anymore?

Ben: As far as I can tell bribery, or kick-backs are alive and well in the PRC.

Ben: But as I said, a pure bribe or kick-back is not Guanxi in itself.

Interviewer: em..

Ben: But maybe part of a larger relationship.

Interviewer: So you think guanxi is a more complex term which exists in many areas in our lives in China?

Ben: Yes. Exactly!

Interviewer: Can you think of some common mistakes of foreign companies trying to apply guanxi in China?

Ben: Just knowing people is very important.

Interviewer: get your network bigger and stronger?

Ben: To apply guanxi in China you need to hire someone with good guanxi.

Interviewer: haha, that sounds pretty simple!

Ben: Simple as that in my opinion.

Interviewer: So you can use his or her guanxi network?

Ben: Absolutely.

Interviewer: Anything to avoid again applying it in China?

Ben: What do you mean?

Interviewer: like when foreigners apply guanxi in China, what kind of things they should avoid doing

Ben: Hard to say. Wish I knew.....Avoid underestimating its importance I guess. Avoid applying it on the wrong targets.

Interviewer: hmm, understanding its importance.

Ben: Part of guanxi is knowing who is important and who is not I suppose.

Interviewer: I can see you've learnt your lesson

Ben: I sure have! (laughed)

Interviewer: So how do you see the trend of guanxi in future then?

Ben: No change for a long time.

Interviewer: Can you think of any factors that could decrease the need for guanxi in China in future then?

Ben: Encouraging meritocratic environments would mean less guanxi required to further oneself.

Interviewer: Can you explain a bit more? Don't really get your words.

Ben: Which one?

Interviewer: the whole sentence.

Ben: For example, if I want a promotion, or want my child to attend a certain school, or need a permit granting for something....then it should be on the merits of my case, rather than who I know.

Ben: Although 'who you know' is often a feature of life whichever country you live in...it shouldn't be the deal maker, or the deal breaker.

Interviewer: or do you mean encouraging meritocratic environments would be a factor that decreases the need for guanxi?

Ben: Yes.

Interviewer: so you think living in China would require a certain guanxi network in order to live a normal life?

Ben: Well...besides the implementation of rigorous protocols which do not permit interpretation of rules, only an actual change in people's own attitudes and culture I guess.

Interviewer: what do you mean?

Ben: People need to be able to look beyond their immediate friends/family/etc when making judgments on people.

Interviewer: hmm.

Ben: You would have to work out why it is Chinese people do this more than others if you wanted to figure out what would decrease the need for guanxi.

Interviewer: the root, right?

Ben: Exactly! It's a deeper cultural issue which goes beyond just doing business and greasing the wheels of society.

Interviewer: What about in the business world? Would it be different from daily life kind of thing?

Ben: Same theory exactly.

Interviewer: nod!

Ben: it's one principle applied to various situations.

Interviewer: do you think there will be some economic factors that would

decrease it?

Ben: That's tough to say. Generally as the economy develops though, there are more outside influences. These outside influences are not dealing with guanxi in the same manner.

Interviewer: From what you talked about the factors that may decrease use of guanxi, I can see, maybe you don't really see it change in the near future, right?

Ben: I think it will take a long time. Because it will take more than one or two generations.

Interviewer: Why?

Ben: The question is....what are Chinese parents teaching their children now. You could maybe answer that....I cannot.

Interviewer: You've talked about some outside influences, how do you think these outside influences deal with guanxi then?

Ben: Well, when a big MNC comes to town they are not making decisions based on guanxi in the same way.

Interviewer: ok?

Ben: Knowing people is important - but only if you know them to be trustworthy and competent. Just having a personal connection is not enough.

Interviewer: How much do you think would be enough then? Or how do you

think guanxi would work in this case?

Ben: It can help. But it's a small part of the bigger picture. I remember there was a chap hired as a graduate trainee at the same time as me...he had made it through the selection process like everybody else. However he'd got the first interview because the MD's wife knew his mother...

Interviewer: And?

Ben: It helped him, but it didn't get him the job. And...just to elaborate this point...he was quite quickly fired.

Interviewer: oh, so people need to be professional besides having the connection?

Ben: Yes. That's exactly correct.

Interviewer: Do you see this kind of things happen often?

Ben: It happens everywhere. Just the degree is different. If I was the boss and somebody I know applies for the job, and I know he is going to be good at the job...then he will probably get the job. That's just common sense.

Interviewer: right!

Ben: But if he wants the job because his dad knows my dad...forget it.

Interviewer: Do you see the second situation happen a lot in China?

Ben: Problem is that I don't really know how far guanxi extends in China. So

it's hard to compare.

Interviewer: Can you give it a try?

Ben: From what I have heard I would judge there is more chance.

Interviewer: hmm, you reckon.

Ben: You tell me! (laughed)

Interviewer: ha-ha, I'll definitely let you know when i get the results

Ben: Good!

Interviewer: So do you have any recommendations to other foreign companies or managers who are interested in coming to China regarding guanxi?

Ben: Pay some money to hire somebody senior.

Interviewer: ha-ha, somebody having guanxi here right?

Ben: Exactly.

Interviewer: anything else you want to add about guanxi?

Ben: You need to look at the root causes to understand it. Family/societal values...even confucianism.

Interviewer: Thank you very much for your advice, that's exactly what I've done for my table research

Interviewer: so thanks again for your participation, Ben!

Ben: At least you will be an expert in guanxi when you have finished.

Interviewer: yup! And I'll let you know about everything when the whole thing is done

Ben: ok, my pleasure!

Appendix 8: Transcripts for Foreign C

Interviewer: Firstly, I'm really appreciated for your participation. This is a research study of Guanxi (networking) in China for my master study. Just to let you know, your personal information will only be used for academic analysis.

Chris: ok, not a problem!

Interviewer: ok, let's get started, can you talk a little bit about yourself?

Chris: hmm this would be easier if you know me, but sure

Interviewer: ha-ha sure.

Chris: I have a double degree one in industrial economy and one in mandarin Chinese

Interviewer: that's quite impressive!

Chris: I've also studied mandarin one year at Tsinghua University in Beijing.

Interviewer: Wow, that's how you speak such good Mandarin then

Chris: and also previously studied at a private school in Beijing for 3 months in 2004

Interviewer: How long have you been working in China then?

Chris: I've been here for just over two years, till now.

Interviewer: that's quite impressive, I mean your mandarin, for just two years.

Chris: Ha-ha, and also because my girl friend is from Beijing.

Chris: we worked together in Stockholm, the capital of Sweden

Interviewer: Cool! That's how you met right?

Chris: yep!

Interviewer: so any difficulties when you were in China?

Chris: no not really, I went to china because I liked the culture, so I fit in more easily than other foreigners

Interviewer: no wonder..

Chris: and I also like the food especially huoguo (Chinese hot pot)!

Interviewer: ha-ha, yeah, everyone does, in China

Chris: 崇文门新世界 (a shopping mall in Beijing) has a really good huoguo dian (restaurant).

Interviewer: Cool, I'll try it, some time later

Interviewer: so you must know about the term Guanxi then?

Chris: sure I know about guanxi

Chris: 关系很重要(guanxi is really important)

Interviewer: talk about guanxi, how do you define it, and how do you feel about it in your life here in China?

Chris: 那些太子光靠关系 (some Taizidang (people who are second generations from the upper class) got everything by their guanxi)

Interviewer: ha-ha, you even know about Taizidang.

Chris: to be honest, I don't want to 吹牛 (show off) but I probably know more about this than my girlfriend

Interviewer: that's quite possible.

Chris: I watch the Chinese news every day.

Interviewer: I'm not surprised!

Chris: economics, BBC world news, and I constantly read books about china

Interviewer: you are really into our culture.

Chris: oh, yep! And I have numerous Chinese friends

Interviewer: that's great, let's talk about guanxi, how do you feel about it

Chris: I feel it's important if you want to succeed in china

Chris: and it's mostly connected to 共产党 (Biggest party in the Chinese parliament), if you don't know people in the party, it's gonna be tough

Interviewer: Why? what makes you feel like this

Chris: examples?

Interviewer: yep, examples are good~

Chris: like I'm working in the real estate industry, If I want to build a 高楼 (tall building) at some spot in Beijing or shanghai, if I know the 市长 (mayor) personally

Interviewer: ok?

Chris: he can easily give me the opportunity to build the house, and say no to others

Interviewer: ok.

Chris: because we know each other on a personal basis

Interviewer: easy like that?

Chris: ha-ha, of course not just easy like that. If he give me this opportunity I have to be good to him in the future

Interviewer: what if you are not qualified at all?

Chris: sometimes it doesn't matter if you are qualified or not, guanxi is often more important.

Interviewer: really??

Chris: Sure, you should know it better!

Interviewer: ha-ha, so you see guanxi as an ongoing relationship, not just one off?

Chris: never, ever one off

Interviewer: I see..

Chris: it's a long lasting relationship

Interviewer: ok

Chris: it has to be taken care of.

Interviewer: How?

Chris: eat lunches, dinners, send presents, etc.

Interviewer: ha-ha, you really know a lot

Chris: I have another example

Interviewer: ok? Go ahead.

Chris: I know a company that has done business in china, let's call it company xyz

Interviewer: ok

Chris: because they had really good guanxi with the local officials

Interviewer: officials...

Chris: they offered the company lower 税 (tax).

Interviewer: that's gotta be really good for the company.

Chris: yeah, because their company brought business to the local community

Interviewer: what kind of company?

Chris: can't say, sorry.

Interviewer: a foreign company?

Chris: yes

Interviewer: ok, got it

Interviewer: when you first heard about the story, how did you feel?

Chris: I didn't feel so much

Chris: I knew about this sort of stuff already

Interviewer: oh..

Chris: it's very bad

Interviewer: I know~~~So do you know how exactly guanxi works in China?

Chris: basically, and also because I have a Chinese girl friend.

Interviewer: ha-ha, sure

Interviewer: Can you describe how you think it works?

Chris: I feel all this stuff when we meet her friends and relatives

Interviewer: how?

Chris: in china u have to bring a present

Interviewer: (laughed)

Chris: 别笑 (don't laugh!), it is very important

Interviewer: ok, so it's different from your culture.

Chris: in the west we seldom do that

Interviewer: what kind of present do you think they expect?

Chris: depends, to her parents I bring some Swedish gifts

Interviewer: like?

Chris: hand-made cups, plates, etc.

Interviewer: and that worked well?

Chris: sure, in China usually give stuff like 龙井(a kind of green tea), 茅台
(a famous and expensive Chinese vodka)

Interviewer: ha-ha

Chris: actually I really like 西湖龙井 (a kind of green tea from a famous
place)

Interviewer: well, me too, it really tastes good

Chris: yep!

Interviewer: but how did you know? I mean did someone tell you so?

Chris: because longjing and maotai is the best

Chris: 五粮液(another expensive vodka) is also good

Interviewer: ha-ha, not to mention 二锅头 (a kind of vodka from Beijing)

Chris: ha-ha, yeah, I like 燕京啤酒(local Beijing beer), 3 元(¥3)

Interviewer: ha-ha

Chris: sorry I'm trailing off all the time

Interviewer: it's alright, I'm kind of used to it. It's part of your feelings anyway

Chris: what was your last question?

Interviewer: what kind of gifts do you think they expect, but you've answered that. So let's start with a new one..

Chris: ha-ha, ok.

Interviewer: so these are typical types of gifts Chinese people would prefer, right?

Chris: yes but only for important people.

Interviewer: the key person, like your girl's parents?

Chris: sure, and someone important in the guanxi too.

Interviewer: like?

Chris: I think you have to live it

Interviewer: live?

Chris: I mean you can't study guanxi

Interviewer: ha-ha, you are right, sometimes, I feel like it's in our genes

Chris: foreigners who don't know Chinese culture, don't know china, and don't know the local customs, will not succeed in china

Chris: one example is Ford and GE

Interviewer: what kind of examples then?

Chris: Ford and GE are losers

Interviewer: ok, why?

Chris: coz they don't know anything about china, they don't know what Chinese people need!

Interviewer: ok, so marketing is important.

Chris: that's why they failed so miserably

Interviewer: ok, knowing the situation is important too.

Chris: if you start a business in china you can't think that everything is the same as in the US

Interviewer: do you think knowing guanxi would be helpful for them?

Chris: yes of course, and for them to try to understand the country, not just let some executives fly over from USA and stay 1or 2 days and then go back make the decisions.

Interviewer: totally agree!

Chris: ok back to your question

Interviewer: ha-ha, ok

Chris: the thing I would recommend- employ the right people!

Interviewer: do you mean they should employ some local?

Chris: not just local.

Interviewer: local people who actually have guanxi connection, I mean

Chris: yes, and let some of the foreigners work in china to educate the local management. So the Chinese people understand the values of the company. So they feel that they are on the same team

Interviewer: to make the company run smoothly in a western way?

Chris: no, no, not the same!

Interviewer: oh?

Chris: it should be run by Chinese in china that know the market

Chris: but 不管(no matter what) the company's 来源(nationality)

Interviewer: ok.

Chris: all companies have their own culture, and it's important to teach it to all employees

Interviewer: So first thing first, is to find local Chinese to start with.

Chris: it depends on the business, if it's a financial business I wouldn't do that

Interviewer: why?

Chris: because china's financial system is very 落后(not developed), it would be a burden

Interviewer: so what would you do then?

Chris: I would start by myself and get Chinese employees

Interviewer: How would you use guanxi then?

Chris: I'll steal them from the other firm

Interviewer: ha-ha, that's too bad

Chris: well, its the best way, for them too, higher salary and better perks, that's what I would offer.

Interviewer: ha-ha, right! That's the smart way though.

Chris: ha-ha, sorry..

Interviewer: it's alright. I don't mind, it's part of our interview!

Chris: I'm always trailing off

Interviewer: ha-ha, no prob.

Chris: anyway back to your last question

Chris: about the recommendation

Interviewer: yep

Chris: I would recommend people that want to do business in china, to first study the language, I know it takes time, but at least learn the basics

Interviewer: why? Is it because it would be easier to get close to Chinese people when speaking the language?

Chris: not only! You will understand why Chinese people act and behave in a certain way.

Interviewer: ok, to understand how guanxi structured too, I mean how people are connected to each other, right?

Chris: Exactly! And even more important, study the culture and the history.

Interviewer: that's even harder.

Chris: history is crucial for understanding Chinese people, like why Chinese

people are so nationalistic

Interviewer: that's right, we have a long long history of guanxi

Chris: also because other countries have been qifu (occupied and take advantages of) china for a long long time

Interviewer: exactly!

Chris: and today when someone says something bad about china, Chinese people will react very strongly

Interviewer: that's right, we love our country very much!

Chris: it's important to know if you want to create good guanxi

Interviewer: right!

Chris: so you say the right things, and it's also important to know why Chinese people hate Japan. If you don't know all this you won't master guanxi

Interviewer: strongly agreed! How did you know about all these? That's incredible

Chris: I read and study as much as I can

Interviewer: I believe it must have taken something more than reading

Chris: sure, I'm gonna start my own company in china later

Interviewer: really? That's great!

Interviewer: in Beijing?

Chris: in shanghai

Interviewer: when?

Chris: probably in 5 to 10 years

Interviewer: a good plan though.

Chris: previously, I worked for a Real Estate company, currently, I'm working at an investment bank, 并购(acquisition),上市(IPO).

Interviewer: that's cool!

Chris: I usually work s about 70h a week

Interviewer: wow, that's nearly double the legal working time.

Chris: I do this in order to get guanxi and knowledge

Interviewer: can't imagine

Chris: I'll change to PE, private equity.

Interviewer: what about within the foreign companies, do you need to use guanxi as well? I mean in China.

Chris: well, not so much, but it is important to have connections

Interviewer: how much then?

Chris: for example

Interviewer: ok, I like your examples. Go ahead!

Chris: ha-ha, these are real life example! Not just examples! Alright, my example! If I know the CEO of a private company, and he want to shangshi (IPO)

Interviewer: ok?

Chris: if we have a good relation, he will probably pick my bank

Interviewer: you mean he wouldn't consider other bank at all?

Chris: he would but if we know each other well, and have worked together before

Chris: he would mostly choose my bank

Interviewer: you mean he knows you wouldn't let him down, and he trusted you

Chris: something like that, but he could also take another bank, but the 比例 (possibility) for taking my bank is much higher

Interviewer: hmm, got it!

Chris: and china probably has the highest rate of guanxi of all countries in the whole world.

Interviewer: if I'm not the researcher, I'll agree with you. But I am, so I can't say so.

Chris: ha-ha, okay

Interviewer: ok, go back to my questions. Which types of guanxi or gifts do you think is expected from foreign companies in China? Which are accepted, and which are not acceptable?

Chris: Do you mean what a Chinese company expects to receive from a foreign company?

Interviewer: yep~

Chris: it depends on the foreign company, if the company is french I think they would expect some French alcohol, like cognac, champagne, etc.

Interviewer: typical!

Chris: if it's American I don't really know because USA doesn't really have anything special..

Interviewer: ha-ha! You mean Chinese companies expect some local presents from foreign companies?

Chris: I think so

Interviewer: ok

Chris: and I also think that the foreigners will give them local gifts

Interviewer: what about something not acceptable?

Chris: um, not acceptable gifts would probably be stuff from Japan, ha-ha!

Interviewer: ha-ha

Chris: things regarding political stuff

Interviewer: not to hurt our feelings right?

Chris: of course, this comes back to the things I talked about

Interviewer: what about money? Do you think money would be acceptable?

Chris: no I don't think so...but it depends on what kind of guanxi you want to create

Interviewer: why?

Chris: because 贪污 (taking bribes) and 贿赂 (giving bribes) are very common

Interviewer: you mean in China right?

Chris: yes, but not for a normal guanxi

Interviewer: ok.

Chris: for normal guanxi they wouldn't accept money I think

Interviewer: if 贪污(taking bribes)and 贿赂(giving bribes) are very common in China, wouldn't it mean they would normally take money?

Chris: yes of course but... but not at the first meeting with a company you want to do business with

Interviewer: right, it takes time.

Chris: and also it would probably be a secret

Interviewer: it takes time and effort for this kind of critical gifts?

Chris: of course guanxi is a long term relationship

Interviewer: hmm

Chris: it is like: if you scrub my back, I will scrub your back

Interviewer: ha-ha, two way thing

Chris: take care of each other inside the guanxi

Interviewer: right!

Chris: so in the first meeting, it's probably more formal.

Interviewer: and not to forget to bring some local gifts?

Chris: I think so

Interviewer: from your experiences dealing with Chinese, Can you think of common mistakes of foreign companies trying to apply guanxi in China?

Chris: hmm I guess it would be not understand the Chinese culture, and by that offending the Chinese people

Interviewer: ok, must understand the culture. For example?

Chris: for example forgetting to bring a gift

Interviewer: ha-ha, that's simple! Bring a gift! Anything else?

Chris: don't return favours, etc.

Interviewer: hmm, so you do think favours need to be return, that's what we called renqing.

Chris: sure, if someone helps you, they expect you to help them or in some way return that favour sometime in the future.

Interviewer: you gave a good definition of renqing.

Chris: ha-ha

Interviewer: How do you predict the importance of guanxi in the future, trends, like increasing or decreasing, why?

Chris: decrease, I think.

Interviewer: why?

Chris: I think personally, that the reason for guanxi is twofold, there are 2 major reasons for guanxi in china

Interviewer: good, let's talk about it!

Chris: one is Ru (Confusion)

Interviewer: hmmm

Chris:和共产党(the other one is the national party)

Interviewer: don't wanna show how surprised I am anymore... you know too much...

Chris: (big smile) and because kongzi always wanted people to solve things mutually, and not by law.

Interviewer: it's really interesting

Chris: so the personal guanxi became important

Interviewer: coz we kind of like the harmony with the nature

Interviewer: you just mentioned two really important roots of guanxi

Chris: ha-ha, good on me! and recently, it has been 共产党(national party)

Interviewer: hmm, historical and social reasons

Chris: after they took over china in 1949 1st of October, all the people had to rely on the party

Interviewer: yep, quite right!

Chris: so people that was 官儿(people with power) had connections

Interviewer: and they have the power

Chris: they had connections to everything because 共产党(national party) was controlling the country and all companies

Interviewer: exactly, why decreasing then?

Chris: but today, there are more and more private companies

Interviewer: yep, it has changed a lot for the last thirty years.

Chris: and the government is losing control of its people.

Interviewer: right! People are more aware of the outside world.

Chris: and foreign companies come to china

Interviewer: another factor.

Chris: so guanxi is becoming less important

Interviewer: so you think it's the fast changing economy being the factor that decreases need for guanxi?

Chris: part of the reason.

Interviewer: what is the other side of the story then?

Chris: but because of 儒家(confusion), its something all the Chinese people still feel

Interviewer: yep! We do have a lot of old traditions nowadays still.

Chris: and that's why it's gonna go really slow

Interviewer: for guanxi? I mean the trend of guanxi.

Chris: yep, for guanxi to decrease.

Interviewer: right!

Chris: although it has already decreased compare to before

Interviewer: agree! My parents can tell.

Chris: yep! You should know it. Some successful people in china are not a dangyuan (member of the national party) anymore.

Chris: the founder of Alibaba for example.

Interviewer: 马云 (Yun, Ma- name of the founder of Alibaba)

Chris: right! 马云!

Interviewer: you are right, many other people are not dangyuan (member of the national party), it couldn't happen before

Chris: so it's happening but slowly

Interviewer: yep!

Chris: because it's rooted in grand tradition

Interviewer: exactly, in our genes

Chris: right now, 90% or so, of the richest people in china still have connections to 共产党(national party)

Interviewer: Wow, how did you make your prediction then?

Chris: I didn't, I read a report somewhere

Interviewer: oh,ok

Chris: and most of them are doing 房地产(Real Estate)

Interviewer: ha-ha, I know~~~~~

Chris: you know?

Interviewer: it might be the industry that needs to have the most guanxi

Chris: I'm gonna try to 认识(get to know) shanghais and Beijing 市长 (mayors of Beijing and Shanghai) in the future

Interviewer: haha, good luck then, you are gotta master guanxi later on!

Chris: ha-ha I will.

Interviewer: you can really do it the Chinese way

Chris: because the company I'm gonna work for later, the ***私人股本基金 (name of a private fund company)

Interviewer: ok?

Chris: 认识上海的市长 (they have connections with the mayor of Shanghai)

Interviewer: oh, so you have more chance to know him then

Chris: yes, and more importantly, it's important if I wanna start a company in china

Interviewer: I guess so too

Interviewer: So is there anything else you want to add about Guanxi?

Chris: no. I don't think so, that's it right now

Chris: so where in Beijing do u live?

(Private chatting continued)

Interviewer: Thank you very much for your time and effort! I'm really appreciated!

Chris: that's my pleasure!

Appendix 9: Transcripts for Foreign D

Interviewer: Firstly, thank you for your participation. This is a research study of Guanxi in China for my master dissertation. Your personal information will remain for academic use only. If in any stage I don't make myself clear, you are free to ask.

Delyn: Ok, no problem.

Interviewer: I'm gotta start with some basic demographic questions then.

Delyn: please.

Interviewer: where are you from?

Delyn: I'm from Spain.

Interviewer: nice place! I've been there once, I love Spanish food.

Delyn: yeah, we have nice food!

Interviewer: So how long have you been working in China? What makes you come here then?

Delyn: I've been working here for more than four years. But I'm not always here, I'm kind of flying back and forward. That's for my business. You know, China is a huge factory.

Interviewer: could you talk about your work please?

Delyn: sure, I do international trade, basically speaking importing some kinds of small electronics from China to Spain, and also we started to sell some Spanish wines here in China.

Interviewer: like outsourcing kind of thing?

Delyn: kind of, it's more like what you called 倒爷(purchasing/distributing agents)

Interviewer: Could you talk about how's your life in China like?

Delyn: it's been great! I like it here! People here are really nice to me and my partner. Managers of the factory, which I purchase from, often ask me to have dinner or lunch together. Oh, can't ignore Chinese food, I love the food here, and the rice wine. Every time I come, they will bring me to different restaurants, nice bars, and hot spas. Life here in China is just so colorful. Every day is different.

Interviewer: ha-ha, yeah. How do you feel about that factory then?

Delyn: the factory? They are really busy. Their production lines are always filled with all sorts of offers.

Interviewer: you talked about you guys always have meals together, how do you feel about that?

Delyn: I've heard about how friendly Chinese people are even before I first came here, and also it's a 礼仪之邦 (a country with culture and rituality)

Interviewer: yes, we are

Delyn: And I'm also their customer, I'm actually really appreciated for what they do. But every time we go out, they just won't allow me to pay for the bill.

Interviewer: that's the Chinese way of showing our kindness.

Delyn: I know, so sometimes, I'll do the same thing. And they ask me out again later on, it's like taking turns. Every time, it takes a long time for the waiter to figure out which person is going to pay the bill. Ha-ha.

Interviewer: ha-ha it is really typical! When I go out with my friends we'll have the same problem!

Delyn: I'm used to it already!

Interviewer: is it very different from your country?

Delyn: not quite, coz when they come to Spain, I do the same thing. It's a good way of maintaining our guanxi I think

Interviewer: you just mentioned guanxi, so you've heard about guanxi?

Delyn: sure, I'm in China!

Interviewer: ha-ha, so it's like a must have?

Delyn: um, as what I see, Chinese people have a tight relationship with family and friends, it's kind of similar to Spanish.

Interviewer: so have you personally dealt with guanxi?

Delyn: oh, sure, I have.

Interviewer: could you talk about it?

Delyn: ha-ha, you are not a spy, right?

Interviewer: do I look like one??

Delyn: ha-ha, ok. It's kind of private but I can tell you my story though.

Interviewer: thank you!!

Delyn: 没问题! (No problem!) When I first came here, I went to many factories with my product offer. Well, by myself. But, they refused to provide a sample, all of them!

Interviewer: what? Why?? You brought them business right?

Delyn: I asked them the same question too! Why?!

Interviewer: and what did they say?

Delyn: they told me they got too many offers. They didn't have time to provide me a sample at all.

Interviewer: how can a factory have too many offers???

Delyn: that's right! So I went back and became quite depressed. Lucky me, I got to know this Chinese guy living in my friend's house at that time. I asked him to come to my house for dinner, and he's quite interested in my plan too. So the second time, I brought him with me. Guess what, it turned out to be his dad knew a some of factories which could produce my offer.

Interviewer: you mean he has connection with some factories?

Delyn: yes. So he brought me to this factory, and got the sample made.

Interviewer: how?

Delyn: they just made it for me. That's simple.

Interviewer: so did you ask this friend why other factories won't do it for you?

Delyn: of course I did.

Interviewer: so what is the answer?

Delyn: because making sample does time and effort, and a sample doesn't necessarily bring them offer. They are already too busy with the existing offers.

Interviewer: oh.. So it's guanxi solved your problem.

Delyn: and brought my business, more importantly!

Interviewer: that's right! What about presents? Have you ever exchange

presents with your Chinese partner?

Delyn: of course. Every time I come to China, I'll bring some Spanish wine and local gifts for my Chinese partner and the factory.

Interviewer: do they like them?

Delyn: oh, yeah! They like them very much! They got me Chinese presents too, 温州鸭舌头(special made duck tongues) , very nice!

Interviewer: ha-ha, that's special! I like them too.

Delyn: I love Chinese food, ha-ha!

Interviewer: since you have exchanged presents with your Chinese partner, you must have an idea what kind of presents they prefer, right?

Delyn: um, hard to say, because I don't know they like it for politeness or they really like them...

Interviewer: just according to your experience, what kind of presents is expected from foreign companies?

Delyn: having lunches, dinners with them, and drink with them is more important than the presents I think!

Interviewer: ha-ha, I can see you know a lot about our culture!

Delyn: ha-ha, sure! Don't forget I have a Chinese partner! He told me Chinese people like to get business done at dining tables.

Interviewer: exactly! What else do they expect to get from foreigners?

Delyn: some kind of unique presents, like cigars? Maybe.

Interviewer: why?

Delyn: maybe because you don't really make cigars here? I don't know. It's just my own experience.

Interviewer: what kind of experiences, could you talk about it?

Delyn: yes, I can. When we sell our other products in China, banks are a very important channel, so we have to keep a good guanxi with them. We give them cigars.

Interviewer: and it works well?

Delyn: so far so good. And besides, we bring them to dinner regularly too. My Chinese partner does all these stuff. I just need to be there and have a couple of drinks with them, and we are all happy! Chinese people are easy to get along, especially on the dining table.

Interviewer: ha-ha you are getting close to a real Chinese though!

Delyn: I hope so, ha-ha

Interviewer: Can you think of other presents that are accepted from foreign companies?

Delyn: um, as I said before, some local Spanish presents.

Interviewer: what about presents that are not acceptable?

Delyn: I don't know, I've never pissed them off though!

Interviewer: did your Chinese partner tell you what kind of presents Chinese managers would not accept?

Delyn: um, let me think...

Interviewer: sorry for my questions...

Delyn: it's alright, but it is indeed not easy to answer.

Interviewer: what about money would you give money?

Delyn: oh, this is the thing I got quite confused. When you are invited to a Chinese wedding, you give them money, am I right?

Interviewer: yup!

Delyn: it seemed you have certain rules for these sorts of things. What else, um, Chinese new year?

Interviewer: ha-ha, you know a lot. Well, that's only for kids.

Delyn: but my partner told me, better not be money, otherwise it wouldn't be the guanxi we prefer...

Interviewer: you mean with your factory and the banks?

Delyn: yah! See? So confused!

Interviewer: ha-ha, did he tell you why?

Delyn: he ever explained to me, but I'm pretty sure I didn't get it last time...
so still I don't know why. We just don't give out money for presents.

Interviewer: so money would be one thing they won't accept?

Delyn: probably, but, in some case it may work I think, depends on the type
of guanxi. But even I am still confused. I won't try it.

Interviewer: ha-ha, ok. Anything else he told you not to give out?

Delyn: I remember he told me, fake things like fake Gucci, or something like
that won't be a good idea. Coz you know so many fake things are made here.
Oh I don't mean to offend you... I mean...

Interviewer: it's alright, that's true though. So no pirate stuffs?

Delyn: no pirate stuffs!

Interviewer: ok, can you think of any mistakes foreign managers may have
when dealing with guanxi?

Delyn: um, it's a tough question.

Interviewer: just according to your experiences.

Delyn: you need to build the guanxi, and then be able to maintain it. Having meals with them, have a couple of drinks with them. This is very important. So maybe, not having meals or drinks with them would be a mistake?

Interviewer: you mean they need to adapt the Chinese culture?

Delyn: exactly! Don't make them feel you are too different from them. You need to understand their way of doing things, and follow their pattern. Sometimes, no, many times, presents won't make things pretty as other little things. Like making some greeting phone calls regularly, having dinner, and having drinks. Sometimes, even just talking to my partner's kids in Spanish makes him pretty happy. You know, don't push your guanxi towards money and benefits too much. You are Chinese, you should know you got so many things a lot more important than money or gifts.

Interviewer: yeah! You've learnt your lessons pretty well!

Delyn: yeah, sure! I paid for it! (Laughed) it's the culture! Foreign managers need to understand the Chinese culture, in order to understand the way of doing business here.

Interviewer: totally agreed! If they don't understand the culture, they'll never be able to understand our behavior, like why we give out gifts, why we don't just do it the western way.

Delyn: sure, and if you understand the real reason behind, you'll find your life a lot easier. Of course, you need to make yourself be more like a Chinese first. I'm pretty lucky, I got to know a Chinese as my partner. Otherwise I had to learn it from scratch, it's gotta kill me! (Laughed)

Interviewer: ha-ha, not gotta be that hard. You respect our culture, that's already half way there!

Delyn: oh, sure, but you know, Spanish people from one hand are quite like the Chinese, we have a tight relationship too. Not like the English, or American.

Interviewer: that's great! That's how you fit in so well here in China though!

Delyn: yep! I guess so. I didn't struggle much all the way through.

Interviewer: ok, any other mistakes a foreigner may have?

Delyn: um, they need to open up their eyes, coz not all the factories here make high quality products. I have my partner get all these kinds of things under control. Lucky me! But I wouldn't say most foreigners would be lucky as me. So when do outsourcing, be really careful! We only want competitive products, not rubbish! Excuse my words!

Interviewer: it's ok, we do have this kind of problem currently. So this is your recommendation for foreign managers?

Delyn: yep! Be really careful!

Interviewer: do you have other recommendations for them?

Delyn: recommendations, ha-ha, makes me feel like a professional.

Interviewer: you are really a professional!

Delyn: ok, I'll think professional! Um, they thing is not everyone is lucky as me. If they could find a good Chinese partner, that will be great! But when they got the wrong one, like Fonterra, they are really dead!

Interviewer: right! You know about that?

Delyn: sure, everyone knows it in China! I don't know what Fonterra's going to do next.. Sanlu is really ruining the whole thing, no it already did.

Interviewer: yep, that's a bad example! So you recommend them to find an appropriate Chinese partner?

Delyn: yes, but it's easy to say, not so easy to do. So be careful too!

Interviewer: how do they find the right person then?

Delyn: I don't know, this one, I really don't know. I got to know my partner by accident. And I chose to trust him, and everything went really well. But as I said, I'm the lucky one! (Laughed, happily)

Interviewer: ha-ha, alright! Sure you are the lucky one! So do you think guanxi is important in China? I mean when doing business.

Delyn: of course, it is important! It is very important!

Interviewer: why? I know you've answered part of this question, are there any other reasons making you think so?

Delyn: ha-ha, I just got an example. My Chinese partner just got a new BMW,

and you know in shanghai you can't have your plate done straight way?

Interviewer: yup! You need to go to an auction.

Delyn: yep, an auction. But not simple like you call for a price, and then you got it. There are so many people looking for it. So my partner went to a friend who has connection with the person who's in charge of this kind of things. And I don't know what they did, but he knew he's going to have certain plate beforehand. But he wouldn't tell me the secret... see how important it is? Even through little things like this!

Interviewer: I see! So it is very important for now! What about in the future? Do you see it increasing or decreasing?

Delyn: in the future, I don't know, it's hard to say. But to be honest, I don't really see it decreasing.

Interviewer: why?

Delyn: because there are more and more people! Not only is the Chinese population, but more foreigners coming to China too. More people means more competition, how could the use of guanxi decrease?

Interviewer: ok, the population, any other reasons?

Delyn: but on the other hand, the Chinese government is doing a lot of things to decrease bureaucracy. So it may offset some of the effect, um, from the increasing competition.

Interviewer: but you still see it increasing?

Delyn: I'm not sure about this, it could remain the same. But I don't see it decreasing, at least not in a few decades.

Interviewer: alright! Besides the government, could you think of any other factor that could decrease the use of guanxi?

Delyn: um, decreasing factors, maybe, I don't know... it's hard to think of any..

Interviewer: what about some reasons related to the economy?

Delyn: actually I see it as one of the increasing factors.

Interviewer: oh? Why?

Delyn: why not, fast moving economy brings more opportunities, more opportunities means more benefits related, which causes more competition, and that makes guanxi more complicated!

Interviewer: nice logic! So there are more increasing factors then?

Delyn: yes, I guess so.

Interviewer: ook, I think this is pretty much everything I'm looking for. Thanks a lot for your participation. I'm really appreciated!

Delyn: you are welcome!

Appendix 10: Transcripts for Foreign E

Interviewer: Hi Elle, this is Katie, a friend of Guo Jinlong, I'm doing a research in relationship marketing, is it ok for you to do an interview with me?

Elle: hi Katie

Interviewer: nice to meet you Elle!

Elle: Me too. What is the interview about?

Interviewer: it's about how you feel about Guanxi. It won't take long, maybe just an hour

Elle: ok, sure

Interviewer: thanks a lot! Can we start now?

Elle: sure

Interviewer: Can you talk a little bit about yourself first?

Elle: what do you need to know?

Interviewer: like some basic information, and your work, Jinlong told me you are half Chinese, right?

Elle: yeah, why don't you ask me specific questions.

Interviewer: ok

Elle: also tell me the purpose of your interview

Interviewer: yep

Elle: what do you study?

Interviewer: I'm doing a Master in Marketing, this interview is to get some information about how foreign managers could do guanxi better in China

Interviewer: so you are working in China?

Elle: yes

Interviewer: for how long? What do you do then?

Elle: it's been three years. I'm working at an Australian investment company

Interviewer: so you must have dealt with guanxi then?

Elle: yeah

Interviewer: Can you talk about it? How do you define it? How do you feel about it?

Elle: I think in order to get things done efficiently in china, you need to know people

Interviewer: why?

Elle: it makes it easier for something to happen if you know the person who can make it happen

Interviewer: do you have examples?

Elle: what areas do you want to focus on?

Elle: for instance, sales

Interviewer: business, thanks for your understanding~

Elle: if you want to sell something to someone, and that item is expensive, like property, etc

Interviewer: ok?

Elle: then if you know wealthy people, your sales can be more successful

Interviewer: you mean a wealthy customer?

Elle: yeah

Elle: if they know you, then they are more likely to buy from you than a stranger would be

Interviewer: ok~ got it

Elle: if you know them, they trust you, more than a stranger would

Interviewer: so you think guanxi is kind of "must have" thing if a foreigner wants to do biz in China

Elle: definitely, also, to get things done sometimes you need government approval

Interviewer: oh? Can you explain a bit more?

Elle: I know a golf course design company

Interviewer: ok~

Elle: they wanted to make a course near an airport

Interviewer: is it a foreign company?

Elle: yes

Interviewer: ok

Elle: and they needed government approval to build the golf course

Elle: at first they thought it was okay, and then later there were problems

Interviewer: what problem?

Elle: problems like land use, ownership, because their guanxi wasn't strong enough

Interviewer: oh..

Elle: they weren't able to build due to some government restrictions

Interviewer: so they didn't actually get through

Elle: no they didn't. Another thing about guanxi, I have a friend who worked for a foreign company

Interviewer: ok

Elle: he used to make cold calls to companies, um, he is foreign but speaks Chinese well.

Interviewer: sorry, what do you mean by cold calls

Elle: cold calling is when you call companies, sometimes the purpose is to make sales

Interviewer: yep~ got it

Elle: he would try to talk to executives

Elle: first of course he had to get past the secretary or PA. You don't know the company at all. And they don't know you

Interviewer: ok

Elle: anyway because they didn't know him, it was difficult

Interviewer: ok

Elle: the secretary would ask, do you know my boss? And he said no, and they wouldn't let him talk

Interviewer: oh, so did he say yes instead?

Elle: I'm not sure. But I think that his story demonstrates guanxi - you have to know people

Interviewer: ok, that's a good example~

Elle: or they don't want to deal with you

Interviewer: how do you feel about guanxi? is it very different from what you would normally do in Australia?

Elle: yes it's different from Australia

Interviewer: How?

Elle: in my textbooks at uni, I studied international business. There was often a section on guanxi

Interviewer: interesting!

Elle: so obviously it's different from Australia, if it's in text books

Interviewer: Is it how you get to know guanxi?

Elle: yeah I guess. I became aware of the concept of guanxi through these

books

Interviewer: how did you feel?

Elle: it made me realize that doing business in china is very different from Australia

Interviewer: yep.

Elle: the same rules that apply here don't necessarily apply in china

Interviewer: more specific?

Elle: in china, you get to know your business partners first - make friends I guess, and then do business with them

Interviewer: Have you made a lot of friends, I mean partners in China?

Elle: I made some contacts, yes

Interviewer: How were things like when you first came to China? Any difficulties?

Elle: I could speak Chinese already, so it was less of a linguistic barrier

Interviewer: what about other things like guanxi with your Chinese partners?

Elle: yeah, understanding the culture was harder.

Interviewer: coz it's so different from Australia right?

Elle: yeah, i used to work in an office with Chinese people

Interviewer: ok?

Elle: it seems that the boss and the employees don't share that much information

Interviewer: what do you mean?

Elle: I mean, employees give the boss information, but they don't really know much about exactly what is going on

Interviewer: ok, so you're used to sharing info then?

Elle: well, I think that the style of the office is different

Interviewer: how?

Elle: western companies would probably make sure people know the company goals. So everyone can work together on it

Elle: in my experience, it seems everyone is working on something different and only the boss knows exactly what is happening

Interviewer: ok

Elle: or, you could say, the boss only lets you know 10% of what they know

Interviewer: ha-ha, that's interesting; maybe that's how things work in China.
Do you know why?

Elle: someone explained it to me as the boss doesn't want employees to know too much, or they can become boss. There is a book, "think like Chinese"

Interviewer: you've done your homework before you came then~

Elle: yeah.

Interviewer: how did you feel about it? By the time you have your contacts, did you feel things are much easier?

Elle: I think when you know contacts, then they can help you meet others.
Coz they probably have many contacts themselves.

Interviewer: right!

Elle: once you are in the circle it's easier to get more contacts

Interviewer: so their guanxi is like a group~

Elle: what have you discovered in your research?

Interviewer: Can I tell you later on? Coz otherwise it can be bias for you

Elle: ok sure

Interviewer: do you have examples? How your contacts help you with your work?

Elle: ok so I think that guanxi with one person can open the doors to guanxi with others, that are in their guanxi group

Interviewer: right, have you been offered this kind of doors then?

Elle: I guess, people say, I can help you if you have problems

Interviewer: ok

Elle: so that might be their offer?

Interviewer: yeah, seems like.

Elle: they don't specify exactly what

Interviewer: have you asked?

Elle: not really

Interviewer: how do you feel about gifts? have you exchange gifts with your Chinese partner or friends?

Elle: gift giving is important in Chinese culture

Interviewer: ok, what makes you think so?

Elle: well you have to show that you are willing to give in the relationship. It shows good feelings

Interviewer: so it's a kind of signal of friendship?

Elle: gift giving is also common in industries such as construction in Australia, or property.

Interviewer: ok

Elle: also, maybe they are trying to make a favorable impression. So that future dealings will be easier

Interviewer: it's like a worming up of their relationship then. So have you exchange gifts with Chinese?

Elle: well, the company I worked for was Australian, but most of the staff including the chairwoman were Chinese

Interviewer: oh, ok

Elle: so it's a bit different to an entirely Chinese company, or an entirely foreign company

Interviewer: interesting~ how does it work then?

Elle: I'm not too sure, but part of the company budget is used to take friends and clients to lunch, one man got a monthly allowance

Interviewer: do you think it's a very common budget in China?

Elle: I'm not too sure but i wouldn't be surprised if it was

Interviewer: ha-ha, ok, so you've done it as well?

Elle: yeah.

Interviewer: so you must know what kind of gifts would be expected from a foreign company?

Elle: maybe something from their country

Interviewer: such as? For instance, from Australia

Elle: I know an Australian man selling corporate gifts, he sells aboriginal style stuff. We give out aboriginal stuff too.

Interviewer: cool. Something else?

Elle: some people give wines

Interviewer: maybe sheep skins too?

Elle: yes, and lanolin cream - a moisturizer

Interviewer: what about gifts accepted and not acceptable?

Elle: sheep skin blankets are also ok

Interviewer: that's right. I used to bring them back from NZ too~

Elle: I know that it's not good to give a Chinese person a clock

Interviewer: ha-ha~ you really know our culture~ anything else?

Elle: a lot of real business is done during dinners or at karaoke, after hours stuff

Interviewer: yeah, the Chinese style.

Elle: this is where it differs from western culture, where most things happen in meetings in the office

Interviewer: that's right! So maybe having dinners and karaoke would be part of the gifts?

Elle: yeah, that's why there is a budget for it

Interviewer: exactly~

Elle: if you offer to pay sometimes in china, it can be insulting to the host

Interviewer: so, don't pay when they pay for it?

Elle: if they qing ke (offer to pay) then you shouldn't try to pay

Interviewer: and what about qingke (pay back) back? I mean do they need to?

Elle: (at the same time) but you could offer another time in the future if it's appropriate. Maybe invite them out

Interviewer: ha-ha, that's exactly what I asked

Elle: ha-ha yeah

Interviewer: so guanxi is about a long term relationship thing, it's never a one off thing right?

Elle: yeah, you build the relationship. So that you can do more business together in the future

Interviewer: exactly! Can you think of common mistakes of foreign companies trying to apply guanxi in China?

Elle: they try to rush the business side; instead they should try to get to know their business partner

Interviewer: as you just said: build the relationship, right?

Elle: yes, or expecting Chinese companies to adapt to the western way

Interviewer: so it could be-not knowing our culture, or our way of doing business?

Elle: also, drinking is a big part of business in china. If you drink with the Chinese, it is better

Interviewer: haha, yeah! It is! Do you know why?

Elle: you are more open when you are drunk. It shows your real character

Interviewer: exactly!

Elle: so if they can trust you when you are drunk. It's good

Interviewer: ha-ha, it's hard to control tho~

Elle: sometimes people sign contracts when they are drunk

Interviewer: yeah, we do it in China

Elle: I know, Chinese do it to Chinese hehe. Chinese people taught me this

Interviewer: you've learnt a lot. Any other mistakes you could think of?

Elle: it was very educational

Interviewer: sorry, how long have you been working in China again?

Elle: I worked there for three year. But I worked for a company. I went there for a trip last November to December for 2 weeks or so

Interviewer: cool~ how important is guanxi when doing business in China do you think?

Elle: if you don't have it, it's very difficult to do business

Interviewer: ok

Elle: because if you are an outsider, people don't want to do business with you. They don't know you so they don't trust you

Interviewer: so it's an issue of trust~ so can I say it's very important in your

opinion?

Elle: yes it's very important

Interviewer: how do you predict the trend of it then? increasing? decreasing?

Elle: you mean guanxi becoming more important?

Interviewer: yep~

Elle: i think it depends on who the company is, Chinese companies who only deal with Chinese will still value the guanxi system, but Chinese companies who deal with foreign companies will probably rely on it less

Elle: to foreign companies, guanxi in china will still be very important

Interviewer: so it won't change, I mean the importance of guanxi

Elle: um, more and more foreign companies will try to get into china, so the better your guanxi, the better deals you can get

Interviewer: you think?

Elle: i think it will become more important. But it could also go the other way

Interviewer: How?

Elle: the more foreign companies enter, the more Chinese companies might become comfortable with doing business with foreigners, so they are less selective

Interviewer: oh, yep!

Elle: it might be easier to make guanxi, for foreign companies

Interviewer: hmmm, that's right, it could go either way

Elle: I'm not sure what the future will bring

Interviewer: who knows~ we can only predict

Elle: hehe, yep!

Interviewer: can you think of any other factors that could decrease the use of guanxi in the future?

Elle: if things like the government approval becomes more transparent

Interviewer: ok?

Elle: like, if anyone can apply for something. Not just only if you know the government

Interviewer: guanxi might be useless by then~

Elle: yeah

Interviewer: do you see it happen?

Elle: maybe not in a few years.

Interviewer: alrightee, the last question~ any recommendations to other foreign managers who are interested in coming to China regarding guanxi?

Elle: having local partners makes the process a lot easier

Interviewer: most of my interviewers suggested that, anything else?

Elle: speak to foreign companies who are over there already

Interviewer: right!

Elle: they may also be able to help, and they will have experience in dealing in china

Interviewer: from the same country? Do you think it would be better if they learn a bit Chinese culture

Elle: i think it is essential for anyone going to any country to learn about the local culture, especially if you are going to do business there and the country is very different from your own

Interviewer: strongly agree~ anything you want to add about guanxi?

Elle: it's an ingrained part of Chinese culture

Interviewer: ok?

Elle: i think it'd be hard to eliminate entirely for quite some time

Interviewer: yep!

Elle: and guanxi also exists in other countries

Interviewer: in Aussie culture as well?

Elle: there's a saying, it's not about what you know, but who you know

Interviewer: exactly!

Elle: cool

Interviewer: Thanks a lot for your time and efforts, Elle~ I'm really appreciated!

Elle: no worries

Elle: let me know what you use it for

Interviewer:

I can send you the result of my research when I get all the feedbacks~

Elle: great!

Appendix 11: Questionnaire for foreign managers

Dear participant,

This is a pilot study aiming at helping foreign companies understand the nuances of doing business in China. Therefore we appreciate your honest answers.

Your response will be completely anonymous. You are not asked either your company name, nor your name, nor your business partner's name. Your responses will be strictly confidential and only serve scientific purposes.

Thank you very much for your participation.

Please think about the most recent or current project undertaken with a Chinese partner.
Please answer the following questions in respect to that particular project. Your answers are anonymous and results will be used for academic purposes only.

1. I feel very attached to this Chinese business partnership.

strongly disagree	disagree	somewhat disagree	neither disagree nor agree	somewhat agree	agree	strongly agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2. I am very committed to this Chinese business partner.

strongly disagree	disagree	somewhat disagree	neither disagree nor agree	somewhat agree	agree	strongly agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. I would be willing to go the 'extra mile' for this Chinese business partner.

strongly disagree	disagree	somewhat disagree	neither disagree nor agree	somewhat agree	agree	strongly agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. I would be willing to recommend this Chinese business partner to other organizations.

strongly disagree	disagree	somewhat disagree	neither disagree nor agree	somewhat agree	agree	strongly agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5. I am very happy with this Chinese business partnership.

strongly disagree	disagree	somewhat disagree	neither disagree nor agree	somewhat agree	agree	strongly agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6. I am pleased with the relationship I have with this Chinese business partner.

strongly disagree	disagree	somewhat disagree	neither disagree nor agree	somewhat agree	agree	strongly agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

7. I am very satisfied with the relationship with this Chinese business partner.

strongly disagree	disagree	somewhat disagree	neither disagree nor agree	somewhat agree	agree	strongly agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

8. The relationship I have with this Chinese business partner has been very good value.

strongly disagree	disagree	somewhat disagree	neither disagree nor agree	somewhat agree	agree	strongly agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<input type="checkbox"/>						
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9. I believe this Chinese business partner can be relied upon to keep their promises.

strongly disagree	disagree	somewhat disagree	neither disagree nor agree	somewhat agree	agree	strongly agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

10. I would find it necessary to be cautious in dealing with this Chinese business partner.

strongly disagree	disagree	somewhat disagree	neither disagree nor agree	somewhat agree	agree	strongly agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

11. Overall, I believe this Chinese business partner to be honest.

strongly disagree	disagree	somewhat disagree	neither disagree nor agree	somewhat agree	agree	strongly agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

12. I believe this Chinese business partner is trustworthy.

strongly disagree	disagree	somewhat disagree	neither disagree nor agree	somewhat agree	agree	strongly agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

13. Did this Chinese business partner give you any gifts at the beginning of your relationship?
Yes No

14. Over the entire period of your relationship with this Chinese business partner, what gifts have you received from them. Please list

- | | |
|----------|----------|
| a) _____ | d) _____ |
| b) _____ | e) _____ |
| c) _____ | f) _____ |

15. How often do you and this business partner normally socialise during a six month period?

Never	1-2 times	3-4 times	5-6 times	6-7 times	8-9 times	10+ times
<input type="checkbox"/>						

16. Have you ever received any gifts from this Chinese business partner that were inappropriate?
Yes No

17. If you have received inappropriate gifts what were they? Please list

- a) _____

b) _____
 c) _____

18. Do you think that this Chinese business partner has ever been too quick to try to complete a business deal? Yes No

19. Has this Chinese business partner ever unintentionally insulted you? Yes No

20. If this business partner has unintentionally insulted you what did they do? Please list

a) _____
 b) _____
 c) _____

21. Have you ever given any gifts to this Chinese business partner? Yes No

22. To what extent to you think the response to your gift(s) was appropriate

highly inappropriate	inappropriate	somewhat inappropriate	neutral	somewhat appropriate	appropriate	highly appropriate
<input type="checkbox"/>						

23. What was the response(s)? Please list

a) _____
 b) _____
 c) _____

24. To what extent would you feel comfortable introducing this business partner to other business colleges?

highly uncomfortable	somewhat uncomfortable	uncomfortable	neutral	comfortable	somewhat comfortable	highly comfortable
<input type="checkbox"/>						

25. Has this business partner introduced you to other businesses partners? Yes No

26. How many times have you **given** each of the following types of gift to this Chinese business partner over the past year?

Number of times

Non Shared Experiences (i.e concerts tickets) _____

Share Experiences (i.e. shared restaurant meal) _____

Material gifts

Alcohol _____

Food/supplements _____

Jewellery/perfume/makeup _____

Please indicate the degree to which gift was a luxury item						
Not a Luxury	Neutral			Definitely Luxury		
1	2	3	4	5	6	7
1	2	3	4	5	6	7
1	2	3	4	5	6	7
1	2	3	4	5	6	7
1	2	3	4	5	6	7
1	2	3	4	5	6	7

Souvenir _____ 1 2 3 4 5 6 7
 Other please specify _____ 1 2 3 4 5 6 7
 Other gift please specify _____ 1 2 3 4 5 6 7

27. How many times have you **received** each of the following types of gift from this Chinese business partner over the past year?

Number of times

Non Shared Experiences (i.e concerts tickets) _____
 Share Experiences (i.e. shared restaurant meal) _____
 Material gifts
 Alcohol _____
 Food/supplements _____
 Jewellery/perfume/makeup _____
 Souvenir _____
 Other please specify _____
 Other gift please specify _____

Please indicate the degree to which gift is a luxury or high quality item						
Non Luxury	Neutral			Definitely luxury		
1	2	3	4	5	6	7
1	2	3	4	5	6	7
1	2	3	4	5	6	7
1	2	3	4	5	6	7
1	2	3	4	5	6	7
1	2	3	4	5	6	7

28. To what extent do you feel that the gifts that you have received from this Chinese business partner have been of a similar quality and standard to the gifts you have given?

much poorer quality	poorer quality	slightly lower quality	neutral	slightly higher quality	better quality	much higher quality
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

29. How long has this business partnership been operating in China?

0-3 months	4-6 months	7-9 months	10-12 months	between 1-2 years	2+ years
<input type="checkbox"/>					

30. How important is guanxi in your relationship with this partner

highly unimportant	moderately unimportant	somewhat unimportant	neutral	somewhat important	moderately important	highly important
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

31. How important is guanxi to business success in China?

highly unimportant	moderately unimportant	somewhat unimportant	neutral	somewhat important	moderately important	highly important
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

32. To what extent do you think that this Chinese business partner understands your country's business etiquette?

highly unimportant	moderately unimportant	somewhat unimportant	neutral	somewhat important	moderately important	highly important
<input type="checkbox"/>						

33. What is your prediction as to the future importance of guanxi in China?

Definitely decrease	decrease	Maybe decrease	No change	Maybe increase	increase	Definitely increase
<input type="checkbox"/>						

34. What country is your organization from? _____

35. How large is your organization in relation to number of employees?

0-25	26-50	51-75	76-100	100-200	201-1000	1000+
<input type="checkbox"/>						

36. Is your company a publically owned (government) or a privately owned organization?

Public Private

37. How would you define the type of industry your organization is in? (i.e. construction, retail, agricultural etc) _____

38. What recommendations would you have to foreign organizations and their managers who are interested in coming to China regarding guanxi?

Thank you very much for your assistance

Appendix 12: Questionnaire for Chinese managers

Dear participant,

This is a pilot study aiming at helping foreign companies understand the nuances of doing business in China. Therefore we appreciate your honest answers.

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Thank you very much for your participation.

Please think about the most recent or current project undertaken with a foreign partner. Please answer the following questions in respect to that particular project. Your answers are anonymous and results will be used for academic purposes only.

1. I feel very attached to this foreign business partnership.

strongly disagree	disagree	somewhat disagree	neither disagree nor agree	somewhat agree	agree	strongly agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2. I am very committed to this foreign business partner.

strongly disagree	disagree	somewhat disagree	neither disagree nor agree	somewhat agree	agree	strongly agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. I would be willing to go the 'extra mile' for this foreign business partner.

strongly disagree	disagree	somewhat disagree	neither disagree nor agree	somewhat agree	agree	strongly agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. I would be willing to recommend this foreign business partner to other organizations.

strongly disagree	disagree	somewhat disagree	neither disagree nor agree	somewhat agree	agree	strongly agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5. I am very happy with this foreign business partnership.

strongly disagree	disagree	somewhat disagree	neither disagree nor agree	somewhat agree	agree	strongly agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6. I am pleased with the relationship I have with this foreign business partner.

strongly disagree	disagree	somewhat disagree	neither disagree nor agree	somewhat agree	agree	strongly agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

7. I am very satisfied with the relationship with this foreign business partner.

strongly disagree	disagree	somewhat disagree	neither disagree nor agree	somewhat agree	agree	strongly agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

8. The relationship I have with this foreign business partner has been very good value.

strongly disagree	disagree	somewhat disagree	neither disagree nor agree	somewhat agree	agree	strongly agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

9. I believe this foreign business partner can be relied upon to keep their promises.

strongly disagree	disagree	somewhat disagree	neither disagree nor agree	somewhat agree	agree	strongly agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

10. I would find it necessary to be cautious in dealing with this foreign business partner.

strongly disagree	disagree	somewhat disagree	neither disagree nor agree	somewhat agree	agree	strongly agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

11. Overall, I believe this foreign business partner to be honest.

strongly disagree	disagree	somewhat disagree	neither disagree nor agree	somewhat agree	agree	strongly agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

12. I believe this foreign business partner is trustworthy.

strongly disagree	disagree	somewhat disagree	neither disagree nor agree	somewhat agree	agree	strongly agree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

13. Did this foreign business partner bring any gifts at the beginning of your relationship?

Yes No

14. Over the entire period of your relationship with this foreign business partner, what gifts have you received from them. Please list

- a) _____ d) _____
b) _____ e) _____
c) _____ f) _____

15. How often do you and this business partner normally socialise during a six month period?

Never	1-2 times	3-4 times	5-6 times	6-7 times	8-9 times	10+ times
<input type="checkbox"/>						

16. Have you ever received any gifts from this foreign business partner that were inappropriate?

Yes No

17. If you have received inappropriate gifts what were they? Please list

- a) _____
b) _____
c) _____

18. Do you think that this business partner has ever been too quick to try to complete a business deal? Yes No

19. Has this business partner ever unintentionally insulted you? Yes No

20. If this business partner has unintentionally insulted you what did they do? Please list
 a) _____
 b) _____
 c) _____

21. Have you ever given any gifts to this foreign business partner? Yes No

22. To what extent to you think the response to your gift(s) was appropriate

highly inappropriate	inappropriate	somewhat inappropriate	neutral	somewhat appropriate	appropriate	highly appropriate
<input type="checkbox"/>						

23. What was the response(s)? Please list

a) _____
 b) _____
 c) _____

24. To what extent would you feel comfortable introducing this business partner to other business colleges?

highly uncomfortable	somewhat uncomfortable	uncomfortable	neutral	comfortable	somewhat comfortable	highly comfortable
<input type="checkbox"/>						

25. Has this business partner introduced you to other businesses partners? Yes No

26. How many times have you **given** each of the following types of gift to this foreign business partner over the past year?

Number of times

Non Shared Experiences (i.e concerts tickets) _____

Share Experiences (i.e. shared restaurant meal) _____

Material gifts

Alcohol _____

Food/supplements _____

Jewellery/perfume/makeup _____

Souvenir _____

Other please specify _____

Other gift please specify _____

Please indicate the degree to which gift was a luxury item							
Not a Luxury	Neutral			Definitely Luxury			
	1	2	3	4	5	6	7
Non Shared Experiences (i.e concerts tickets)	1	2	3	4	5	6	7
Share Experiences (i.e. shared restaurant meal)	1	2	3	4	5	6	7
Alcohol	1	2	3	4	5	6	7
Food/supplements	1	2	3	4	5	6	7
Jewellery/perfume/makeup	1	2	3	4	5	6	7
Souvenir	1	2	3	4	5	6	7
Other please specify _____	1	2	3	4	5	6	7
Other gift please specify _____	1	2	3	4	5	6	7

27. How many times have you **received** each of the following types of gift from this foreign business partner over the past year?

	Number of times	Please indicate the degree to which gift is a luxury or high quality item						
		Non Luxury		Neutral				Very Luxurious
Non Shared Experiences (i.e concerts tickets)	_____	1	2	3	4	5	6	7
Share Experiences (i.e. shared restaurant meal)	_____	1	2	3	4	5	6	7
Material gifts								
Alcohol	_____	1	2	3	4	5	6	7
Food/supplements	_____	1	2	3	4	5	6	7
Jewellery/perfume/makeup	_____	1	2	3	4	5	6	7
Souvenir	_____	1	2	3	4	5	6	7
Other please specify _____	_____	1	2	3	4	5	6	7
Other gift please specify _____	_____	1	2	3	4	5	6	7

28. To what extent do you feel that the gifts that you have received from this foreign business partner have been of a similar quality and standard to the gifts you have given?

much poorer quality	poorer quality	slightly lower quality	neutral	slightly higher quality	better quality	much higher quality
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

29. How long has this business partnership been operating in China?

0-3 months	4-6 months	7-9 months	10-12 months	between 1-2 years	2+ years
<input type="checkbox"/>					

30. How important is guanxi in your relationship with this partner

highly important	moderately important	somewhat important	neutral	somewhat unimportant	moderately unimportant	highly unimportant
<input type="checkbox"/>	<input type="checkbox"/>					

31. To what extent do you think that this foreign business partner understands Chinese business etiquette?

highly important	moderately important	somewhat important	neutral	somewhat unimportant	moderately unimportant	highly unimportant
<input type="checkbox"/>	<input type="checkbox"/>					

32. How important is guanxi to business success in China?

highly important	moderately important	somewhat important	neutral	somewhat unimportant	moderately unimportant	highly unimportant
<input type="checkbox"/>	<input type="checkbox"/>					

33. What is your prediction as to the future importance of guanxi in China?

highly important	moderately important	somewhat important	neutral	somewhat unimportant	moderately unimportant	highly unimportant
<input type="checkbox"/>						

34. What country is your foreign business partner organization from? _____

35. How large is your organization in relation to number of employees?

0-25	26-50	51-75	76-100	100-200	201-1000	1000+
<input type="checkbox"/>						

36. Is your company a publically owned (government) or a privately owned organization?

Public Private

37. How would you define the type of industry your organization is in? (i.e. construction, retail, agricultural etc) _____

38. What recommendations would you have to foreign organizations and their managers who are interested in coming to China regarding guanxi?

Thank you very much for your assistance

Appendix 13: Questionnaire for Chinese managers-Translated Chinese version

您好，

十分感谢您百忙之中能抽出时间回复我们的问卷。

这份问卷是为了帮助外国企业了解中国经理人的办事方式，希望您可以真实的回答以下问题。问卷不会涉及任何您的隐私信息，包括您的姓名，您公司的名称以及您合作伙伴的名字，并且您的答案只将用于学术目的。

再次感谢您的参与！

回答以下问题时请参考最近您与您的商业合作伙伴的接触，和具体的合作项目。您的答案将只被用于学术研究。 谢谢！

1. 我感觉我和我的这个外国合作伙伴关系很好。

非常反对	反对	有点反对	不反对也不 同意	有点同意	同意	非常同意
<input type="checkbox"/>						

2. 我非常忠于我这个外国合作伙伴。

非常反对	反对	有点反对	不反对也不 同意	有点同意	同意	非常同意
<input type="checkbox"/>						

3. 我愿意跟我这个外国合作伙伴有更进一步的发展。

非常反对	反对	有点反对	不反对也不 同意	有点同意	同意	非常同意
<input type="checkbox"/>						

4. 我很愿意把我的这个外国合作伙伴介绍给其他公司。

非常反对	反对	有点反对	不反对也不 同意	有点同意	同意	非常同意
<input type="checkbox"/>						

5. 我们的相处很愉快。

非常反对	反对	有点反对	不反对也不 同意	有点同意	同意	非常同意
<input type="checkbox"/>						

6. 我非常高兴我们能有这样的关系。

非常反对	反对	有点反对	不反对也不 同意	有点同意	同意	非常同意
<input type="checkbox"/>						

7. 我对我们的关系十分满意。

非常反对	反对	有点反对	不反对也不 同意	有点同意	同意	非常同意
<input type="checkbox"/>						

8. 和这个外国合伙人的关系很值。

非常反对	反对	有点反对	不反对也不 同意	有点同意	同意	非常同意
<input type="checkbox"/>						

9. 我相信我的外国合伙人会信守承诺。

非常反对	反对	有点反对	不反对也不 同意	有点同意	同意	非常同意
<input type="checkbox"/>						

10. 我认为跟我的外国合伙人打交道时需要很小心。

非常反对	反对	有点反对	不反对也不 同意	有点同意	同意	非常同意
<input type="checkbox"/>						

11. 总的来说，我相信我的外国合伙人是个诚实的人。

非常反对	反对	有点反对	不反对也不 同意	有点同意	同意	非常同意
<input type="checkbox"/>						

12. 我认为我的外国合伙人是值得信任的。

非常反对	反对	有点反对	不反对也不 同意	有点同意	同意	非常同意
<input type="checkbox"/>						

13. 这个外国合作伙伴在你们相识之初送您礼物了吗？

有 没有

14. 在你们关系存续期间，您都收过您的外国合作伙伴什么样的礼物？请列举

a) _____ d) _____

b) _____ e) _____

c) _____ f) _____

15. 您和您的这位外国合作伙伴在六个月时间里大概会聚多少次？

从不	1-2 次	3-4 次	5-6 次	6-7 次	8-9 次	10 次以上
<input type="checkbox"/>						

16. 您有收过什么很不合时宜的礼物吗？

有 没有

17. 如果您收过不合时宜的礼物，请列举：

a) _____

b) _____

c) _____

18. 您觉得您的这位外国合作伙伴会不会只顾着你们之间的生意？

有 没有

19. 您的这位外国合作伙伴有没有做过无礼的事情？

有 没有

20. 如果他/她做过无礼的事情，请您列举：

- a) _____
- b) _____
- c) _____

21. 您有送礼物给这位外国合作伙伴吗？

有 没有

22. 您认为他/她收礼物时的反应合适宜吗？

很不合适	不合适	有点不合适	一般	还算合适	合适	非常合适
<input type="checkbox"/>						

23. 他/她的反应是什么呢？

- a) _____
- b) _____
- c) _____

24. 您会想要把您的这位外国合作伙伴介绍给自己的同事吗？

绝不会	应该不会	不会吧	不知道	会吧	应该会	肯定会
<input type="checkbox"/>						

25. 这位外国合作伙伴曾经把您介绍给他的同事或合作伙伴吗？

有 没有

26. 请选择过去一年里，您所送出以下每种礼物的频率

无形礼物： 次数：

演唱会/音乐会门票 _____

请客吃饭 _____

有形礼物：

酒 _____

食品/补品 _____

珠宝/香水/化妆品 _____

纪念品 _____

其他 _____

请指出每种礼物是否为奢侈品：						
不是	中性			是		
1	2	3	4	5	6	7
1	2	3	4	5	6	7
1	2	3	4	5	6	7
1	2	3	4	5	6	7
1	2	3	4	5	6	7

27. 请选择过去一年里，您收到以下每种礼物的频率

无形礼物： 次数：
 演唱会/音乐会门票 _____
 请客吃饭 _____
 有形礼物：
 酒 _____
 食品/补品 _____
 珠宝/香水/化妆品 _____
 纪念品 _____
 其他 _____

请指出每种礼物是否为奢侈品：						
不是	中性			是		
1	2	3	4	5	6	7
1	2	3	4	5	6	7
1	2	3	4	5	6	7
1	2	3	4	5	6	7
1	2	3	4	5	6	7
1	2	3	4	5	6	7

28. 您认为您收到的礼物和送出的礼物等值吗？

差多了	差些	差一点	一样	好一点	好些	好很多
<input type="checkbox"/>						

29. 在中国，您和这位外国合作伙伴的关系有多久了？

0-3 个月	4-6 个月	7-9 个月	10-12 个月	1-2 年之间	2 年以上
<input type="checkbox"/>					

30. 你们之间的关系对于你们的合作来说有多重要？

根本不重要	不重要	不太重要	一般	有点重要	重要	非常重要
<input type="checkbox"/>						

31. 您觉得您的这位外国合作伙伴了解中国的商业礼节吗？

完全不了解	不了解	不是很了解	说不好	有点了解	了解	非常了解
<input type="checkbox"/>						

32. 您认为在中国关系对于生意人来说重要吗？

根本不重要	不重要	不太重要	一般	有点重要	重要	非常重要
<input type="checkbox"/>						

33. 您认为关系的重要性会提高还是会降低？

肯定降低	降低	可能降低	不变	可能提高	提高	肯定提高
<input type="checkbox"/>						

34. 您的这位外国合作伙伴来自于哪个国家？ _____

35. 请选择您公司的规模：（以员工人数衡量）

0-25	26-50	51-75	76-100	100-200	201-1000	1000+
<input type="checkbox"/>						

36. 您的公司是国有企业还是私有企业？

国有 私有

37. 您公司属于哪个工业？（例如建筑，零售，农业等等）

38. 请您给即将来中国的外国经理人一些建议：

非常感谢您的参与！

Appendix 14: Reliability tables

Reliability figures for loyalty

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.888	.892	4

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
attached	15.68	11.432	.720	.545	.871
committed	15.73	9.654	.809	.659	.835
extramile	15.12	10.612	.804	.655	.840
recommend	15.57	9.864	.713	.522	.878

Reliability figures for Satisfaction

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.963	.963	4

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
happy	16.40	13.778	.888	.794	.957
pleased	16.24	12.548	.916	.845	.949
satisfied	16.37	12.862	.918	.844	.948
goodvalue	16.39	12.402	.916	.842	.949

Reliability figures for Trust

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.844	.837	4

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
promises	15.07	8.389	.805	.788	.743
coutious	16.67	12.486	.271	.095	.950
honest	15.02	8.464	.858	.823	.720
trustworthy	14.95	8.311	.850	.804	.722

Appendix 15: Regression tables

Regression 1: loyalty

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.785 ^a	.617	.559	.70148

a. Predictors: (Constant), howlong, comfortabletointroduce, beginninggift, insulting, introducedtoothers, giveoutgift, meetoften, similarquality, nationality

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	47.530	9	5.281	10.732	.000 ^a
	Residual	29.524	60	.492		
	Total	77.054	69			

a. Predictors: (Constant), howlong, comfortabletointroduce, beginninggift, insulting, introducedtoothers, giveoutgift, meetoften, similarquality, nationality

b. Dependent Variable: loyalty

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	3.035	.827		3.670	.001		
	nationality	.674	.343	.321	1.965	.054	.239	4.187
	beginninggift	-.042	.260	-.019	-.163	.871	.470	2.128
	meetoften	.253	.143	.165	1.769	.082	.736	1.359
	insulting	-2.371	.454	-.458	-5.221	.000	.831	1.204
	giveoutgift	-.214	.360	-.057	-.593	.556	.691	1.448
	comfortabletointroduce	.224	.086	.227	2.619	.011	.849	1.178
	introducedtoothers	-.140	.248	-.053	-.562	.576	.714	1.401
	similarquality	.101	.112	.094	.902	.371	.587	1.704
	howlong	-.005	.019	-.033	-.237	.814	.333	3.005

a. Dependent Variable: loyalty

Regression 2: satisfaction

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.807 ^a	.651	.599	.78123

a. Predictors: (Constant), howlong, comfortabletointroduce, beginninggift, insulting, introducedtoothers, giveoutgift, meetoften, similarquality, nationality

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	68.367	9	7.596	12.446	.000 ^a
	Residual	36.619	60	.610		
	Total	104.986	69			

a. Predictors: (Constant), howlong, comfortabletointroduce, beginninggift, insulting, introducedtoothers, giveoutgift, meetoften, similarquality, nationality

b. Dependent Variable: satisfaction

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.805	.921		1.959	.055		
	nationality	1.041	.382	.425	2.724	.008	.239	4.187
	beginninggift	.066	.290	.025	.226	.822	.470	2.128
	meetoften	.226	.160	.126	1.419	.161	.736	1.359
	insulting	-2.617	.506	-.433	-5.174	.000	.831	1.204
	giveoutgift	.204	.401	.047	.509	.613	.691	1.448
	comfortabletointroduce	.375	.095	.325	3.930	.000	.849	1.178
	introducedtoothers	-.089	.276	-.029	-.323	.748	.714	1.401
	similarquality	.134	.125	.107	1.074	.287	.587	1.704
	howlong	-.007	.021	-.043	-.325	.747	.333	3.005

a. Dependent Variable: satisfaction

Regression 3: trust

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.860 ^a	.739	.700	.57032

a. Predictors: (Constant), howlong, comfortabletointroduce, beginninggift, insulting, introducedtoothers, giveoutgift, meetoften, similarquality, nationality

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	55.195	9	6.133	18.855	.000 ^a
	Residual	19.516	60	.325		
	Total	74.711	69			

a. Predictors: (Constant), howlong, comfortabletointroduce, beginninggift, insulting, introducedtoothers, giveoutgift, meetoften, similarquality, nationality

b. Dependent Variable: trust

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.456	.672		3.653	.001		
	nationality	.282	.279	.136	1.010	.316	.239	4.187
	beginninggift	.137	.212	.062	.647	.520	.470	2.128
	meetoften	.016	.116	.011	.137	.891	.736	1.359
	insulting	-2.661	.369	-.522	-7.206	.000	.831	1.204
	giveoutgift	-.029	.293	-.008	-.098	.922	.691	1.448
	comfortabletointroduce	.270	.070	.277	3.869	.000	.849	1.178
	introducedtoothers	-.076	.202	-.029	-.376	.708	.714	1.401
	similarquality	.177	.091	.167	1.941	.057	.587	1.704
	howlong	.036	.016	.269	2.349	.022	.333	3.005

a. Dependent Variable: trust