



THE UNIVERSITY OF  
**WAIKATO**  
*Te Whare Wānanga o Waikato*

**Research Commons**

<http://researchcommons.waikato.ac.nz/>

## **Research Commons at the University of Waikato**

### **Copyright Statement:**

The digital copy of this thesis is protected by the Copyright Act 1994 (New Zealand).

The thesis may be consulted by you, provided you comply with the provisions of the Act and the following conditions of use:

- Any use you make of these documents or images must be for research or private study purposes only, and you may not make them available to any other person.
- Authors control the copyright of their thesis. You will recognise the author's right to be identified as the author of the thesis, and due acknowledgement will be made to the author where appropriate.
- You will obtain the author's permission before publishing any material from the thesis.

**CREATING SUCCESSFUL PARTNERSHIPS IN THE PEOPLE'S  
REPUBLIC OF CHINA: THE SIGNIFICANCE OF GUANXI  
CHARACTERISTICS IN THE RELATIONSHIP BUILDING PROCESS  
BETWEEN CULTURAL ENTREPRENEURS AND ART DEALERS**

A thesis

Submitted in fulfilment

of the requirements for the degree

of

**Doctor of Philosophy**

at

**The University of Waikato**

by

**JOELLA ALLOTT**



THE UNIVERSITY OF  
**WAIKATO**  
*Te Whare Wānanga o Waikato*

2016

## Abstract

This research investigated the process of *guanxi* development in business partnerships between art dealers and artists in the Beijing art industry. The characteristics of *guanxi* were identified at each stage of the relationships' development. They were then examined to identify which factors were the most influential. Finally, their effects on the business relationship were examined.

Qualitative data was collected through in-depth interviews over two years in three of Beijing's art districts. The transcribed and translated interviews were analysed using a grounded theory approach. This process was aided by qualitative software which enabled comparisons to be made between participants allowing theory to emerge.

It was found that there were two markets in the art industry, one based on the giving of gifts to gain favours and the second on private market forces. The former, the *painting gift culture*, was found to be corrupt and often connected to bribing government officials. Within this environment galleries used *guanxi* networks to locate new supply and artists used them to locate art dealers. This reduced cost in time and money but did not always provide a competitive advantage if the product did not suit the market.

Previous research has focussed primarily on the outcomes of *guanxi* as opposed to its development. To initiate business *guanxi* an intermediary was not necessary although it did facilitate the process. Of the three methods used to build *guanxi*, banqueting, gift giving and favours, it was found that banquets were most important at the first and second stages to initiate *guanxi* and build *ganqing* as the relationship evolved. It also played an important role in creating affective trust before cooperation began. Gift giving also increased *ganqing* at the second stage. Favours were most important after *guanxi* had consolidated and also contributed to an increase in *ganqing*.

Having good *guanxi* did not lead to cognitive trust, but it was needed for cognitive trust to develop. This paradox led to formulating the *Guanxi-Trust Model of Business Partnerships*. Due to a disposition to distrust *ganqing* was developed which led to affective trust in order to kick start the relationship. The decision to cooperate was based on ability, perceived risks and mutual benefits. As cognitive trust developed it was compartmentalised into ability, moral character and mutual benefit which determined the willingness to cooperate. Throughout the process *guanxi* contributed to affective trust whereas successful cooperation led to cognitive. Cognitive trust also increased *ganqing* which improved the pair's *guanxi*. Galleries that implemented the *Guanxi-Trust Model* were able to lock artists into long-term relationships due to successful cooperation and *ganqing*. The artists remained loyal to the galleries allowing them to create competitive pricing strategies which in turn provided sustainability over time.

The findings provide empirical support for prior theoretical frameworks on *guanxi* development. Moreover, the development of a new framework shows how trust develops alongside *guanxi* in cooperative relationships. This contributes to an understanding of country specific factors enhancing prior theoretical models of trust.

## Acknowledgements

This doctoral research has become an important part of my life and so have all the people involved in it. Without these people it would have been impossible to achieve what is written in the chapters that follow. All have influenced my course of study in some special way, be it through guidance, critique, encouragement or friendship.

I would especially like to express my heartfelt gratitude to my chief supervisor Professor Michèle Akoorie. Due to her interest and understanding of international issues, in particular China, she was able to support me in this research undertaking. Her insightful critique has kept me on track and increased my learning in so many ways. I have enjoyed the times we have chatted together, moments in which she shared her support and interesting anecdotes that made everything just so interesting. I have been privileged to have had the opportunity to conduct research under the supervision of Professor Michèle Akoorie.

I would also like to extend my appreciation to my second supervisor, and acting chief supervisor Dr Jennifer Gibb. I am thankful for her insight and ability to look at my research from numerous angles. Her expertise in qualitative methods was invaluable to the way I developed and conducted this research. After discussions with her I was always motivated and ready to take on the next task. Moreover, I always felt that there was someone who could support me at a personal level if I really needed it especially when I was in China. Thank you!

I am also grateful for the support of friends and family. I would like to thank the continual assistance of Lily Sun. She helped me in so many practical aspects of my research in China such as back-translating, proofing transcripts and translations and most of all giving me much moral support.

I would also like to thank my parents. You provided me with the perfect place to study in my first year before going to Beijing. Sorry for taking over your spare rooms! And your many phone calls while I was living in Beijing were truly appreciated.

Most of all, I am indebted to every person who chose to be a participant in this research. Without your help this project would never have eventuated. To the gallery owners, I would like to thank each one for giving me their time. Likewise, to all the artists living in Songzhuang, I am indebted for their help, kindness and willingness to participate in this research. I am grateful for every sacrifice each participant made to help me understand the intricate dealings of business relationships in the art industry in Beijing.

To the Scholarship Committee, thank you for giving me the opportunity to immerse myself in full time study while I was at Waikato University. Without you I would have been unable to undertake research in Beijing for two years. It was an adventure that I will never forget.

To each one of you that have touched my life in some way, thank you!

## Notes

### *Chinese Spelling*

The most common writing system for Non-Chinese speakers in usage today is Pinyin. After the Communist Party's takeover in 1949, extensive work went into the development of a national script based on the Northern Beijing dialect. It was officially adopted by the entire country in 1979 but was in use before that time. Most of the locations and names of people referred to in this document are based on the Pinyin Romanisation system.

There are two instances where Pinyin Romanisation is not used. Firstly, in early documents written before 1949 the locations and names are referred to in the original format in which they were used – the earlier Wade-Giles Romanisation system. This system was used from the early 1900s and its modified version is still used in Taiwan today. Secondly, authors from Hong Kong write their names based on the Romanisation of the Cantonese dialect as opposed to Pinyin which is used for Mandarin.

### *References to Gender in the Interviews*

The Chinese characters for a person's gender or an object all have the same pronunciation. The words 'he' (他), 'she' (她) and 'it' (它) are all pronounced as 'ta'. The same applies to the words 'his' (他的), 'hers' (她的) and 'its' (它的) which all have the pronunciation 'tade'. When transcribing interviews, all references to *ta* were written in the masculine (他) unless it was otherwise known that the person being referred to was a woman or discussion was about an object. In addition, when the word 'they' (他们) is written in the plural it always takes on the masculine form unless it is clear that the entire group is composed of women. Due to this, the quotes from interviews may use the words 'he', 'him', and 'his' more frequently than if the interviews had been conducted in English as this information could not be clarified during discussions.

### *Use of the term 'favour' and 'help'*

It also needs to be noted that throughout the interviews conducted, the terms *favour* and *help* have been used interchangeably. The literal translation for the term favour is *enhui* (恩惠). However, participants pointed out that this word

was used infrequently in most types of *guanxi*. This term implies that a great kindness has been bestowed on another individual or that help has been provided beyond what is necessary. Rather the term 'help' or 'mutual help' would be appropriate under ordinary relationship building situations. For this reason, the term 'help' is used mainly in the interview descriptions. Nonetheless, the term 'favour' has been used in the theory development so that there is no confusion with prior literature, although it is the author's opinion that the term 'mutual help' would be a more appropriate term when describing the process of business *guanxi* development.

# Table of Contents

<i>Abstract</i>	<i>ii</i>
<i>Acknowledgements</i>	<i>iii</i>
<i>Notes</i>	<i>iv</i>
Chinese Spelling	iv
References to Gender in the Interviews	iv
Use of the term 'favour' and 'help'	iv
<i>Table of Contents</i>	<i>vi</i>
<i>List of Figures</i>	<i>xiv</i>
<i>List of Tables</i>	<i>xv</i>
<i>Glossary of Terms</i>	<i>xvi</i>
Terms as They Appear in the Interviews	xvi
Chinese Proverbs and Sayings	xvii
<i>Chapter 1 Introduction</i>	<i>1</i>
<b>1.1 Guanxi in Chinese Society</b>	<b>2</b>
<b>1.2 Rationale and Background of the Study</b>	<b>3</b>
<b>1.3 Research Propositions</b>	<b>6</b>
<b>1.4 Context of the Research</b>	<b>7</b>
<b>1.5 Methodology</b>	<b>7</b>
<b>1.6 Structure of the Report</b>	<b>8</b>
Chapter 1: Introduction	8
Chapter 2: Literature Review	9
Chapter 3: Research Context	9
Chapter 4: Research Methodology	9
Chapter 5: Interview Results	9
Chapter 6: Discussion	10
Chapter 7: Conclusion	10
<i>Chapter 2 Literature Review</i>	<i>11</i>
<b>2.1 Introduction</b>	<b>11</b>
<b>2.2 A General Definition of Guanxi</b>	<b>11</b>
<b>2.3 Guanxi and Management</b>	<b>13</b>

2.3.1	Prior Research: A Focus on the Uses and Outcomes of <i>Guanxi</i>	13
2.3.2	Business Enterprises: Observing <i>Guanxi</i> Development	17
2.3.3	Dyadic versus network approach.	18
<b>2.4</b>	<b><i>Guanxi</i> Development in Relation to Western Theories</b>	<b>20</b>
<b>2.5</b>	<b>A Cultural Perspective</b>	<b>22</b>
<b>2.6</b>	<b>The Characteristics of <i>Guanxi</i></b>	<b>24</b>
2.6.1	Guanxi and Confucianism	24
2.6.1.1	The Emergence of Confucianism in Chinese Society	24
2.6.1.2	The Collectivism and Hierarchy of Confucianism	25
2.6.1.3	Confucian Rituals and Morality	27
2.6.1.4	The Concept of Insiders and Outsiders	28
2.6.2	Guanxi Bases, Intermediaries and Strength	29
2.6.2.1	Guanxi Bases	29
2.6.2.2	Intermediaries	30
2.6.2.3	Guanxi: Strength and Weakness	31
2.6.3	Renqing	33
2.6.4	Reciprocity	34
2.6.5	Obligation	35
2.6.6	Gift Giving	36
2.6.6.1	Renqing and Examples of Gift Giving	36
2.6.6.2	Gift Giving, Reciprocity and <i>Guanxi</i>	38
2.6.6.3	Research on Gift Giving in the <i>Guanxi</i> Context	40
2.6.7	Favours	40
2.6.8	Banquets	41
2.6.9	Other Methods for Building <i>Guanxi</i>	42
2.6.10	Developing Expressive and Instrumental <i>Guanxi</i>	43
2.6.11	Ganqing	44
2.6.12	Face	45
2.6.12.1	Face in the Social Context	46
2.6.12.2	Face in the Business Context	47
2.6.13	Trust	49
2.6.13.1	Trust and its Role in <i>Guanxi</i>	49
2.6.13.2	Trust and Societal Roles	50
2.6.13.3	Trust in Business	50
2.6.13.4	Other Theories on Trust	52
	Defining Trust	52
	Antitrust	53
	Trust and Management Research	54
<b>2.7</b>	<b>Models of <i>Guanxi</i></b>	<b>57</b>



2.7.1	A Preliminary Model of Particularistic Ties (Jacobs et al., 1979)	57
2.7.2	Hwang's (1987) Theoretical Model of Face and Favour	57
2.7.3	Leung et al.'s (1995) A.I.O and G.A.I.O Model	57
2.7.3.1	Conceptual Framework 1	57
2.7.3.2	Conceptual Framework 2	58
2.7.3.3	Conceptual Framework 3	59
2.7.4	Forces Affecting Chinese Personalism (Kiong & Kee, 1998)	60
2.7.5	Developing Marketing Relationships (Yau et al., 2000)	60
2.7.6	A Process Model of Guanxi Development (Chen & Chen, 2004)	61
2.7.7	Interconnections of Guanxi (Freeman & Lim, 2008)	62
2.7.8	Aspects of a Guanxi Relationship (Willis, 2008)	62
2.7.9	Working and Backdoor Guanxi (Bedford, 2011)	63
2.7.10	Comparison of Guanxi Frameworks	64
<b>2.8</b>	<b>Moving Towards a Guanxi Framework</b>	<b>67</b>
<b>2.9</b>	<b>Conclusion</b>	<b>75</b>
<b><i>Chapter 3 Research Context</i></b>		<b>78</b>
<b>3.1</b>	<b>Introduction</b>	<b>78</b>
<b>3.2</b>	<b>Defining the Art Market</b>	<b>78</b>
<b>3.3</b>	<b>Art as an Investment</b>	<b>81</b>
<b>3.4</b>	<b>Chinese Art as an Investment</b>	<b>83</b>
3.4.1	Art Value in Transitional Countries	83
3.4.2	The Context of Investment in China	83
3.4.2.1	Current Trends in Chinese Art Investment	83
<b>3.5</b>	<b>Distribution of Chinese Art</b>	<b>86</b>
3.5.1	Before Economic Reforms	86
3.5.2	After Economic Reforms	87
<b>3.6</b>	<b>Beijing Art Districts</b>	<b>90</b>
3.6.1	798 Art District	90
3.6.2	Liulichang	93
3.6.3	Songzhuang	94
3.6.4	Demolition and Redevelopment	96
<b>3.7</b>	<b>Conclusion</b>	<b>99</b>
<b><i>Chapter 4 Research Methodology</i></b>		<b>100</b>
<b>4.1</b>	<b>Introduction</b>	<b>100</b>

<b>4.2</b>	<b>Ontology and Epistemological Orientation</b>	<b>100</b>
4.2.1	Methodological Paradigms	100
4.2.1.1	Quantitative Paradigms	101
4.2.1.2	Qualitative Paradigms	102
4.2.1.3	Suitability to Research Approaches	103
4.2.1.4	Reasons for Selecting a Qualitative Approach	105
	The Research Questions	105
4.2.1.5	Selection of a Qualitative Approach	107
<b>4.3</b>	<b>Grounded Theory: The Strauss and Corbin or Glaser Approach?</b>	<b>110</b>
4.3.1	Similarities between the Approaches	110
4.3.2	Differences between the Approaches	111
4.3.3	Selection of the Strauss and Corbin Approach	112
<b>4.4</b>	<b>Grounded Theory and Methodology Process</b>	<b>113</b>
4.4.1	The Role of Literature	114
4.4.1.1	Prior to Data Collection	114
4.4.2	Data Collection Techniques in Grounded Theory	115
4.4.2.1	In-depth Interviews	115
	Dealing with Difficulties when Interviewing	117
4.4.2.2	Observations	118
4.4.3	Selection of Participants	118
4.4.4	Theoretical Saturation	121
4.4.5	Analysis of the In-Depth Interviews	121
4.4.5.1	Theoretical Sensitivity	121
4.4.5.2	Reliability of the Grounded Theory Approach	122
4.4.5.3	Ensuring Credibility	122
4.4.5.4	Comparative Analysis	123
4.4.5.5	Coding	123
	Open Coding	123
4.4.5.6	Atlas.ti Exploratory Tools	125
4.4.5.7	Axial Coding	127
4.4.5.8	Families	128
4.4.5.9	Using Memos	129
4.4.6	Cross-Cultural Considerations and Grounded Theory	129
4.4.7	Ethical Considerations	130
4.4.8	Informed Consent	130
4.4.9	Protection of Anonymity	131
<b>4.5</b>	<b>Conclusion</b>	<b>132</b>
<b>Chapter 5 Interview Results</b>		<b>133</b>

<b>5.1</b>	<b>Introduction</b>	<b>133</b>
<b>5.2</b>	<b>Participant Attributes</b>	<b>133</b>
<b>5.3</b>	<b>Participants' Definitions of Guanxi</b>	<b>138</b>
5.3.1	Guanxi as a Simple Noun	138
5.3.2	Making the Connection: Intermediaries	138
5.3.3	Guanxi Network	139
5.3.4	La Guanxi	140
5.3.5	Liyi and Liyi Guanxi	141
5.3.6	Distance and Closeness of Guanxi	141
5.3.6.1	Ganqing	141
5.3.6.2	Renqing	142
<b>5.4</b>	<b>Guanxi and its Usage in the Art Industry Supply Chain</b>	<b>145</b>
5.4.1	Guanxi Networks	145
5.4.2	Guanxi in the Art Industry Supply Chain	147
5.4.2.1	Demand for Art: The Gift Market	148
5.4.2.2	The Role of the Government in Driving the Supply Chain	148
5.4.2.3	Gift Giving in the General Population	150
5.4.2.4	Auction Market Peculiarities	151
5.4.2.5	Locating Supply: Galleries and Artists and the Guanxi Connection	151
	Family/Co-operative Galleries	151
	Privately Owned Chinese Galleries	154
	Privately Owned International Galleries	156
	Artists	158
5.4.2.6	Galleries: More Guanxi Usage	159
5.4.2.7	Artists: More Guanxi Usage	162
<b>5.5</b>	<b>Artist Selection</b>	<b>164</b>
5.5.1	Selection Based on Guanxi	164
5.5.2	Industrial Selection Criteria	164
5.5.3	Relationship Building Selection Criteria	166
5.5.4	Final Artist Selection	168
5.5.5	Reasons Artists did not Cooperate with Galleries	169
<b>5.6</b>	<b>Moving Towards a Guanxi Framework</b>	<b>170</b>
5.6.1	Liyi: The First Relationship Criterion	170
5.6.2	Building Guanxi: Banquets	172
5.6.2.1	Eating Meals: Relationship Initiation	174
5.6.2.2	Drinking: Relationship Initiation	176
5.6.2.3	Drinking: Avoidance	179
5.6.2.4	Eating Meals and Drinking: Development and Consolidation	179

5.6.2.5	Paying for the Meal	181
5.6.2.6	The Connection between Banquets and Favours	184
5.6.2.7	The Connection between Banquets and Xinren	186
5.6.2.8	Banquets: Importance as Guanxi Develops	187
5.6.2.9	Banquets: Views on its Unimportance	189
5.6.3	Building Guanxi: Gift Giving	191
5.6.3.1	Gift Giving: Relationship Initiation	191
	Gift Giving: Absence of Long-Term Cooperation and Guanxi	198
	Complete Avoidance of Gift Giving	199
5.6.3.2	Gift Giving: Developing Guanxi	201
	Chinese Festivals and Celebrations	201
	Desire for Continued Cooperation	201
	Appreciation and Friendship	202
	Desire to Avoid Gift Giving	203
5.6.3.3	Gift Giving: Consolidated Guanxi	204
	Sign of Appreciation	205
5.6.3.4	Gift Giving: Importance as Guanxi Develops	205
5.6.3.5	Gift Giving: Obligation and Ganqing	206
	Obligation versus Ganqing	206
	Reciprocity	207
	Ganqing	208
	Negative Effects of Inappropriate Giving	209
5.6.3.6	Giving as a Transaction	210
5.6.4	Building Guanxi: The Giving of Help	212
5.6.4.1	Methods of Help	212
	Selling and Promoting Artwork	213
	Other Forms of Assistance	214
	Avoiding Help	215
5.6.4.2	Help: Importance as Guanxi Develops	215
	Giving Help and its Connection to Xinren	217
	Giving Help, Renqing and Reciprocity	219
	Level of Importance between Banquets, Gifts and Favours	221
5.6.5	<i>Mianzi</i>	222
5.6.5.1	Giving <i>Mianzi</i>	224
	Giving Others <i>Mianzi</i>	224
	Giving Self <i>Mianzi</i>	227
5.6.5.2	Loosing <i>Mianzi</i> : The Effects on Cooperation	229
5.6.5.3	Keeping Each Other's <i>Mianzi</i>	232
5.6.6	Xinren	233
5.6.6.1	Defining Xinren and Xinyong	233

5.6.6.2	Distrust _____	233
5.6.6.3	The Effectiveness of Intermediaries _____	235
5.6.6.4	The Guanxi Paradox _____	236
	Existence of Guanxi, Absence of Xinren _____	236
	Existence of Guanxi, Xinren Develops _____	236
5.6.6.5	Intuition _____	237
	The First Step to Xinren: Intuition _____	237
	Weighing the Risk _____	238
	The Second Step to Xinren: Cognitive Behaviour _____	239
5.6.6.6	Compartmentalisation of Xinren _____	239
5.6.6.7	Xinren as an Ability _____	240
	Galleries' Xinren in Artists' Ability _____	240
	Artists' Xinren in Galleries' Ability _____	241
5.6.6.8	Xinren and Moral Character _____	242
	Moral Character: Testing Through Cooperation _____	243
5.6.6.9	The Xinren Guanxi/Ganqing Connection _____	245
<b>5.7</b>	<b>Conclusion _____</b>	<b>245</b>
<b>Chapter 6</b>	<b><i>Discussion</i> _____</b>	<b>249</b>
<b>6.1</b>	<b>Introduction: Moving Towards a Guanxi-Trust Framework _____</b>	<b>249</b>
<b>6.2</b>	<b>The Use of Guanxi as a Favour: A Competitive Advantage? _____</b>	<b>249</b>
6.2.1	The Issue of Ethical Practice _____	249
6.2.1.1	The Painting Gift Culture _____	250
6.2.1.2	Direct Favours from the Government _____	251
6.2.2	Guanxi Favours from Private Individuals and Organisations _____	252
6.2.3	Supplying Artwork _____	253
<b>6.3</b>	<b>The Types of Guanxi – What Does Business Guanxi Look Like? _____</b>	<b>254</b>
6.3.1	Guanxi Bases and Intermediaries _____	256
6.3.2	Importance of Banqueting _____	257
6.3.3	Importance of Gift Giving _____	260
6.3.4	Importance of Giving Favours _____	261
6.3.5	Banquets, Gifts, Help, Ganqing and the Obligation to Reciprocate _____	262
6.3.6	Guanxi and Trust: A Business Relationship Model _____	267
<b>6.4</b>	<b>The Consequences of the Guanxi-Trust Model _____</b>	<b>273</b>
<b>6.5</b>	<b>Conclusion _____</b>	<b>279</b>
<b>Chapter 7</b>	<b><i>Conclusion</i> _____</b>	<b>281</b>
<b>7.1</b>	<b>Introduction _____</b>	<b>281</b>

<b>7.2</b>	<b>Research Issues in Prior Literature</b>	<b>282</b>
<b>7.3</b>	<b>Guanxi Usage in the Art Industry</b>	<b>284</b>
<b>7.4</b>	<b>Contributions to Guanxi Frameworks</b>	<b>286</b>
<b>7.5</b>	<b>Contributions to Trust Frameworks</b>	<b>289</b>
<b>7.6</b>	<b>Effects of the Guanxi-Trust Model on Gallery Strategies</b>	<b>290</b>
<b>7.7</b>	<b>Research Limitations</b>	<b>291</b>
<b>7.8</b>	<b>Further Research</b>	<b>293</b>
<b>7.9</b>	<b>Concluding Remarks</b>	<b>294</b>
	<b><i>References</i></b>	<b>295</b>
	<b><i>Appendices</i></b>	<b>321</b>
	<b>Appendix A: Glossary of Chinese Terms (Review of Literature)</b>	<b>321</b>
	<b>Appendix B: Historical Evidence of Guanxi</b>	<b>323</b>
	<b>Appendix C: The Chinese Dynasties (Chai &amp; Chai, 1962, pp. 244-249)</b>	<b>324</b>
	<b>Appendix D: Top 50 Selling Artists by Country (Artprice, 2015)</b>	<b>326</b>
	<b>Appendix E: Chinese Artists in the Top 100 World Auction Performances: 2011-2013 (Artprice, 2015)</b>	<b>328</b>
	<b>Appendix F: Research Context: Additional Photos</b>	<b>332</b>
	<b>Appendix G: Table of <i>Guanxi</i> Features</b>	<b>340</b>
	<b>Appendix H: Interview Questionnaire for Art Dealers</b>	<b>342</b>
	<b>Appendix I: Interview Questionnaire for Artists</b>	<b>355</b>
	<b>Appendix J: Four Relationship Building Methods</b>	<b>366</b>
	<b>Appendix K: Questionnaire Time-line</b>	<b>367</b>
	<b>Appendix L: Participant Information Form</b>	<b>368</b>
	<b>Appendix M: Participant Consent Form</b>	<b>371</b>
	<b>Appendix N: Gallery Background Information</b>	<b>373</b>
	<b>Appendix O: Artist Background Information</b>	<b>375</b>
	<b>Appendix P: Importance of Banqueting for Galleries</b>	<b>377</b>
	<b>Appendix Q: Importance of Giving Gifts for Galleries</b>	<b>379</b>

## List of Figures

Figure 1.1 Socialist Sculpture at 798 Art District in Beijing (Author's Research: Allott, 2011) ____	1
Figure 2.1 Defining Guanxi (Adapted from King, 1994, pp. 119-121; Yang, 1994, p. 139) ____	12
Figure 2.2 Gift-Giving and Guanxi Networks (Yan, 1996b, p. 6) _____	32
Figure 2.3 The Outworking of Mianzi in the Business Context (Adapted from Cardon, 2009) ____	48
Figure 2.4 Model of Trust (Mayer et al., 1995, p. 715) _____	55
Figure 2.5 The G.A.I.O Model (Leung et al., 1995, p. 22) _____	58
Figure 2.6 Implementation of Guanxi (Wong, 1998, p. 38) _____	59
Figure 2.7 A Guanxi-Insider Approach (Leung et al., 2008, p. 26) _____	59
Figure 2.8 Model of Forces Affecting Chinese Personalism (Kiong & Kee, 1998, p. 91) ____	60
Figure 2.9 Framework for Developing Marketing Relationships (Yau et al., 2000, p. 21) ____	61
Figure 2.10 Initiating and Building Working Guanxi (Bedford, 2011, p. 155) _____	63
Figure 2.11 Ganqing and Relationship Strength (Adapted from Zhang & Yang, 1998) ____	70
Figure 2.12 The Development of Guanxi over Time: A Preliminary Model _____	73
Figure 3.1 Graffiti on the Southwest Wall of 798 (Author's Research: Allott, 2010) _____	78
Figure 3.2 Fine Art Auction Sales: Percentage of Revenue by Country (Artprice, 2015) ____	84
Figure 3.3 German Bauhaus Architecture (Author's Research: Allott, 2011) _____	90
Figure 3.4 Remains of a Cultural Revolution Slogan (Author's Research: Allott, 2011) ____	91
Figure 3.5 West Entrance to Liulichang (Author's Research: Allott, 2010) _____	93
Figure 3.6 Entrance to Songzhuang Art District (Author's Research: Allott, 2011) ____	94
Figure 3.7 An Artist's Studio and House (Author's Research: Allott, 2011) _____	95
Figure 3.8 A New Local Government Building (Author's Research: Allott, 2011) ____	96
Figure 3.9 Northeast Beijing Art Districts (Google, 2012) _____	97
Figure 3.10 Demolished Remains of Heiqiao Art District (Author's Research: Allott, 2011) ____	98
Figure 3.11 To the Left: Traditionally Styled Galleries (Author's Research: Allott, 2011) ____	98
Figure 4.1 Coding Platform of Atlas.ti (Author's Research) _____	124
Figure 4.2 Coding Types in Atlas.ti (Author's Research) _____	124
Figure 4.3 Coding and Commenting on Quotations (Author's Research) _____	125
Figure 4.4 The Atlas.ti Wordcruncher (Author's Research) _____	126
Figure 4.5 The Atlas.ti Co-occurrence Tree (Author's Research) _____	127
Figure 4.6 Network View Demonstrating Renqing (Author's Research) _____	128
Figure 5.1 Strength of Guanxi Ties in Relation to Ganqing (Author's Research) ____	143
Figure 5.2 A Web of Connections: Guanxi Usage in the Art Industry (Author's Research) ____	146
Figure 5.3 The Demand for Art: The Gift Market (Author's Research) _____	150
Figure 5.4 Locating Artists: The Closed Model of Supply (Author's Research) ____	152
Figure 5.5 Locating Artists: The Passive Model of Supply (Author's Research) _____	154

<i>Figure 5.6 Locating Artists: The Passive-Active Model of Supply (Author's Research)</i>	156
<i>Figure 5.7 Locating Artists: The Active Model of Supply (Author's Research)</i>	158
<i>Figure 5.8 Guanxi in the Gallery Supply Chain (Author's Research)</i>	160
<i>Figure 5.9 Guanxi in the Artist Supply Chain (Author's Research)</i>	163
<i>Figure 5.10 Gallery Selection Criteria of Artists (Author's Research)</i>	169
<i>Figure 5.11 The Seven Star Landlords: Empty Baijiu Bottle (Author's Research: Allott, 2011)</i>	177
<i>Figure 6.1 Initiating the Relationship: The Banqueting Process (Author's Research)</i>	258
<i>Figure 6.2 Use of Banquets, Gifts and Help as the Relationship Develops (Author's Research)</i>	262
<i>Figure 6.3 Development of Guanxi: Banquets, Gifts and Favours (Author's Research)</i>	264
<i>Figure 6.4 The Guanxi-Trust Business Relationship Model (Author's Research)</i>	271

## List of Tables

<i>Table 2.1 Gift Giving Events</i>	38
<i>Table 2.2 A Process of Model of Guanxi Building (Chen &amp; Chen, 2004, p. 310)</i>	62
<i>Table 2.3 Comparison of Guanxi Models</i>	65
<i>Table 3.1 Top Ten Selling Artists Worldwide (Artprice, 2015)</i>	85
<i>Table 4.1 Qualitative and Quantitative Approaches (Henwood &amp; Pidgeon, 1992, pp. 14-32)</i>	104
<i>Table 4.2 Comparison of Qualitative Approaches (Goulding, 2002, pp. 21-43)</i>	108
<i>Table 4.3 Initial Selection Criteria of Galleries</i>	119
<i>Table 4.4 Gallery and Artist Attributes (Author's Research)</i>	129
<i>Table 5.1 Attributes of Participating Art Dealers (Author's Research)</i>	134
<i>Table 5.2 Attributes of Participating Artists (Author's Research)</i>	136
<i>Table 5.3 The Usage of Guanxi in the Beijing Art Industry (Author's Research)</i>	147
<i>Table 5.4 Reasons Art Dealers and Artists Bought Each Other Meals (Author's Research)</i>	173
<i>Table 5.5 Types of Gifts Galleries Gave Artists (Author's Research)</i>	193
<i>Table 5.6 Types of Gifts Artists Gave Galleries (Author's Research)</i>	194
<i>Table 5.7 Types of Help Given by Galleries and Artists (Author's Research)</i>	212
<i>Table 5.8 Different Methods of Giving Mianzi (Author's Research)</i>	225
<i>Table 5.9 Methods of Losing Mianzi (Author's Research)</i>	229
<i>Table 5.10 Methods of Keeping or Protecting Mianzi (Author's Research)</i>	231



## Glossary of Terms

### *Terms as They Appear in the Interviews*

<i>Baoen</i> (报恩)	Pay a debt of gratitude
<i>Baoda</i> (报答)	Repay
<i>Daoli</i> (道理)	Reason; sense; principle
<i>Diu Mianzi</i> (丢面子)	Lose face
<i>Enhui</i> (恩惠)	Favour; kindness
<i>Ganqing</i> (感情)	Feeling; affection; emotion; sentiment
<i>Gu mianzi</i> (顾面子)	Consider face; look after face; take face into consideration
<i>Guanai</i> (关爱)	Care; to care for or be concerned about; cherish
<i>Guanzhao</i> (关照)	Care; take care of; look after
<i>Guanxi</i> (关系)	Relationship; relation; connection
<i>Guanxin</i> (关心)	Concern; care
<i>Guanxi wang</i> (关系网)	Network of relationships
<i>Huibao</i> (回报)	Repay; in return
<i>Huxiang</i> (互相)	Mutual; mutually; each other
<i>Huxiang bangzhu</i> (互相帮助)	Mutual help; help each other
<i>Jiang Xinyong</i> (讲信用)	Person of their word
<i>Kexin</i> (可信)	Dependable; credible; honest
<i>La guanxi</i> (拉关系)	To try to establish a relationship with someone (negative)
<i>Lijie</i> (礼节)	Courtesy; etiquette; protocol
<i>Liyi</i> (礼仪)	Etiquette; ritual; ceremony
<i>Liyong</i> (利用)	Use; utilise; exploit; take advantage of
<i>Lishang wanglai</i> (礼尚往来)	Reciprocity; to reciprocate the courtesy shown to you by someone else
<i>Limao</i> (礼貌)	Courtesy; politeness; manners
<i>Liyi</i> (利益)	Interest; benefit; profit

<i>Mianzi</i> (面子)	Face
<i>Niudai</i> (纽带)	Link; bond; tie; point of connection
<i>Qinggan</i> (情感)	Emotion; feeling; affection; attachment
<i>Renqing</i> (人情)	Etiquette; feelings; human emotion; gifts
<i>Renpin</i> (人品)	Personal character; personality
<i>Shehui ziyuan</i> (社会资源)	Social resources
<i>Xiangxin</i> (相信)	Believe; trust; have faith in
<i>Xinren</i> (信任)	Trust; trust in; have confidence in
<i>Xinyong</i> (信用)	Credit; credibility; word
<i>Xinyu</i> (信誉)	Reputation; credibility
<i>Yilai</i> (依赖)	Rely; depend
<i>Yiqi</i> (义气)	Personal loyalty; brotherhood code
<i>Zuoren</i> (做人)	Personal conduct; conduct oneself; behave

### *Chinese Proverbs and Sayings*

<i>Chi shui bu wang wa jing ren</i>	吃水不忘挖井人	When drinking water don't forget those that dug the well (To not forget to be grateful while enjoying good fortune)
<i>Da zhong lian chong pangzi</i>	打肿脸充胖子	To swell one's face up by slapping it to look imposing (puff oneself up to one's own cost; do something beyond one's ability)
<i>Gao lao huan xiang</i>	告老还乡,	Retire to one's hometown
<i>Guang zong yao zu</i>	光宗耀祖	Bring glory to one's ancestors
<i>Hen tie bu cheng gang</i>	恨铁不成钢	To wish iron could turn into steel at once (to set a high demand on somebody in the hope that he will improve; Be cruel to be kind)
<i>Hu hui hu li</i>	互惠互利	Reciprocity; mutually beneficial
<i>Jiu hou tu zhen hua</i>	酒后吐真言	To tell the truth after wine
<i>Junzi zhijiao dan ru shui</i>	君子之交淡如水	The friendship of gentlemen is as pure as water

<i>Lian shang wu guang</i>	脸上无光	Have lost face
<i>Liang lei cha dao</i>	两肋插刀	Used to describe a person who attaches great importance to friendship and could stand risk or sacrifice for friends; Someone who would do anything to help a friend
<i>Li suo neng ji</i>	力所能及	To do things to the best of one's ability; do everything in one's power
<i>Lu yao zhi ma li, ri jiu jian ren xin</i>	路遥知马力，日久见人心	A long distance tests a horse's endurance, and time reveals a person's real character
<i>Luo ye gui gen</i>	落叶归根	Fallen leaves return to the roots (when a person gets old, he thinks of going back home)
<i>Qu chang bu duan</i>	取长补短	Learn from each other's strong points; to learn from others' merits to offset one's own weaknesses
<i>Ren qing shi gu</i>	人情世故	Worldly wisdom; know how to deal with people
<i>Ren yao lian, shu yao pi</i>	人要脸，树要皮	Face is as important to man as the bark is to the tree
<i>She hui ren mai zi yuan</i>	社会人脉资源	Network of social resources
<i>Tou qi suo hao</i>	投其所好	Cater to somebody's tastes
<i>Tui yibu hai kuo tiankong</i>	退一步海阔天空	Take a step back and you will see the vastness of the sky (magnanimous; generous)
<i>Wu gong bu shou lu</i>	无功不受禄	To not get a reward without deserving it
<i>Yi hui sheng, er hui shu</i>	一回生，二回熟	At first raw, later ripe (Strangers at the first meeting, friends at the second)
<i>Yi ren de dao, ji quan sheng tian</i>	一人得道鸡犬升天	When a man attains the way, even his pets ascend to heaven (when a man gets to the top, all his friends and relations get there with him)

## Chapter 1 Introduction



Figure 1.1 Socialist Sculpture at 798 Art District in Beijing (Author's Research: Allott, 2011)

The focus of this research is to examine how galleries and artists develop *guanxi* from the point of initiation through to the consolidation of the relationship. Each factor will then be scrutinized to identify what part it plays in the process of developing the relationship. This will be of importance to galleries who are reliant on the loyalty of artists to maintain sole or controlled representation of their work, allowing them to increase the financial value of artwork sustainably over time (Rodner & Thomson, 2013). Artists, along with developing their artistic brand, also need a relational approach in cooperating with galleries in order to earn a stable livelihood (Kottasz & Bennett, 2013). Nonetheless, no inductive exploratory study has been conducted on the process of *guanxi* development in the creative industries in Mainland China, nor in enterprises with similar business models. This will be the first investigation of its kind to delve into the process of *guanxi* development not only in Beijing's vibrant art scene, but also within Mainland Chinese small and medium sized enterprises (SMEs).

## 1.1 Guanxi in Chinese Society

In 1949 the Confucian philosopher, Liang Shuming observed that China was a relationally based society as opposed to individualistic or collectivistic as in other countries (Yang, 1994, pp. 295, 296). Individuals were closest to their kin.

Affection and obligation were formed with acquaintances and displayed through the outworking of mutual favours. Even though the Chinese Communist Party (CCP) tried to eradicate these types of relationships through political campaigns and policies (Dittmer & Xiaobo, 1996; Vogel, 1965), they were unable to be destroyed (Gold, 1985). *Guanxi* in present day China is not a result of the institutional changes in the late 1970s and 1980s but rather, “The emergence of a second society in China in the aftermath of this long period of ‘state saturation’ can be seen in the uncovering and reinventing of what Liang called the ‘relationship-based’ core of Chinese culture” (Yang, 1994, p. 297).

*Guanxi* in present day business partnerships refers to the aforementioned type of particularistic relationship unique to Chinese culture. These relationships are “...carefully constructed and maintained relations between persons which carry mutual obligations and benefits” (Qi, 2013, p. 309). The obligation to provide favours and benefits is caused primarily by the feelings of affection and also the values of trust and face. Sentiment or affection is developed through the giving of gifts, providing banquets and offering favours. This results in an obligation to repay the other party at a future point in time with a similar gift, banquet or favour. To be classified as *guanxi*, the instrumental actions and affection contained within the relationship are unable to be separated (Kipnis, 1996).

The use of *guanxi* has permeated into every area of society. According to Chinese newspaper reports, no matter whether the problem is big or small using relationships to handle a situation has become the ‘unspoken rule’. *Guanxi* is used to avoid fines for drinking and driving (Zhao, 2011); to get children into a good school, into a top class and then with teachers so that their child will be treated well (Bamai Jiazhang, 2010); to find jobs, study abroad, get engineering contracts and even insider information on stocks (He, 2007; Li & Qian, 2008). More recently a phenomenon has appeared where people sell their connections online. It has even found its way into academic circles where researchers build relationships with government officials who allocate research funding (Chen, 2010; Pang,

2010). Editors of academic journals are also more likely to solicit and publish articles written by colleagues from the same work unit than from those who are considered to be strangers (Li & Lee, 2014).

## **1.2 Rationale and Background of the Study**

In recent years there has been a strong focus in management literature on the benefits and outcomes of *guanxi*. Within companies this includes, but is not limited to, increasing employees' job involvement (Ahmed, Ismail, Amin & Nawaz, 2013), having a mediation role between the sharing of formal and informal knowledge within the enterprise (Cao & Xiang, 2013), increases the intention to share knowledge between employees (Yen, Tseng & Wang, 2015) and results in employees feeling obliged to follow group norms in order to maintain good reputations (Selmier, 2013). In terms of business between suppliers and buyers, *guanxi* has been found to reduce transaction costs and opportunistic behaviour (Fan, 2002; Li & Lin, 2006), assist in competitive pricing strategies (Roslin & Melwar, 2000) and assists businesses in identifying new suppliers and markets (Ai, 2006; Bjorkman & Kock, 1995). Between partners *guanxi* contributes to improving resource integration across organisations (Li & Lin, 2006), helps in gaining assistance from government officials and avoiding bureaucracy (Gao, Knight & Ballantyne, 2012; Luo, 2003; Wank, 1996), enhances cooperation between firms (Kiong & Kee, 1998) and improves the ability to negotiate pricing (Roslin & Melewar, 2000).

A number of studies have also shown that *guanxi* may not only be beneficial to business processes but may also carry negative outcomes. Cui, Wen, Xu and Qin (2013) showed that the existence of managerial *guanxi* could enhance new product development time to market as it assisted in the negotiating process. On the other hand it hindered innovativeness due to the desire among employees to avoid conflict. *Guanxi* could also result in younger employees avoiding helping their seniors to ensure they did not lose face (Cui, Wen, Xu & Qin, 2013) or conversely could result in the older generation socially isolating younger workers and reduce sharing task related knowledge due to that loss of face when helped (Chou, Yang & Han, 2014). It was also shown to lead to unethical judgements amongst accounting professionals who reverted to rent-seeking as opposed to favour seeking *guanxi* (Fan, Woodbine & Scully, 2012). Furthermore, *guanxi*

practice between businesspeople and government officials has been shown to be essentially corrupt (Fan, 2002).

Whether the use of *guanxi* in business is beneficial or not, as shown in the previous examples, the main direction of research has been on its consequences or outcomes. The result of this is that previous investigations have examined *guanxi* from a networking perspective due to the benefits it can bring rather than as a dyadic relationship between two people. By examining it from a networking, social capital or transaction cost analysis theory, *guanxi* has only been examined from a static point of view, as a snapshot of the relationship, when in fact it is developing and changing over time (Li, Poppo & Zhou, 2008). This prior research does not show firstly how *guanxi* changes over time and secondly how that affects the way it is used. A manager may be able to make use of a person in his or her network at the present time but if that relationship is not maintained then the ability to rely on that person may change. *Guanxi* is between two people, it is a dyadic relationship that can be used as a network but the relationship itself is very personal (Chen & Chen, 2004). This research will fill in this gap in the prior literature by treating *guanxi* as what Chen and Peng (2008) refer to as a relationship process rather than a relationship trait.

There are very few studies where fieldwork has been conducted that have examined how *guanxi* develops within the business environment in Mainland China. The main research where fieldwork has been collected has been through ethnographic studies in small village areas (Kipnis, 1997; Yan, 1996; 1996b; 2002) or in the daily lives of ordinary Chinese citizens (Yang, 1994). There have been a number of conceptual frameworks that relate to the process of *guanxi* development in the business environment (Bedford, 2011; Chen & Chen, 2004; Freeman & Lim, 2008; Leung, Heung & Wong, 2008; Leung, Wong & Tam, 1995; Wong, 1998; Yau, Lee, Chow, Sin & Tse, 2000). Those researchers that have followed up on their conceptual frameworks with fieldwork have done so by examining the outcomes of *guanxi* rather than its development resulting in their ideas not being confirmed. This investigation will contribute to the gap in the literature by not only creating a conceptual framework but also examining it in the field to identify whether or not participants believe it to be true.

Not only has little fieldwork been conducted on the process of *guanxi* development but the majority of research has not examined it from the perspective of business partnerships. The first seminal study on *guanxi* development was conducted in a Matsu township in Taiwan by Jacobs et al. (1979) where particularistic ties within political alliances were examined. Kiong and Kee (1998) conducted fieldwork on the interaction of *guanxi* and trust in the area of Economics and Politics. Willis (2008) created a model of *guanxi* based on fieldwork in the area of strategic alliances in international business. This model, however, was static and did not show the process of *guanxi* development over time. Researchers from the remaining studies have collected data from observations for the field of Sociology (Kipnis, 1997; Yan, 1996; Yang, 1994). It is likely that factors relevant to the process of developing business *guanxi* will not be applicable to other types of relationships. A business partnership is based on profit or benefit and the implications of this on the process of developing relationships have yet to be examined. This investigation will deal with this issue by examining the process of *guanxi* development within business partnerships.

In addition to this, although *guanxi* is a Chinese phenomenon, very little research on the issue has been conducted in Mainland China. Much research has been conducted amongst the Chinese communities in other countries, or in locations more easily accessible such as Hong Kong or Taiwan. Jacobs et al. (1979) conducted their research in Taiwan, Kiong and Kee (1998) in Singapore and Malaysia and Bedford and Hwang (2013) in Taiwan. The only in-depth studies to be conducted in Mainland China on the process of *guanxi* development were conducted by Kipnis (1997), Yan (1996) and Yang (1994). Once again, these three studies did not focus on how business partnerships developed but rather examined *guanxi* in the lives of ordinary citizens. The data for this investigation will be collected in Mainland China to ensure that there is a clear understanding of how *guanxi* develops among business partnerships there.

In addition to conducting this research in Mainland China, collecting data from SMEs will be more likely to provide insight into the process of *guanxi* development than if data were collected from SOEs or large enterprises. Knowing how to develop *guanxi* is of particular importance to smaller companies as they benefit more from strong relationship ties than larger enterprises (Carlisle &



Flynn, 2005; Yang, 2002; Yeung & Tung, 1996). Furthermore, in China the government is willing to support large enterprises rather than smaller ones as they bring higher revenues (Yeung & Tung, 1996). Smaller enterprises do not gain special treatment or incentives and so social capital is needed to gain legitimacy which is achieved through *guanxi* (Carlisle & Flynn, 2005). This is not only important for Chinese nationals but also for foreigners working in China. A study of Australian expatriates working in China found that those working for SMEs felt *guanxi* was more important than those working in large companies (Hutchings & Murray, 2002). If SMEs need *guanxi* more for their success than larger enterprises, it is likely that they will proactively seek ways in which to build it. This will provide greater opportunities to observe and discuss how the process of *guanxi* development takes place with participants.

### **1.3 Research Propositions**

Due to the gaps in the literature, three proposals have been put forward that will enable the process of *guanxi* development to be identified. The first is to examine how *guanxi* characteristics will be expressed in business partnerships. There has been extensive ethnographic research that has shown how gift giving and favours develop *guanxi* in people's daily lives. This might not necessarily be the same in business. In addition, there has been little research conducted on the role of banqueting even though it is a fundamental aspect of building *guanxi*. Banqueting, gifts and favours may contribute to the intangible features of *guanxi* such as *ganqing*, face, reciprocity and trust. Firstly, the tangible aspects will be examined, followed by the intangible features.

Once the characteristics of *guanxi* have been identified, the second proposal addresses the level of importance of each characteristic during different stages of *guanxi* development. It may be that some *guanxi* characteristics are used more frequently at the initiation stage, some at the development stage and others at the consolidated stage. Both tangible and intangible features of *guanxi* are more likely to be of importance than other characteristics at different stages of the relationship. The third proposal will be to examine the effects of each *guanxi* characteristic on the relationship. Some features of *guanxi* may be more beneficial to long term business relationships than others.

## 1.4 Context of the Research

Since 2010 China has been the global leader of Fine Art auction sales with 37.2% of the world market share in 2014 (Artprice, 2015, p. 4). Chinese auction houses and galleries are challenging the dominant position held for so long by traditional players such as Sotheby's and Christie's. Western businesses attempting to enter the Chinese market are fraught with challenges and the top tier foreign auction houses are no exception to this rule. Most Chinese customers are not interested in buying western art and foreigners do not want to pay a premium for Chinese traditional paintings. Even though some Chinese artists have adopted western styles of painting it is the domestic market, dominated by Chinese buyers, that is spurring on the growth. Even with 5.068 billion US dollars generated at domestic auction sales, very little management research has been conducted in the Chinese art industry.

In addition to being an important context to conduct research, the art industry also provides a setting where business relationships between SMEs can be observed. SMEs are more likely to build and use *guanxi* than large state owned enterprises (SOEs) as workers in large organisations are already embedded within a *guanxi* network. For this reason the art industry was selected as it is made up of mainly SMEs – the galleries. Even though the businesses are relatively small the turnover of art is often high. The research will be conducted in three Beijing locations: 798 Art District, Liulichang and Songzhuang. 798 and Liulichang are districts containing only galleries whereas in Songzhuang there are galleries and artists who live there.

## 1.5 Methodology

Due to the research questions a qualitative approach is deemed most suitable to explore this topic. Firstly, because *guanxi* is a cultural phenomenon it needs to be examined from the perspective of the participants in which it is embedded. The purpose of the research questions are to contribute to the creation of a framework on the process of *guanxi* development. This is not a concept that can be adjusted to fit the culture but rather it must be derived from the culture itself. Also, *guanxi* is not a static phenomenon but rather it is changing over time. Only a qualitative approach would allow for these changes that may have occurred to be discovered. In addition, the purpose of the research is not to make wide generalisations but

rather to explore the nature of *guanxi* development. For this reasons a qualitative approach will be selected to conduct the research.

Of the qualitative approaches grounded theory is seen to be the most appropriate to carry out this research. The primary reason for this is due to the purpose of the research which is to understand how *guanxi* develops in business partnerships. This is a journey of discovery rather than generalisations, of understanding how culture develops as opposed to proving the benefits of that culture. Grounded theory enables concepts to be derived from the data, from the perspectives of participants. The purpose is to generate rather than verify theory. Grounded theory also provides a structured method of doing this, of comparing and analysing. The constant comparison from the outset of the data collection enables new concepts and ideas to be addressed as the research progresses contributing to the full development of theory.

In this research a total of fifty in-depth interviews will be conducted over a two year period in Beijing. Then, following the grounded theory approach, the interviews will need to be transcribed, translated, and entered into the Atlas.ti software, a knowledge workbench designed to facilitate the analysis of qualitative enquiry. It will enable the data to be contained, coded and analysed. Atlas.ti also enables other data sources to be coded such as photos and maps which will also be used in this research. Throughout the research ethical and cultural considerations will be taken into account. Participants will be provided with open communication during the entire process. Informed consent will be asked for only after participants have been provided with verbal and written information on the purpose of the research. Due to the sensitive nature of the topic participants will be assured of and promised anonymity. Care will be taken throughout the entire research to ensure confidentiality remains for all participants.

## **1.6 Structure of the Report**

### *Chapter 1: Introduction*

This chapter, the introduction, provides an overview of the research project on how *guanxi* develops in business partnerships between art dealers and artists in the Beijing art industry. It examines the main issues and the rationale for this study.

## ***Chapter 2: Literature Review***

The literature review will be an overview of current *guanxi* research and will illuminate gaps in this field of study. Firstly, *guanxi* will be examined in the context of management theories and how they tend to focus on the outcomes of *guanxi* as opposed to its development. Then *guanxi* will be discussed in terms of it being either a cultural phenomenon or not. By means of an historic overview a cultural perspective will be adopted. The concepts of *renqing*, *ganqing*, face, and trust will then be explored. From that point, different models of *guanxi* development from sociological and business fields will be examined. Then the gaps in the literature due to fieldwork not being conducted in Mainland China in a business context to identify the process of *guanxi* development will be examined. A preliminary model will then be proposed.

## ***Chapter 3: Research Context***

The research context will define the art market and art as an investment. The recent rise of the art industry in China will also be examined. The distribution channels of art will be explained along with short backgrounds on the three main art districts where data is to be collected: 798 Art District, Liulichang and Songzhuang.

## ***Chapter 4: Research Methodology***

This chapter will outline the reasons for selecting a qualitative and consequently a grounded theory approach. The data collection techniques are to be described along with the analysis process that will be undertaken. Ethical considerations that will be taken into account will also be described.

## ***Chapter 5: Interview Results***

This chapter will firstly examine the attributes of the respondents that participated in this research. Their definitions of *guanxi* will be explained along with associated concepts. An overview will then be given on how galleries and artists use *guanxi* in the art industry. Particular attention will be paid to how galleries and artists locate each other using their *guanxi* networks as even art dealers that do not build relationships with artists may employ this technique. The industrial and relationship building criteria for selecting artists will then be explored.

In order to examine how *guanxi* develops, the tangible features of this process will be investigated. The roles of banqueting, gift giving and favours will be examined at each stage of the relationship. The effects of these methods will then be examined in relation to the more intangible features. As the development of *guanxi* may not lead to the full development of cognitive trust this concept will be explored and how it interconnects with other *guanxi* related concepts.

### *Chapter 6: Discussion*

The discussion chapter is to be divided into three sections. Firstly, the usage of *guanxi* in the art industry will be examined in regards to its sustainability and competitiveness. Then business *guanxi* will be examined along with the consequences of banqueting, gift giving and favours. These will then be combined with intangible features and examined against existing conceptual models. From this, a *guanxi*-trust model of business relationships will be outlined. Finally, the results of employing the *guanxi*-trust model in business partnerships will be examined in relation to the long-term success of galleries.

### *Chapter 7: Conclusion*

The final chapter will summarise the contributions made to both *guanxi* and trust frameworks. The effects of the findings on galleries and artists will also be discussed. The research limitations and areas for further study will also outlined.

## Chapter 2 Literature Review

### 2.1 Introduction

The aim of this chapter is to provide a conceptual framework for the research. Firstly, *guanxi* is examined in the context of past and present Management research. The fixation on the uses and outcomes of *guanxi* is discussed first followed by the tendency for researchers to apply Western theories to the Chinese context. In addition, the focus on *guanxi* as a network instead of a dyadic relationship has limited prior research from examining the developmental process of the relationship. Secondly, due to the differing opinions on whether or not *guanxi* is a cultural phenomenon it is examined from an historical perspective in order to determine its origins. Finally, the characteristics of *guanxi* are investigated from its cultural roots through to the present day in order to identify how it develops. Different models, both theoretical and empirical, are also examined and gaps in the literature expounded. From the gaps in the literature a conceptual framework on the development of *guanxi* is formulated and proposals put forward.

### 2.2 A General Definition of Guanxi

Although many instances of *guanxi* type relationships have been observed in the past 100 years (Cochran 2000; Fei 1983; Hu 1944), the word *guanxi* did not appear in the State media until the late 1970s (Yang, 1994, p. 147), nor was there any definition in the official 1915 *Ci Yuan* and 1936 *Ci Hai* dictionaries (Ambler, 1995). Even so, the two characters *guanxi* is comprised of, *guan* (关) and *xi* (系), were frequently used before this time. *Guan* can refer to a ‘door’ or to ‘close up’ whereas *xi* can mean ‘to chain up’. This could imply that once someone has entered ‘through the door’ or into a relationship then they become ‘tied up’ or connected (Ai, 2006; Ambler, 1995). *Guan* can also mean barrier, implying that one is excluded from all advantages if they have not entered into the relationship. Others have defined the two characters *guan* and *xi* to mean ‘gate’ or ‘to connect’ (Yeung & Tung, 1996).

The two characters combined to form the word *guanxi* are now directly translated as relationships, ties or connections (Yu, Qing & Crow, 2006, p. 589). The

Chinese word, also recognised in Korea and Japan, refers to those who are well connected, have numerous acquaintances and are able to use their social connections as a resource (Ai, 2006). The ‘study of connections’ now termed ‘guanxiology’ “...involves the exchange of gifts, favours, and banquets; the cultivation of personal relationships and networks of mutual dependence; and the manufacturing of obligation and indebtedness” Yang (1994, p.6). The definition of Guanxiology, ‘the art of personal relationships’ was first brought into the forefront by Yang (1994, p.8).

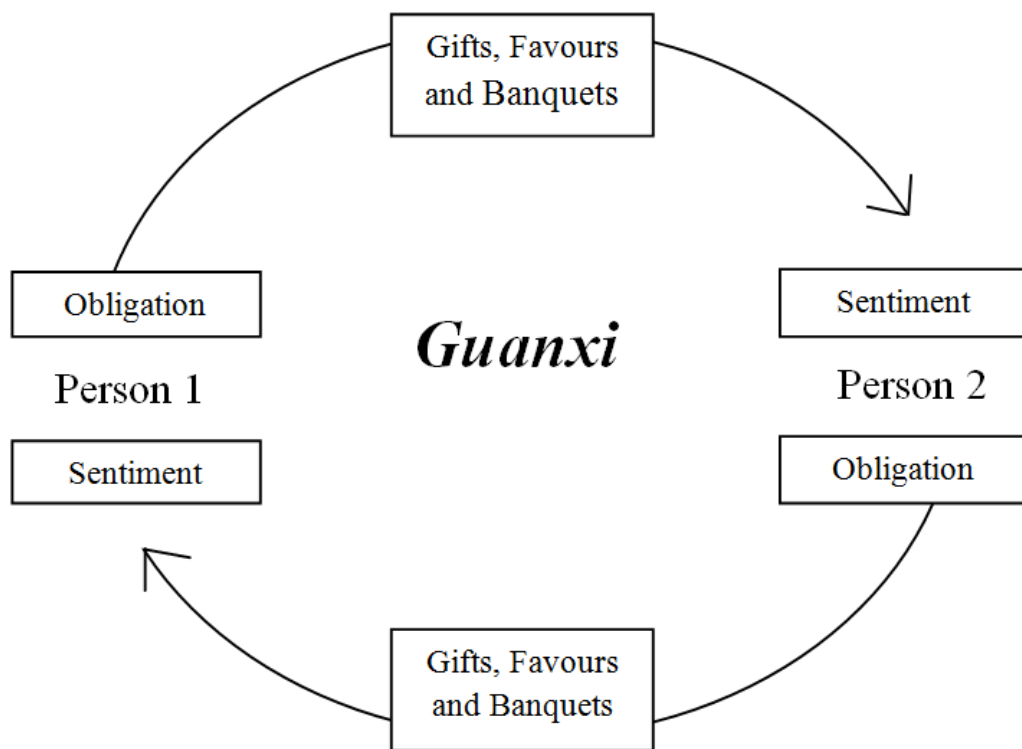


Figure 2.1 Defining Guanxi (Adapted from King, 1994, pp. 119-121; Yang, 1994, p. 139)

In more general terms, Luo (2000, p. 2) defines *guanxi* relationships as “...interpersonal linkages with the implication of continued exchange of favours”. These relationships contain elements of reciprocal obligation that cannot be defined through timely repayments. Moreover, the favours, or instrumental actions, are what produce human sentiment which is necessary to create a *guanxi* type relationship (Gold, Guthrie & Wank, 2002, p. 8). The feelings of human sentiment and the instrumentality of *guanxi* cannot be separated. *Guanxi*

relationships are described in terms of their strength or weakness. If there is strong sentiment then there is also a stronger presence of instrumentality (Wei, Liu, Chen & Wu, 2009). According to Kipnis (1996), the instrumental and emotional aspects of *guanxi* cannot be separated. Through the giving of gifts, favours or eating meals together a feeling of sentiment is produced in one individual (see Figure 2.1 above). That person then feels obligated to reciprocate. The process of reciprocation ensures that *guanxi* between both people is maintained.

## **2.3 Guanxi and Management**

### **2.3.1 Prior Research: A Focus on the Uses and Outcomes of *Guanxi***

To date the majority of empirical research has focussed on the outcomes and uses of *guanxi* as opposed to its development. This has been the case in networking theories, resource based views, foreign investment strategies, enterprise life cycle strategies, Human Resource Management (HRM) and Supply Chain Management. Take networking for instance. *Guanxi* networks have been found to provide alternatives to government control and fill gaps in the ever changing legal system (Luo, 1997; Wong & Chan, 1999). This has been primarily due to decentralisation. Even though the government has been making moves to create a market economy, regulations have been left open to interpretation at the provincial level resulting in a stronger need to build *guanxi* with local governments (Luo, 1997; Yang, 2002). Government employees have been found to give regulatory help, reduce business risks and provide help in gaining access to markets and customers (Ai, 2006). Wank (1996) also found that entrepreneurs in Xiamen were able to gain legal protection, influence regulatory decision making and link to other bureaucratic networks through their *guanxi* with government officials. On the other hand, Chen and Wu (2011) found that *guanxi* networking with government officials had a positive effect on resource bridging but a negative effect on adaptive capabilities whereas *guanxi* with business partners had a positive effect on both.

Much of the literature on networking between private managers and entrepreneurs has also focussed on the outcomes and uses of *guanxi*. In Jiangsu Province, Lu, Trienekens, Omta and Feng (2008) found that *guanxi* reduced transaction costs for farmers when locating and securing buyers for their produce. Luo, Shenkar and Nyaw (2002) also found that *guanxi* contributed to increased sales. It did not



however, reduce the costs associated with production and marketing. According to Li and Lin's (2006) findings, information sharing and manufacturing flexibility were mitigated by *guanxi* which in turn reduced the effectiveness of global logistics competence. On the other hand, *guanxi* positively affected the integration of resources between organisations and reduced the negative aspects of asset specificity. In addition, Nie, Zhong, Zhou, Jiang and Wang (2011) found that as *guanxi* became deeper between buyers and sellers then the associated benefits disappeared.

Research on the supply chain has also focussed on the uses as opposed to the development of *guanxi*. Managers have found that gaining initial information on suppliers and evaluating their reliability was more effective through *guanxi* than through the internet and trade fairs (Millington, Eberhardt & Wilkinson, 2006). Lyles, Flynn and Frohlich (2008) also found that *guanxi* was useful for locating trustworthy partners which in turn reduced opportunistic behaviour. Once business partnerships had been established, *guanxi* with suppliers was found to be beneficial in establishing competitive pricing strategies (Chuang, Donegan, Ganon & Wei, 2011; Roslin & Melewar, 2000). On the other hand, although *guanxi* enhanced the integration of resources and reduced risks when investing in specific assets with another company, it also reduced the flow of information and negatively impacted manufacturing flexibility (Li & Lin, 2006).

Both JVs and international joint ventures (IJVs) have found *guanxi* usage beneficial. IJVs used weak *guanxi* ties to identify partners and when a close tie was used it was more likely that a successful partnership could be identified (Wong & Ellis, 2002). *Guanxi* was used for negotiations and to access information about policies, importing regulations, business opportunities and market trends (Leung, Wong & Wong, 1996). It was also found to help companies reduce long term costs (Wong & Chan, 1999), helped sellers to be more certain about their environment, gain higher performance and process results (Abramson & Ai, 1997) and was important for locating buyers and securing sales (Bjorkman & Kock, 1995). Furthermore, cooperation between suppliers of the same products could occur, such as the small rubber production companies in Singapore and Malaysia that cooperated with large firms to fill quotas when they did not carry enough stock (Kiong & Kee, 1998).

Similarly, in the enterprise life cycle *guanxi* has been found to be useful at the initial stages of the negotiation process in obtaining market information on trends, opportunities, policies and regulations, for acquiring licences, getting government approvals, arranging transport and gaining resources such as land and materials (Davies, Leung, Luk & Wong, 1995; Leung et al., 1996). However, as enterprises develop there appear to be fewer benefits from *guanxi*. Park and Luo (2001) found that *guanxi* was only one element of firm survival as it improved sales but did not necessarily contribute to overall profit. Even so, Ewing, Caruana and Wong (2000) found that Sino-Singaporean JVs that spent considerable time developing *guanxi* with their partners had more benefits in the long term. Li et al. (2008) also found that *guanxi* was used more in low competitive industries and when there was structural uncertainty. It was of neutral benefit in highly competitive industries. Luo (2003) also found that managers were more likely to build *guanxi* in volatile industries.

Different types of *guanxi* also had different uses at each stage in the enterprise life cycle (Fu, Tsui & Dess, 2006). Entrepreneurial firms were found to rely on close relationships at the start up stage in order to maintain control and protect processes. As the firm developed strangers were then hired to gain personnel with more advanced skills. Finally, the firm returned to employing acquaintances and close friends to create a firm with shared goals. Chou, Cheng, Huang and Cheng (2006) also found that different types of *guanxi* influenced personal effectiveness within the team through a person's centrality within cognitive trust networks. It was found that past team *guanxi* had a positive effect which in turn affected the team member's personal effectiveness. However, non-job and departmental *guanxi* had a negative effect on the centrality within the cognitive trust network.

Although little research has focussed on the development of *guanxi*, a number of studies have identified different dimensions of *guanxi* and their outcomes. Zhuang, Xi and El-Ansary (2008) identified an affective and instrumental dimension to *guanxi*. The affective dimension of *guanxi*, related positively to retailers use of non-coercive strategies such as the sharing of information, expertise and rewards and influencing decisions. The instrumental dimension to *guanxi* resulted in the use of both coercive and non-coercive power between buyers and suppliers.

Barnes, Yen and Zhou (2011) also examined the effects of *renqing*, *xinren* and *ganqing* on the consequences of performance between partners. It was found that some characteristics of *guanxi* led to cooperation, others to coordination, both of which led to increased performance. However, Ramasamy, Goh and Yeung (2006) found that only *xinren* and communication aided in the knowledge transfer process whereas the other factors of *guanxi* did not. Lee and Dawes (2005) also found that only *ganqing* influenced buyer-seller relationships whereas reciprocity and face did not. Zhang and Yang (1998) also analysed the fairness of reward allocation by differentiating different types of people from strangers through to family members. They found that the deepness of *ganqing* due to the norms of *renqing* directly influenced how rewards were allocated.

It is surprising that with so much literature on the importance of *guanxi*, and even the identification of individual characteristics on business processes, that very little empirical research has been conducted on how it develops. The uses of *guanxi* have been identified in so many areas, from assistance in job allocation and employment (Bian, 1994; Bian, 1997; Bian, 2002; Bian & Ang, 1997; Dittmer & Xiaobo, 1996; Hanser, 2002; Leung, 2003), through to gaining and sharing market information (Davies et al., 1995; Leung et al., 1996; Millington et al., 2006; Zhuang et al., 2008), knowledge management (Huang, Davison & Gu, 2011; Ramasamy et al., 2006; Weir & Hutchings, 2005), Human Resource Management (Bozionelos & Wang, 2007; Fu & Kamenou, 2011; Varma, Pichler, Budhwar & Biswas, 2009), e-commerce (Martinsons, 2008), reducing transaction costs and opportunistic behaviour (Fan, 2002; Li & Lin, 2006; Lu, Feng, Trienekens & Omta, 2008; Luo et al., 2002; Nie et al., 2011; Wong & Chan, 1999), improving inter-organisational resource integration and reducing the negative aspects of asset specificity (Li & Lin, 2006), assisting in competitive pricing strategies with suppliers (Chuang et al., 2011; Roslin & Melewar, 2000), improving inter-firm cooperation and coordination (Barnes et al., 2011; Kiong & Kee, 1998; Luo, 1997; Mavondo & Rodrigo, 2001), identifying new suppliers and markets (Ai, 2006; Bjorkman & Kock, 1995; Lu et al., 2008a; Lyles et al., 2008; Millington et al., 2006; Wong & Ellis, 2002), improving operations and the ability to negotiate pricing (Lu et al., 2008a; Roslin & Melewar, 2000), increasing sales (Luo et al., 2002), gaining bureaucratic assistance (Leung et al., 1996; Luo, 2003; Wank,

1996), gaining higher performance results (Abramson & Ai, 1997) and reducing long term costs (Wong & Chan, 1999).

### **2.3.2 Business Enterprises: Observing *Guanxi* Development**

With an absence on a focus of *guanxi* development in Management literature, it is necessary to differentiate between state and privately owned enterprises to determine where the process of building *guanxi* can be most easily observed.

There are four types of business organisations that have emerged in China since economic reforms began in the late 1970s (Guthrie & Wang, 2007, pp. 100-111). Much of the economic growth in the 1980s was spearheaded by the township and village enterprises (TVEs). They were originally owned by the state but managed by locals in the towns and villages. Most were taken over by government officials as decentralisation took place and were managed in a similar way to private industrial enterprises. Reform in SOEs was much slower than in TVEs and many struggled to turn a profit after reforms took place. Although many have now been privatised the government still controls approximately half of China's industries through SOEs. There are also private enterprises which became legally protected in 1999. There are two types: the *getihu* and the *siying qiye*, the former is only permitted to employ up to seven workers and the latter eight or more. Finally, there are foreign funded enterprises, the most common of which are wholly owned foreign enterprises (WOFEs) and joint ventures (JVs).

A number of authors claim that of all the business types SOEs need *guanxi* the least in their business strategy due to the governments control of resources (Guthrie, 2002, p. 53; Park & Luo, 2001; Wood, Whiteley & Zhang, 2002). In SOEs relationships are controlled directly by the government and resources are automatically allocated so there is less need to develop *guanxi* in order to obtain them (Wood et al., 2002). The need to build *guanxi* is much greater in private companies. Managers form relationships with useful business partners and government officials in order to obtain resources. However, the two systems are likely to increase in similarity as more SOEs are becoming privatised resulting in both needing to compete for resources (Yang, 2002; Li, 2001).

However, the opposite findings seem to be reflected in Yao, Li, Chan and Xi's (2009) structural inducement thesis. Here they claim that state owned enterprises

actually have more *guanxi* ties because they are embedded within the system. Managers in non-state owned enterprises need *guanxi* more but actually have less. This follows a similar thread to Wank (2002, p. 103) who pointed out that status and hierarchy allows managers to automatically obtain resources. This would imply that managers of SOEs are already embedded in a *guanxi* network that allows them to access resources. It is only more evident in privately owned enterprises as they need to take action to build *guanxi*. Guthrie (1998) also found that those in lower hierarchical SOEs also had a greater need to use *guanxi* than those working at the municipal level. People at higher levels were better connected throughout the state system which resulted in an ability to speed up project approval and gave them wider access to resources. Although Guthrie (1998) claimed that this was evidence for the decreasing use of *guanxi*, this could in fact support Yao et al.'s (2009) theory of structural inducement.

By examining different enterprises in China it can be seen that private enterprises have a stronger need to build *guanxi* than SOEs. In order to examine *guanxi*, its development and how it works, it would be more conducive to do so within private enterprises where individuals need to create relationships on a continual basis. In addition, a number of studies have identified a stronger need for small businesses to build *guanxi* for survival. Hutchings and Murray (2002) found that larger companies reported less of a need to build *guanxi* due to the existing prestige of their company. Yeung and Tung (1996) also reported that Hong Kong SMEs entering China needed *guanxi* more than larger companies. Kiong and Kee (1998) found that smaller rubber manufacturing firms in Malaysia also relied on *guanxi* to pool resources for their survival. Ties with the government were also found to be more important for smaller enterprises as they have continued to lack legitimacy in the eyes of the government even after the economic reform (Carlisle & Flynn, 2005). By conducting research in private SMEs it will be most likely that the evidence of *guanxi* development can be identified.

### **2.3.3 Dyadic versus network approach.**

As discussed previously, much research has been conducted on the benefits of networking with the government and other private entities to provide resources and competitive advantages (Ai, 2006; Chen & Wu, 2011; Li et al., 2008, Li & Zhang, 2007; Luo, 1997; Luo, 2003; Wong & Chan, 1999; Yang, 2002; Zou &

Gao, 2007). In addition to this it has been recommended to map these relationships in order to utilise them fully in business operations (Su, Mitchell & Sirgy, 2007; Tang, 2003; Yau et al., 2000). Although this is beneficial to identifying where *guanxi* networks should be used within an enterprise it does not demonstrate how these networks should be developed. As Yau et al. (2000) explain, Chinese build the relationship first and then utilise it. If *guanxi* is built first, before business occurs, then how do managers go through this process to build it?

As Hu (2008) points out, *guanxi* is an interpersonal relationship not a network.

“Theoretically speaking, *guanxi* is more a kind of micro-level phenomenon, which deals with interpersonal relations that focus more on mutual interaction, whereas the *guanxi* network deals more with the intermediate structural issue. Some special groups may finally emerge out of the *guanxi* as a consequence of people’s interaction.”

Chen and Chen (2004) also point out that networks are made up of dyads. *Guanxi* is not a network but rather a chain of dyadic relationships. The network is the outcome or result of the dyadic relationship but is not the interpersonal relationship itself. Luo (2003, p. 1326) also wrote that networks “...emphasized only the level of utilization and it did not address the process, activity, or structure of developing managerial networks.”

In addition to this Li et al. (2008) explain that examining *guanxi* from a network approach only focuses on it from a static perspective. In fact, *guanxi* in the form of a dyadic relationship is continuously changing as the relationship develops or disintegrates. Moreover, the outcomes of networking do not show how the changes affect firm performance over time. In regards to these relationship changes Hu (2008, p. 114) writes, “...the change has been an evolutionary process, a dynamic process of change from personal *guanxi* to *guanxi* networks. Therefore, *guanxi* networks have different forms at different stages of development: primary forms, extended forms and mature forms.” This research posits that *guanxi* should be examined from its dyadic form rather than at the network level so the development process and its different stages can be fully understood which in turn will bring insight to networking.

## 2.4 *Guanxi* Development in Relation to Western Theories

Much of the literature has also tended to apply Western principles to *guanxi* rather than examining it in its own right. Take relationship marketing for instance. Although it has similarities to *guanxi* there are some fundamental differences including the timing, purpose and form of the relationship. In a relationship marketing construct business relationships are initiated after an economic transaction with the customer (Arias, 1998; Geddie, DeFranco & Geddie, 2005). However, with *guanxi* the relationship must be established first before business takes place. In addition to this, companies implement relationship marketing strategies in order to provide the customer with a better product or service (Arias, 1998). On the other hand, *guanxi* networks are usually used to gain resources rather than to build a relationship with the customer. *Guanxi* is always a relational bond between people, not a factual relationship as is often the case in relationship marketing. Moreover, in relationship marketing reciprocity is purely economic whereas *guanxi* is both economic and personal. Nor is the time of repayment definite as is with relationship marketing. As Arias points out, relationship marketing is a reconstruction of Management to gain resources from various sources to improve the final product or service. *Guanxi* on the other hand is a personal relationship and may or may not be used to gain resources.

These differences are also evident in *guanxi* mapping. To analyse the firm's competitive advantages in existing networks some managers use a technique referred to as *guanxi* mapping (Su et al., 2007; Tang, 2003). This helps companies identify who they need to maintain existing relationships with and also whether or not they need to develop new internal or external relationships. However, Yau et al. (2000) point out that Westerners determine what relationships are the most useful and then try to build them. Chinese on the other hand assess their current relationships and try to incorporate them into their business plan. If this were taken from a Chinese perspective the first step would be to audit existing relationships and examine how they could be used to build new relationships. In addition to this, the actual ability to measure the benefits or negative consequences of *guanxi* can be difficult. As Fan (2002) pointed out, if the time of reciprocation and type of favour returned are unknown then the actual reduction of costs are difficult if not impossible to measure.

Similarly, although many have examined *guanxi* as a type of social capital (Knight & Yueh, 2008; Li, 2007; Li et al., 2008; Luo, 2000; Yao et al., 2009) there are still some areas that need to be addressed, particularly when examining how relationships develop. Social capital is defined by Putnam (1995, pp. 664, 665) as being, "...features of social life – networks, norms, and trust – that enable participants to act together more effectively to pursue shared objectives".

Similarly, *guanxi* relationships have provided numerous benefits that have caused it to be defined as a type of social capital (Luo, 2000, p. 48). It reduces transaction costs, uncertainty in operations, information costs, environmental hazards and competitive threats. It also enhances support from institutions, economic return, business effectiveness and strategic ability. However, examining *guanxi* in this way is still focusing on the results rather than the process of the relationship.

According to Li (2007, pp. 67, 68) the type of *guanxi* ties that are referred to in social capital literature are usually macro-ties. These ties are the weak type of *guanxi*, instrumental and found in more distant network type relationships. Micro-ties on the other hand are the more personal dyadic relationships which also contain an element of sentiment. Moreover, the strong and weak *guanxi* ties have different levels of trust which in turn influence different actions that take place in organisations (Li, 2007, p. 71-75). Embodied in weak *guanxi* is depersonalised trust, in strong *guanxi* personalised trust and in pure *guanxi* total trust.

Personalised trust creates the strongest benefits, for example, people related knowledge instead of only task related knowledge which occurs in weak ties. In addition, findings on the usage of weak and strong ties are country specific and cannot be applied globally. Bian (1994; 1997) found that Chinese were more likely to use strong ties to find employment whereas Granovetter (1983) found that Americans were more likely to use weak. If the majority of social capital research is conducted on the macro or the weak *guanxi* tie, how does the micro-tie develop and what are its effects on business operations?

Social capital also does not take into account all the components of *guanxi*. *Guanxi* is made up of cognitive, moral and affective aspects. Li (2007, pp. 69-74) is of the opinion that due to the cognitive aspect of *guanxi* it is able to be used as a resource when there are institutional weaknesses. However, the rules and conduct associated with *guanxi* are due to the Confucian principles of morality and



affection. Social capital is usually only examined from its cognitive aspects but if it were being examined in the context of *guanxi* then the moral and affective aspects would also need to be taken into account. The development of *norms* and *trust* that Putman (1995) referred to in his definition of social capital may be different in one country to another. The norms referred to may or may not correspond with the Confucian morality that exists in *guanxi*.

## 2.5 A Cultural Perspective

In the literature, academics take the stance that *guanxi* is either a cultural phenomenon or that it is a result of structural gaps within a country's governing system (Huang, 2008b). Those that support the former idea claim that *guanxi* stems from Confucian philosophy and will continue to exist in Chinese society in the future (Bian, 2002; Chen & Chen, 2004; Lo & Otis, 2003; Yan, 1996; Yang, 1994; Yeung & Tung, 1996). They explain that it is not so much increasing or decreasing over time but rather adapts to the changes taking place (Hong & Engstrom, 2004; Yang, 2002). In addition to this, younger people still think it is of as much importance as the older generation, the latter of which experienced the structural changes (Chatterjee, Pearson & Nie, 2006). Conversely, those taking the latter point of view believe *guanxi* type phenomena occur in most transitional economies, in the same way that *blat* appeared and consequently disappeared in Russia (Ledeneva, 1998; Ledeneva, 2008), due to institutional gaps in the system (Guthrie, 2002, p. 37; Keister, 2002; Martinsons, 2008; Tan, Yang & Veliyath, 2009).

Scholars such as Guthrie (1998, pp. 254, 255; 2002, p. 38), Hanser (2002) Keister (2002, p. 93) and Sternquist and Chen (2006), claim that as China continues towards a market economy the need for *guanxi* will decrease due to the system conforming to a capitalist legal system similar to the West. Challenging this idea, Bian (2002), Yan (1996) and Yang (2002) comment that China's developing legal system may not conform to a western capitalist legal system. Dunning and Kim (2007) also found that *guanxi* complemented rather than opposed formal institutions. Martinsons (2008), who takes the structural approach, writes that Chinese businesspeople are forced to use relationships because there is not a rule-based system in China providing infrastructure and legal protection. It is not necessarily the preferred way of operating their businesses. However, as So and

Walker (2006, p. 23) explain, Chinese in other developed and developing countries, including the West, also make use of particularistic ties to conduct business. This would imply that *guanxi* is not solely reliant on the transitional institutions in China but rather it is a cultural preference of those individuals.

In order to determine whether or not *guanxi* is a cultural phenomenon it is necessary to examine how it existed historically. So and Walker (2006, p. 39) explain that institutions are formed from the existing culture in a society. For this reason institutions should take into account the cultural factors for their existence and how they still affect the system. So and Walker (2006, p. 40) also write, “On the specific issue of *guanxi*, no institutionalists have explored in-depth the historical development that has led to its prominence.” They explain that the organisations in society, including the phenomenon of *guanxi*, are historically determined. By only examining the institutional changes in recent years and not the prior historical evidence it is impossible to confirm whether or not *guanxi* is a result of these changes. As shown in Appendix B, historical evidence of *guanxi* exists from as early as AD 100. From that time onwards, particularistic relationships resembling *guanxi* have been described by historians and scholars right up until the present day. This would imply that *guanxi* is not a recent phenomenon from the recent economic changes, but rather deeply rooted in Chinese culture.

As a relationally based cultural phenomenon it is necessary to examine *guanxi* from a local as opposed to Western perspective. This is just as much so in Management as with any other area of study. Fundamentally, management is between people, between managers and their employees (Hofstede, 2003, pp. 61-74). The way it is understood in one country may be understood differently in another because methods of communication are based on cultural constructs of the society in which people live. Chinese culture differs from Western individualistic society where, according to Hofstede’s (2009) national cultural dimensions, it has high power distance (score of 80), low individualism (score of 20), is a masculine society driven by achievement and success (score of 66), has low uncertainty avoidance (score of 30) and high long-term orientation (score of 118).

On such an issue as *guanxi* which is so closely connected to culture, there is surprisingly little research that examines it from the perspective of those within the culture, and very little research that contributes to emerging theory. Rather the majority of Management research is based on proving whether or not Western models apply to China. In addressing this issue, Redding (2003, p. 614) describes the problems with organisational research by explaining: that culture itself is not clearly defined, much research assumes culture is contained within national boundaries, it is often examined without addressing the historical origins of culture in society, not much has been done to show how culture affects organisations and finally, conceptual problems hinder culture from being measured. Redding commented,

“If leadership ‘means’ different things to different countries, if work takes on a variety of ‘meanings’ by culture, if organizational behaviour ‘means’ something different in Japan, if the ‘meaning’ of organisation and how you attach yourself to it is different in Asia from the West then the eventual understanding of organizational behaviour in any ‘meaningful’ way will have to come to terms with the challenges of ethnosience” (2003, p. 633).

This research hopes to address these issues by examining *guanxi* as a cultural construct, from the perspective of those within the culture they are embedded in.

## **2.6 The Characteristics of Guanxi**

### **2.6.1 Guanxi and Confucianism**

#### ***2.6.1.1 The Emergence of Confucianism in Chinese Society***

The guiding principles behind *guanxi* originated from Confucian philosophy around 500 BC (Yang, 1994, p. 216). With the country in chaos during the Spring and Autumn Period and the following Warring States Period (see Appendix C), Confucius taught a return to kinship based relations to bring political and social stability back to the region. He believed that this could only happen if people's behaviour was guided by internal morality as opposed to outside interference from the governing legal system, or what is referred to as rule by law. In many Confucian societies today rule by ethics (*lizhi*) is still preferred over rule by law (*fazhi*) (Yeung & Tung, 1996). It was not, however, until several hundred years

after Confucius's death that his teachings became adopted by society. Around 300 BC the legalist movement emerged due to the thinker Han Feizi and others who believed that rule by law should be used by the emperor to control the people (Chai & Chai, 1962, p. 102). At that point the rulers issued laws which were then implemented with harsh penalties.

China came under legal rule, that is, governance by force as opposed to ethics or morality, from 255 to 205 BC due to the tyranny of Emperor Qin (Shryock, 1966). He burnt scholars alive and destroyed ancient literary works including those of Confucius. After the fall of the Qin Dynasty, Confucianism was adopted by Emperor Wu who ruled from 141 to 87 BC. The scholar examination system was established, its core curriculum being four Confucian seminal works. Throughout China's history emperors used Confucianism as a strategy to control the people right up until the royal family was overthrown in 1911. Through Confucianism people believed that they had to serve the emperor and should follow designated roles in society thus reducing the need for rulers to force citizens to follow them. Confucianism was not a structured religion as was Buddhism and Taoism. Even so it continued to be passed down from generation to generation due to ancestor worship and compulsory study by imperial examination scholars. Although both the Nationalist and Communist Parties opposed Confucianism it was not until after 1949 that the government tried to abolish traditional thinking as the CCP enforced their own rules and socialist ideology (Yang, 1994, p. 210).

#### ***2.6.1.2 The Collectivism and Hierarchy of Confucianism***

Previously the Confucian term *lun* (order) was used to describe relationships in society instead of *guanxi* (King, 1994, pp. 111, 112). Social stability was achieved through this concept as individuals were differentiated from each other through their roles in society. The five relationships were the submission of subjects to their ruler, sons to fathers, wives to their husbands and rules of conduct between brothers and friends (Chen & Chen, 2004; King, 1994; Yeung & Tung, 1996). Three of the five Confucian relationships are within the family and its importance is still reflected in many areas of life and business. In Taiwan for example there are numerous businesses that favour family members only. Furthermore, the importance of relationships between people caused society to become relationally based as opposed to individually or society based (King, 1994, p. 111).

This differentiation and submission within relationships and the relationally based society may be the foundations of hierarchy and collectivism in Chinese society. Hofstede (2009) refers to this hierarchy as power distance which is the acceptance of the unequal spread of power in society. In Hofstede's cultural dimensions China has the seventh highest ranking of power distance in the world, scoring 80, higher than Hong Kong, South Korea and Japan. This would indicate that Chinese people are relatively accepting of unequal status among people in society. Even so according to Confucian philosophy those with higher status were expected to help the underprivileged which is evident in current *guanxi* where the person with the higher status is expected to give more favours than are returned (Luo, 1997).

The five Confucian relationships (*wulun*) encouraged individuals to put aside their own interests to function as part of the group (Yeung & Tung, 1996). This is now what we refer to as collectivism as opposed to individualism. In describing collectivist societies Hofstede (2009) writes, "...people from birth onwards are integrated into strong, cohesive in-groups, often extended families (with uncles, aunts and grandparents) which continue protecting them in exchange for unquestioning loyalty". The extent of this in Chinese society is reflected in Hofstede's cultural dimensions where China has the highest rank of collectivism in the world with the lowest score of 20 for individualism.

Accounts by Chinese anthropologist Fei Xiaotong (1983, p. 127, 128) demonstrate historical evidence of this in the 1930s. In all areas of daily life individuals were held responsible for crimes family members committed. Children and wives were killed if their husbands deserted the army and fathers held responsible for their children's crimes. Taxes were collected from families and not individuals. Even after these laws were abolished the practices continued as society functioned in families and groups rather than as individuals. The concepts of hierarchy and group harmony are evident in present day *guanxi* relationships. Dunning and Kim (2007) found that both collectivism and power distance led to a deeper comprehension of *guanxi* showing that it is both hierarchical and harmonious in nature.

However, within this collectivism Chinese society is relationally based as opposed to society based. The concept of relationships is reflected in the Chinese character

*ren* (仁) which means “humanity” or “humanness” (King, 1994, p. 111; Yang, 1994, p. 296). The character *ren* (仁) contains two images. The first a person (亻) and the second is the character two (二). The concept of being human is not as an individual but rather in connection to another. People do not identify themselves as individuals, nor as what is referred to in the West as a part of ‘civil society’ but rather in relationships - a relationally based society.

This refers to two sociological terms that Nakane (1970, pp. 1-3) uses called the ‘frame’ and ‘attribute’ which explain how the individual constructs their identity. The frame is the setting or the location that the individual is within. Attribute on the other hand refers to the characteristic of someone within a group. For example, a professor or student is a person’s attribute whereas the university is their frame. In Japan the sense of belonging comes from the individual’s identity within the frame making them society based. Chinese on the other hand gain their identity by which attribute they are connected to, creating a relationally based society. For instance, in Japan, a person identifies themselves by what family they belong to (Nakane, 1970, p. 13). In China a people identify themselves by the individual relationships within the family, for example, a father and a son.

### **2.6.1.3 Confucian Rituals and Morality**

In Confucianism harmony through hierarchy was maintained through the observance of rituals (Yang, 1994, pp. 222-228). In the past the term ritual (*li*) referred to official ceremonies, proper etiquette and the giving of favours and gifts. Confucius believed that the continued observance of these rituals would reinforce the five hierarchical relationships. In a study of *guanxi* in village life conducted by Yan (1996, p. 124), the villagers quoted the concept of *li* to explain why they observed the practice of gift giving in their present day *guanxi*. The instrumental aspects of gift giving, which originated from Confucian rituals, are acceptable in showing affection in *guanxi* (Lo & Otis, 2003). Obligation to a relationship was demonstrated specifically through rituals. In present day *guanxi*, gifts are exchanged which strengthens the relationship. The affective nature of the relationship is expressed through the giving of gifts. This stems from Confucian teaching where rituals were an expression of one’s obligatory commitment to a relationship.

Within the *wulun* there were also eight moral values that people were expected to observe (Luo, 2000, p. 13). These morals were: loyalty (*zhong*), filial respect (*xiao*), benevolence (*ren*), love (*ai*), trust (*xin*), justice (*yi*), harmony (*he*) and peace (*ping*) (Luo, 2000, p. 13). Of these eight morals, Mencius, a disciple of Confucius believed that people could control their own behaviour through the observance of *ren* and *yi* (Liu, 1955, p. 99). He believed that people were essentially good and that if they controlled their own behaviour they would improve in goodness.

#### **2.6.1.4 The Concept of Insiders and Outsiders**

Chinese people do not view themselves as individuals but their identity is dependent on relationships with other people and so there are two sets of norms, one for those that are known and those that are not (Yang, 1989). When conducting research in the 1980s, one lady told Yang (1989, p. 39), "...there is a me inside of you; and there is a you inside of me". Albeit, this only applies if one is considered an insider not an outsider. The outsider (*waidiren*) will be treated differently to a person's acquaintances. To establish *guanxi* with another person one must gain insider status. This became evident in the late 1970s and 1980s (Gold, 1985). Shop assistants were often rude to customers. People began to push in front of others to get a seat on the bus because they were strangers. The government also placed people groups into insider and outsider status providing different treatment for some including foreigners (Brady, 2000).

Examples of insider and outsider status have been frequently seen throughout China's history. Fei (1983, p.21) found that villagers in Kaixian'gong treated new immigrants differently to those who were born in the locality. Insider groups were also formed through the work unit in state enterprises before the reforms (Gold, 1985). People formed natural bonds with colleagues within the work unit and excluded those outside of it. This created in and out groups throughout the entire society. More recently, a trend has emerged in rural areas where people pay to change their surname in order to create ties with powerful families in the region (Gold, 1985). The fictive surname creates the possibility of becoming an insider of a new group.

## 2.6.2 Guanxi Bases, Intermediaries and Strength

### 2.6.2.1 Guanxi Bases

Chinese believe that relationships are either predetermined or voluntary (King, 1994, pp. 111-114; Luo, 1997). This originates from the *wulun* where three relationship types are within the family and are believed to be predetermined. The individual has no control over them and is obliged to perform to expected roles within the relationships. Aside from family the individual has complete control over who enters into his or her circle of acquaintances and is able to define the boundaries of the relationship. Predetermined and voluntary relationships are also described as vertical and horizontal (Chen & Chen, 2004). In reference to the horizontal voluntary relationships King (1994, p. 119) writes, “Chinese *guanxi* building can be characterized as an ego-centred social engineering of relation building”. For instance, a person might create a network based on the concept of family (King, 1994, pp. 113, 114). Family could refer to real or fictitious kin, clan membership and friends. In all instances the individual decides who or what category the other person will be a part of.

If a stranger wants to build a friendship it is necessary to find a common base for a relationship to be built on. This is what Nakane (1970) referred to as an attribute. Common bases could be the same birth place, dialect, agnatic or affinal ties, fictive kinship (same surname), workplace, student-teacher, family friends, sworn brotherhood, classmates and clubs or associations (Chen & Chen, 2004; Chow & Ng, 2004; King, 1994, p. 115; Kiong & Kee, 1998; Luo, 2000, p. 6). If one does not have a common base, knowing a friend or family member who has the same base may be sufficient to make a social connection (Chen & Chen, 2004). For example, perhaps two strangers both know the same person. This would provide enough commonality for the two strangers to begin getting to know each other. The more *guanxi* bases a person has, the more relationships they can build with different types of people (King, 1994, p. 115).

Having a common *guanxi* base does not mean one has *guanxi* (Fan, 2002; Kiong & Kee, 1998; Luo, 2000, p. 7). Rather it provides a reason for two people to meet as acquaintances (Kiong & Kee, 1998; Luo, 2000, p. 7). The actual relationship needs to be triggered by an action such as giving a gift, a favour or conducting a



banquet. Some bases are more valuable for building strong *guanxi* relationships than others. Chow and Ng (2004) found that *guanxi* built from bases such as the same clubs, classmates and family friends were stronger than relationships built through colleagues and distant family members.

Shared experience also qualifies as a *guanxi* base. Kung (2001, pp. 160-165) found that Taiwanese firms investing in Malaysia did not find employees based on their Chinese ethnic background but rather those that had previously studied in Taiwan. By the late 1990s over 30,000 Malaysian Chinese had studied in Taiwan and often opted to find jobs in Taiwanese companies when they returned to Malaysia. Kung (2001, p. 164) writes, "Such evidence suggest that Malaysian Chinese do play an important role in Taiwanese enterprises in Malaysia, but the primary factor that has facilitated this link is not co-ethnic identity but the 'Taiwanese experience' of Malaysian Chinese." It appears that finding a commonality such as this shared experience may be enough to build a working relationship. This may be because in Taiwan organisations are not always established through dialect groups but often through alumni and community service groups (East Asia Analytic Unit, 1995, p. 106).

#### **2.6.2.2 Intermediaries**

When an outsider wants to form a relationship but does not have any *guanxi* bases it is possible to make use of an intermediary in a process known as altercasting or transferring of *guanxi* (Chen & Peng, 2008; King, 1994, p. 119; Luo, 1997, Tsang, 1998; Yeung & Tung, 1996;). The intermediary can also be referred to as a *guanxi* reference. So and Walker (2006, p. 10) write, "Whilst a *guanxi* base is extremely important, *guanxi* can still be initiated if a *guanxi* base is weak or non-existent through the use of a *guanxi* reference." An intermediary is someone who is familiar with both the outsider and the desired *guanxi* partner. Furthermore, the intermediary is willing to vouch for the trustworthiness of the outsider in order to facilitate introductory meetings. The intermediaries can form an extended network (Fan, 2002). If a person makes a request to someone who is willing but unable to help they in turn will try to find someone who is able to help. This may form a chain until a person is found who is able to provide assistance. New *guanxi* is then formed with the first and last person in the chain of connections.

A set of *guanxi* relationships form concentric circles around an individual. The closeness of those relationships to the centre is measured by the depth of trust, satisfaction and commitment that is present (Chen & Chen, 2004). Fu et al. (2006) interpret the differing concentric relationships to be *qinren* (family), *shuren* (friends and acquaintances) and *shengren* (strangers). The relationships closest to the individual are family and secondly friends. Strangers are positioned on the outer edges of the concentric circle. Zhang and Zhang (2006) refer to these three *guanxi* ties as obligatory (family), reciprocal (friends) and utilitarian (strangers) while Wong, Tjosvold and Su (2007) describe them as expressive, mixed and instrumental ties. Zhang and Yang (1998) also found an individual's ties with others were graded from weak obligation to strangers to extremely strong obligation to parents. Unless otherwise stated, the future discussion on *guanxi* will refer to ties among strangers or friends.

### **2.6.2.3 Guanxi: Strength and Weakness**

*Guanxi* relationships contain human sentiment (*ganqing*) and instrumentalism but it is the former that determines the strength and the latter the weakness of the relationship. In an analysis of *guanxi* as a type of social capital Li (2007, p. 66) writes that,

“...strong *guanxi* is a strongly informal norm for the privileged access to more personalized exchange (both instrumental and sentimental) largely at the dyadic level, whereas weak *guanxi* is a weakly informal norm for the privileged access to less personalized exchange (primarily instrumental), largely at the network level.”

This shows that relationships at the dyadic level (strong) are personal whereas those at the network level (weak) are utilitarian as they contain less sentiment. Moreover, strong *guanxi* is long-term and reciprocal where one always owes the other a favour.

In an ethnographic study of a village in North East China Yan (1996b) examined how the strength of *guanxi* was expressed through gift-giving. Yan observed that ceremonial and non-ritualised gifts were given to those in an individual's personal core, reliable zone, effective zone and in village life, that is, in relationships where strong *ganqing* through to weaker *ganqing* existed (see Figure 2.2 below).

Instrumental gifts on the other hand were only given to people outside of village life in order to gain a favour as opposed to developing a relationship. The most gifts were given to people in the individual's personal core, those with the closest *guanxi* and the most *ganqing*. Those gifts could not be classified as being instrumental as they were given for the purpose of maintaining a long term relationship. The instrumental gifts were only given in distant relationships and were part of what Li (2007, p. 66) referred to above as the network level.

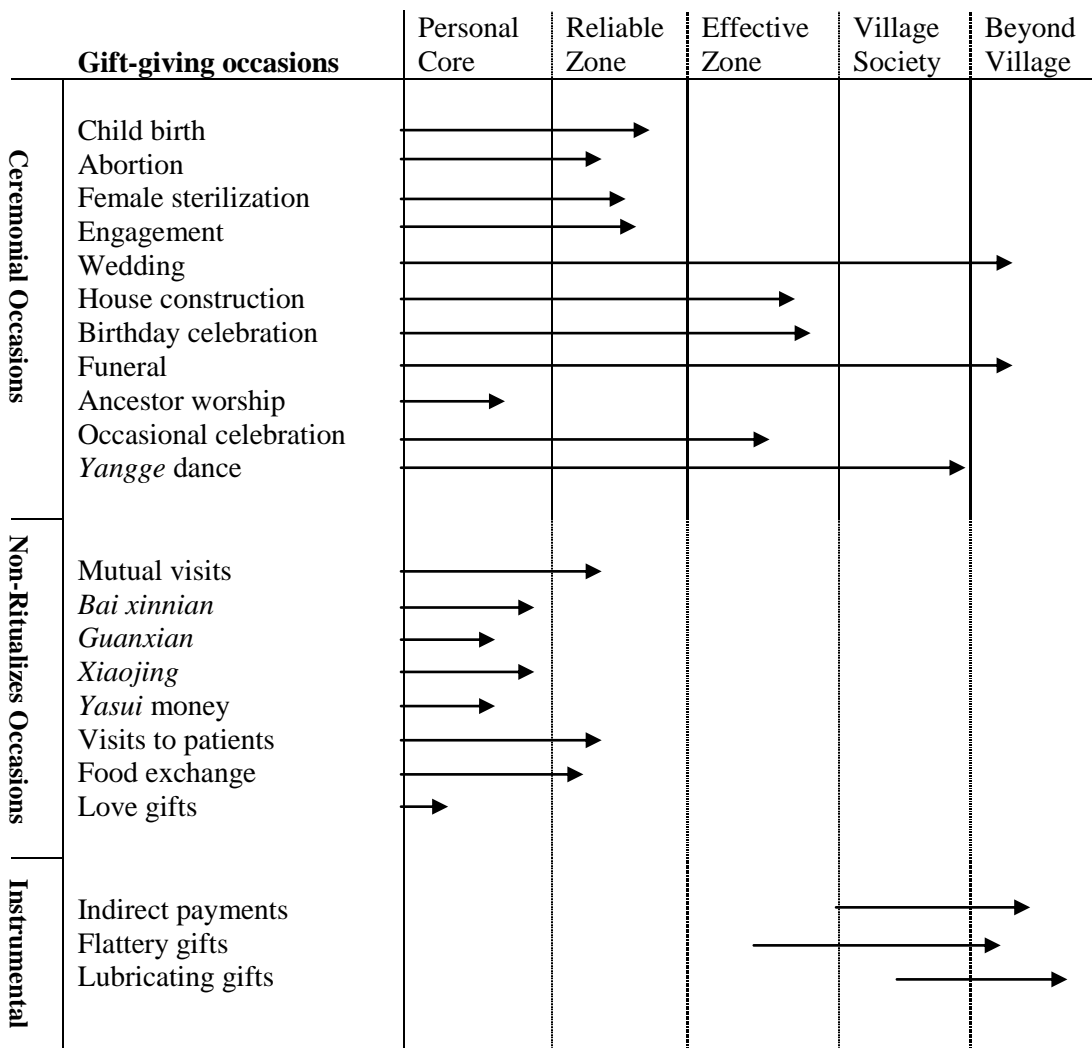


Figure 2.2 Gift-Giving and Guanxi Networks (Yan, 1996b, p. 6)

It is necessary to differentiate between utilitarian relationships and those based on the norms of *renqing*. Except for the purely instrumental relationships with people not in their immediate social circle, Yan (1996b) found that material giving was

part of the social order within the village. This concept opposes recent views that claim *guanxi* is the ‘instrumental manipulation’ of the Confucian feelings of *renqing* (Guthrie, 1998). King (1994, p. 118) also wrote that due to the effects of the Cultural Revolution, “An extreme form of instrumentalism coloured norms of behaviour in personal relations.” As Yan’s research was conducted in a village this may reflect life in rural China as opposed to the city and commercial world where Guthrie’s research took place.

### 2.6.3 Renqing

*Renqing* has five meanings (Yu et al., 2006, p. 1355). These are 1) human feelings, human nature, sympathy, 2) feelings, sensibilities, 3) favour, 4) courtesy, ceremony, etiquette, and 5) gift, present. Hwang (1987) incorporates all the meanings of *renqing* into three definitions which are used in the discussion of *guanxi*. Firstly, *renqing* is the emotions that people experience in everyday life such as fear, happiness and anger. These are the human feelings, sympathy and sensibilities that were mentioned in the above definition. If an individual is able to relate and empathise with another’s feelings they are said to understand *renqing* or human feelings. If they are unable to do so they do not understand *renqing*.

Hwang (1987, p. 954) also explains that *renqing* can be “...a resource that an individual can present to another person as a gift in the course of social exchange”. In a difficult situation or at a celebratory event, a gift or favour may be given to someone within one’s personal network. Once “a *renqing*” has been given then the recipient owes the giver “a *renqing*”. This explanation of Hwang’s corresponds to the third and fifth dictionary definition mentioned previously of favour, gift and present. Luo (2000, p. 14) also writes that *renqing* is “...unpaid obligations resulting from invoking *guanxi* relationships”. It is not only a condition for *guanxi* to be created but also a consequence of the relationship. King (1994, pp. 120, 121) explains that several terms relating to *renqing* show that it is in fact a “...kind of resource or social capital in interpersonal transactions.” King reveals that people will often say: “I owe him a *renqing*”, “he owes me a *renqing*”, “to give you a *renqing*” and “to give me a *renqing*” (King, 1994, pp. 120, 121).

Finally, *renqing* can refer to the cultural and social norms that one follows in order to maintain harmony and good relationships with others (Hwang, 1987).

This includes courtesy, ceremony and etiquette all of which help people to get along with each other. The rules involved in this type of *renqing* are helping others when they are in need or giving a person in one's network the correct gift or favour on the right occasion. Moreover, when a gift is received it must be repaid by something of a greater value than the original gift. Due to this, the rules of *renqing* are closely connected to reciprocity. *Renqing* is the moral foundation and the guiding force behind the principles of reciprocal behaviour in Chinese society (Luo, 1997). From the above discussion, *renqing* can be defined as *following the rules of reciprocity when exchanging a resource to create, develop and maintain guanxi in a process that is guided by the morals of human feeling and proper etiquette.*

*Renqing* refers more to social relationships than to instrumental ones. King (1994, pp. 120, 121) explains that there are two types of *guanxi* relationships. One is purely economic, the second social. He explains, "In a strict sense *renqing* hardly enters into economic *guanxi* since economic exchange is dictated by impersonal market rationality. On the other hand, in social *guanxi*, which is diffuse, unspecific, and is ruled by the principle of reciprocity, *renqing* plays a central role" (King, 1994, p. 120). This refers to what was discussed earlier in Yan's (1996b) study on village giving and *guanxi*. It was those impersonal relationships on the outer edges of one's acquaintances which contained the most instrumentality and very little human sentiment.

#### **2.6.4 Reciprocity**

One aspect of *guanxi* is reciprocity, the exchange of favours over time (Seligman, 1999; Yau et al., 2000). Once a favour has been accepted repayment is morally binding or face will be lost. Individuals keep mental accounts of favours they have given and received to determine the type of favour to be solicited at a future time of need. The need to reciprocate favours is a careful balance between time and value. The one who is owed a favour may wait for a long period of time before asking for repayment to keep the relationship in a state of indebtedness (Chen & Chen, 2004). This is correlated to the concept of long-term orientation, a cultural concept present in many Confucian nations, where future rather than immediate gain is considered (Yeung & Tung, 1996). Westerners on the other hand are

accustomed to paying debts back swiftly in order to maintain credibility (Chen & Chen, 2004).

Moreover, a returned favour must be more valuable than the one initially received to continue the cycle of owed favours (Chen & Chen, 2004). This causes a continual cycle of indebtedness to occur as the recipient always owes the giver a debt that needs to be repaid. This culturally embedded concept of reciprocity originates from Confucianism (Yeung & Tung, 1996). Confucius taught that each person should aim to be righteous (*yiren*) and in order to do so they must repay favours with an increased value. Chen and Chen (2004, p. 317) mentioned a Chinese saying related to the concept of reciprocity, *ren jing ni yi chi, ni jing ren yi zhang*, meaning, 'if someone honours you by giving you a linear foot, you should repay them with ten'. If a favour of equal value is returned it may mark the end of the relationship as neither the giver nor the recipient is in the other's debt (Yeung & Tung, 1996).

The type of favour given and the timing it must be reciprocated is dependent on whether the tie is instrumental, mixed or expressive (Hwang, 1987). In an instrumental tie future contact is unlikely so repayment is usually immediately before or after a favour has been given. With expressive ties reciprocation may not occur for years as it is based on the need rule. For example, parents will look after children well into their adulthood and the favour may not be returned until their parents are unable to look after themselves. The rules with mixed ties are also different and appropriate reciprocal etiquette must be followed to maintain its affective side. Help must be offered when it's needed and if it isn't provided the friendship may be broken.

### **2.6.5 Obligation**

The obligation to reciprocate is dependent on the strength of tie (Zhang & Yang, 1998). The strongest pressure comes from familial relationships. In mixed relationships the deeper the affective feelings then the stronger the obligation is. Zhang and Yang (1998, p. 256) write, "Once *guanxi* is reclassified due to the change of affective feelings involved, as from 'casual friends' to 'good friends', the obligations change accordingly." There is a Chinese saying, "if you receive a favour from another person, you should remember it for at least a thousand years"

(So & Walker, 2006, p. 13). This means the kindness and favour of another person should never be forgotten. If a *renqing* has been received, in this case meaning a favour, then it should be repaid more urgently than monetary debt. This shows the depth of obligation contained within the norms of *renqing*.

Following the norms of *renqing* is different to the Western concept of equity to all (Zhang & Yang, 1998). *Renqing* contains obligation, human feeling (*ganqing*) and an instrumental element. However, the instrumental element should not be overt. The obligation is only relevant to those one has stronger feelings of affection for and not to those who are distant acquaintances or strangers. If close friends and family are treated with the equity principle then they are considered to be ‘cold-blooded animals’ (Zhang & Yang, 1998, p. 263) or as So and Walker write (2006, p. 12) are considered to be inhumane. Hwang (1987) writes that when asked for a favour the resource allocator will also consider personal and social costs. It may be that considerable face or social prestige is lost by not granting the favour. If that is the case, the resource allocator may feel obliged to provide it. The likelihood of reciprocation is also considered. If the petitioner has a higher status than the resource allocator or has an extensive social network that may be of some use in the future then the favour is more likely to be granted.

The obligations people feel due to *renqing* are also based on their moral perception of justice. Zhang and Yang (1998) found that employees felt they must allocate rewards to their family even if it was not deserved. It was also necessary to help colleagues with close *guanxi*. However, for colleagues with distant *guanxi* it was only necessary not to cause them any trouble. Zhang and Yang (1998) wrote that in judging how to distribute rewards the obligations related to *guanxi* had to be taken into consideration. As a result, Chinese understanding of justice is particularistic. The obligation is dependent on a graded distance which is determined by the amount of affect that is felt between both parties.

## **2.6.6 Gift Giving**

### ***2.6.6.1 Renqing and Examples of Gift Giving***

In recent years there has been an increase in discussion on *renqing* and gift-giving in newspapers and popular blogs which show the level of obligation people feel

towards it. A common question asked in all these discourses is, “Is *renqing* sentiment or debt?” (Ke, 2011; Li, 2011; Liu, 2008; Wang, 2011; Wu, 2010). *Renqing* is closely connected to the traditional concept of *lishangwanglai*, a reciprocal obligation to return what has already been given particularly at certain festivals or occasions. If there are celebrations for weddings, birthdays (especially for 50, 60 and 70 years of age), house warming parties, business openings, births, work promotions, university or college entrances, building the foundations of a house (especially in rural areas) and funerals, people feel they must bring gifts of money, even if it means spending their entire monthly salary (Ke, 2011; Wu, 2010). If they do not, then they have no way of building relationships with those people in the future. Moreover, if they do not host these parties themselves then the money and gifts they originally gave will not be reciprocated by others in the future.

A large portion of people’s income is now spent on gift giving due to *renqing*. A survey in Hohhot, Inner Mongolia found that in the first three months of 2009 people spent an average of 1,317 RMB on gifts due to *lishangwanglai* (Wu, 2010). With an average per capita income of \$7,000 US in 2009 (CIA, 2012), approximately 44,000 RMB, the yearly giving on *renqing* obligations constitutes a large chunk of a person’s yearly salary. In some rural areas this could be as high as 50% of one’s annual income (Wang, 2011). In addition, most people reported that as their income increased so was the expectation to give more money (Wang, 2011; Wu, 2010). The most spending on *renqing* exchange occurs at Chinese New Year. A small study on urban spending habits showed that all participants spent an average of 5,000 RMB to cover the costs of the holiday (Li, 2011). The money was spent on food, money for parents (to show honour), giving gifts and red envelopes with money inside and for entertainment such as eating and drinking with friends. Except for the first type of gift, all are connected to *renqing*.

There are numerous occasions where gifts need to be exchanged in China (see Table 2.1 below). These range from personal events through to national festivals. Computer software has even been designed to help people calculate how much they have given, how much has been received and when they should repay another person (Android Online, 2011; Liu, 2008; Ouyao Xiazai, 2009).



**Table 2.1 Gift Giving Events**

<b>Category</b>	<b>Events</b>	<b>Reference</b>
Chinese Festivals	Ancestor worship; New Years (Parents give children money in a red envelope. Adult children give parents money); <i>Guanxian</i>	(Kipnis, 1996; Yan, 1996b)
Ceremonies	Engagements; weddings (money); Funeral (money)	(Ke, 2011; Kipnis, 1996; Wu, 2010; Yan, 1996b)
Personal Events	Childbirth (money, eggs and dough sticks); abortion; female sterilisation; birthdays; house warming parties; work promotions; university or college entrance; house construction; building the foundations of a building	(Ke, 2011; Wu, 2010; Yan, 1996b)
Community Events	<i>Yangge</i> dance;	(Yan, 1996b)
Expressions of Friendship	Mutual visits; hospital visits; exchanging food;	(Yan, 1996b)
Business	Sharing industrial information; small gifts from another country when returning from overseas	(Bjorkman & Kock, 1995)
Purely Instrumental	Indirect payments; flattery gifts; lubricating gifts (money)	(Kipnis, 1996; Wank, 1996; Yan, 1996b)

In a small study conducted after Spring Festival people gave a number of reasons why they continued to practice *lishangwanglai* (Li, 2011). People felt that reciprocal giving was an important part of Chinese culture as it had occurred for several thousand years. Some supported it as they felt it was an effective way of catching up with friends and family they had been too busy to see throughout the year. It was also seen as a type of investment in human sentiment (*ganqing touzi*) that enabled friends to become closer. On the other hand, although *lishangwanglai* is a type of etiquette that shows respect to others it can become negative when it is affected by face. When people become wealthy they use the custom of giving to show others how much they have. If this occurs it becomes debt as the recipient must repay it at a future date. The pressure to return gifts or money was too high for some people.

#### **2.6.6.2 Gift Giving, Reciprocity and Guanxi**

According to Yang (1989) the exchange of gifts in an economy of exchange does not take the place of a commodity market due to the personal aspect of the gift. The gift contains an element of the person until it is returned creating reciprocity

whereas commodity exchange is objective. This concept originates from the writings of Mauss (1990, pp. 11, 12). He observed that in Maori culture, gift exchange was embodied in the concept of *hau*, the spirit of the gift. It was believed that the spirit of the giver went with the gift to the recipient and did not return until a gift of equal or greater value was returned. This created a system of reciprocity as the recipient was holding on to the 'spirit' or essence of another person. Once the gift has been given, the giver temporarily has what Yang (1989) terms as moral superiority over the recipient. In order to regain the balance between the two individuals, the recipient is obliged to return either a gift or favour. This increase in superiority may be why people provide gifts and banquets to those of higher status, to reduce the hierarchy between them.

The giving of gifts enables a person to move from outsider to insider status because an element of the giver is conveyed along with the gift (Yang, 1989). It is seen as a token of the giver's heart. When a gift is given it is common for a Chinese person to say "*zhe shi wode yidian xinyi*" (Yang, 1989, p. 42), meaning "this is a small token of my heart". Once the gift has been received the recipient has an obligation to the giver because a part of that person's heart is now with them in the form of the gift. In China a greater emphasis is placed on the importance of the heart than in the West, the latter of which values the understanding of the mind.

The obligation to return the gift is embodied in Bourdieu's concept of misrecognition in gift-giving as outlined through his discussion on social capital (Smart, 1993). In this concept the recipient becomes subordinate to the gift-giver while at the same time both parties deny the importance of the gift. This results in reciprocation not being immediate but still necessary to restore balance in the relationship. However, Smart (1993) points out that when Hong Kong investors in China give gifts they are completely aware of its meaning but do not openly acknowledge the purpose of the gift. Gifts given for immediate gain are still despised but the Hong Kong investors are aware that their gifts will bring future benefits. In this case, Hong Kong investors do not "misrecognise" the gift.

### **2.6.6.3 Research on Gift Giving in the Guanxi Context**

According to Wank (1996) gift-giving in the Chinese business environment is one of the first steps to creating an emotional feeling between two people. These gifts are often the result of an official's hinted demands. They are particularly instrumental but still create a sense of obligation and emotional feeling. Bjorkman and Kock (1995) also found that Scandinavian managers selling supplies to buyers in China developed *guanxi* through the giving of industrial information and small gifts when they returned to China from abroad. Moreover, Smart (1993) found that in Hong Kong investors used gift giving to create trust and *ganqing* with their new partners. Although instrumental, and even though both partners knew why the gifts were being exchanged, it still helped to initiate the trust building process between them.

It was found through interviews with students in Hong Kong that the types of gifts given could be identified on a continuum of closeness in relationship between the giver and the recipient (Joy, 2001). The types of relationships were divided into first tier (close friends), second tier (*renqing*) and third tier (*guanxi*). Gifts based on close friendships were given because of a deep care for that person. They felt morally obliged to give and receive gifts. Money was not important when selecting gifts but rather appropriateness and suitability for that person. Moral face (*lian*) was the only concern in this exchange. *Renqing* relationships were not as strong as first ties and so a balance between the price and appropriateness of the gift was taken into consideration. Gifts were given due to sentimentalism and obligation, a combination of the expressive and the instrumental. They were given due to friendship or to build networks. Finally, third tier networks were the most instrumental although care needed to be taken to express sentiment. They were obligatory and were used to move from outsider to insider status with another person, to keep existing contacts and build networks.

### **2.6.7 Favours**

According to Wank (1996) favours are more effective than gifts for producing deep feeling between the two business partners. They create obligation through a feeling of warmth, that is *renqing* or *guanxin*, rather than gratitude which is experienced through gift-giving. An effective favour is given through careful observation of the other person's unarticulated needs rather than through their

hints or demands for a desired material object. Wank (1996) gives an example of an entrepreneur who gave a young official marriage counselling and introduced him to potential women. Another businessman who used a chauffeured car often provided free rides to officials so they could visit their families and friends at ease. These favours show careful observation of the targeted individual's wants and needs.

Other companies also purposefully provided favours to build relationships. Bjorkman and Kock (1995) found that some foreign suppliers would provide their Chinese partners with beneficial industrial information that could be translated into Chinese and disseminated throughout their companies. Leung et al. (1996) also found that Hong Kong companies had policies to develop *guanxi* with their Chinese partners by providing them with business trips for market investigation purposes. In order to secure a deal a trip overseas to the supplier's company was sometimes enough to convince the buyer (Bjorkman & Kock, 1995). However, this may only result in a one off sale as the key decision maker would be likely to continue long-term sales with someone they have a close friendship with.

### **2.6.8 Banquets**

Banquets are a way of developing affect with new business partners which results in the creation or strengthening of *guanxi* (Yang, 1989; Leung et al., 1996; Wank, 1996; Yeung & Tung, 1996). Wank (1996) found that entrepreneurs often held banquets with government officials in Xiamen in order to build emotional feelings between them. Some entrepreneurs even bought exquisitely decorated restaurants that could be used for entertainment purposes. Not only could they reduce the cost of hosting banquets but they could also lend the facilities out to officials at a reduced cost for their family's weddings. In many cases banqueting was incorporated into a company's hospitality policy as was the case in numerous Hong Kong companies studied by Leung et al. (1996).

In interviews conducted by Fu and Kamenou (2011) it was also found that employees in transnational corporations (TNCs) found it necessary to build informal *guanxi* relationships within the work place by eating out together and in particular drinking. By drinking alcohol together employees could get to know each other better. They also used it as a way to show respect. By going out after

work hours employees were able to personalise their *guanxi* networks that were already being established in the workplace.

### **2.6.9 Other Methods for Building *Guanxi***

Communication was also seen as an important aspect of building *guanxi* in the business environment. In a study conducted by Leung et al. (1996) of Hong Kong enterprises investing in China it was found that communication tasks were more important than daily operations for establishing *guanxi* with their Chinese partners. *Guanxi* was developed through maintaining networks, locating useful contacts, visiting contacts in China and establishing clear communication with contacts. Research conducted by Bjorkman and Kock (1995) found that Scandinavian managers selling industrial products to Chinese buyers would take a long period of time getting to know who the key decision maker was and would then build *guanxi* with that person. The relationship was built through visits and getting to know that person well. The supplier would learn everything about the key decision maker, their likes and dislikes, including their food preferences.

Without communication it was impossible for foreign enterprises to build *guanxi* with their Chinese suppliers. Scandinavian managers selling industrial supplies to the Chinese found it difficult, if not impossible to build *guanxi* with their buyers because they were unable to communicate due to language difficulties (Bjorkman & Kock, 1995). For this reason, the task of building *guanxi* was left up to Chinese employees. To deal with this, companies had planned strategies to develop *guanxi* with potential buyers. The firms created their own units and used other agents or middlemen to locate and secure deals with potential buyers. It was found that establishing a unit controlled entirely by the firm was more beneficial as commission costs were not lost and the established relationships could be used for future sales. The established *guanxi* was not lost to other agents or middlemen.

In a study with Taiwanese managers, Mainland Chinese managers and students it was found that all believed good *guanxi* could be maintained firstly through trust, mutual help, followed equally by friendship, social acceptance and help in bad situations (Ai, 2006). However, taking the younger participants into account, the areas that are most likely to have the strongest impact in the future are good

communication, sharing profits produced from the *guanxi* relationship and frequent mutual help.

#### **2.6.10 Developing Expressive and Instrumental Guanxi**

According to Chen and Chen (2004), the first step to building a new relationship is to find a similar *guanxi* base either directly or through someone the two strangers know. *Guanxi* is then built through expressive or instrumental interaction. Expressive interaction describes social activities that produce *ganqing* and affective trust such as birthdays and marriages while instrumental interaction describes practical initiatives that produce logical trust and *renqing*. Wong et al. (2007) also writes that expressive ties are formed through face, favour-exchange and flexibility whereas instrumental ties are formed through cooperation, continuity and commitment. In most relationships a combination of both strategies are used. After relationships have been established through these steps *guanxi* can then be used and favours exchanged with special consideration to the timing of repaying favours in order to keep each other indebted.

Expressive and instrumental interaction can be developed through tendered favours, mutual benefits and personal relationships (Yeung & Tung, 1996). Tendered favours are usually given during the first stages of development. These include gift-giving, hosting banquets, travel abroad, payments and helping business partners' children to study overseas. These favours are only a short-term approach to developing *guanxi* and other methods must be used for a long-lasting relationship. *Guanxi* can also be developed through mutual benefits including assisting the business partner's long-term goals such as career advancement or in the case of foreigners, doing business successfully in China.

The most important method of developing *guanxi* is through personal relationships as it cannot be imitated. It is the development of an intimate relationship based on honesty and a deep understanding of the business partner. Although it is difficult to attain it can produce strong bonds because it is not based on material gains. These personal relationships must be maintained over time or they may be lost (Kiong & Kee, 1998). However, as the personal relationship is seen as a long term commitment most business partners are reluctant to discard it due to the length of time it took to develop.

### 2.6.11 Ganqing

*Ganqing* is the affective element in *guanxi*, defined by Luo (2000, p. 15) as the “human feelings of affection” and determines the closeness of the relationship. When describing the difference between *ganqing* and *renqing* King (1994, p. 119) writes, “It should be pointed out that *renqing* is different from *ganqing* which is merely sentiment, or an affective component of all human relations. *Ganqing* is personal, while *renqing* is social.” It is possible for someone to go through the socially correct motions of etiquette, that is, *renqing*, without having feelings of affection (*ganqing*). *Renqing* is indebtedness towards friends whereas *ganqing* is the feeling or affection that exists between them (Reid & Jallat, 2006).

*Ganqing* along with *renqing* are two driving forces behind the reciprocation process (Lee & Dawes, 2005). The feelings of *ganqing* determine each partner's perception of the quality of their relationship (Chen & Chen, 2004). If the feelings towards each other are deeper then the desire to bestow a favour is also stronger. If feelings or affection are limited between two people, then the desire to give a gift or favour is also lower. *Ganqing* is vital to sustaining and maintaining *guanxi* during the reciprocation process (Luo, 2000, p. 15). Zhang and Yang (1998) also found that in social relationships “Chinese people consider both affect (*qing*) and reason (*li*) in their social thinking and actions.” Moreover, although not proven their results suggest that the weight given to both affect and reason may be different depending on the type of *guanxi* they have with another person.

*Ganqing* is not a static concept but either increases or decreases in a dyadic relationship (Luo, 2000, p. 15). If an individual wishes to increase the mutual feelings they have with another person investments must be made to develop *ganqing* (Wang, 2007). This is referred to as *ganqing touzi* which literally translates to ‘an emotional investment’. Investment of *ganqing* occurs through social interaction and can be lost due to the lack of it (Kiong & Kee, 1998). It is more important than favours as Chinese will not trust those with whom they have no feelings of affection for.

Two people’s relationship history and prior expectations could impact the closeness felt between two people. In a study on how relationship ties between co-workers became closer or more distant, Chen and Peng (2008) found that both

work related incidents which are instrumental in nature and social affective activities can equally affect the closeness of the relationship. Moreover, close prior relationships or distant prior relationships were affected in different ways. It was found that positive incidents helped prior distant relationships become closer more so than prior close relationships. Negative incidents also had a greater effect on prior close relationships. In addition, in *guanxi* it was expected that the norms of *renqing* should be applied particularly in closer relationships. If these norms were not followed through then this could explain why there was a greater negative impact on prior close relationships when interactions were not ideal. There would be higher expectations for closer friends to fulfil their obligations.

#### **2.6.12 Face**

In Chinese the words *lian* and *mianzi* are both used to describe face, the former describes a person's moral prestige and the latter one's social prestige (Hu, 1944). *Lian* is the recognition by the community of a person's moral standing, of being a good person and choosing the right actions even in times of difficulty. Without *lian* it is impossible for a person to participate in society as they will be ostracised or ignored. Morals are therefore regulated and sanctioned by each other through the fear of losing *lian*, or moral face. Cheating, stealing, fraud, lying and unfaithfulness are all examples of conduct that will cause the community to condemn one's behaviour. Moreover, it is not the individual that feels shame in their misconduct but also those one is connected to. As a result, people's morals are regulated through both the fear of losing face, which is worse than physical punishment, and through the awareness of harming the reputation of those close to them.

*Mianzi* on the other hand is the recognition by society that a person is becoming or has become successful in life (Hu, 1944). It is achieved through one's own hard work and ability. This kind of face is dependent on the external environment and the recognition of others. If someone loses this kind of face, it is not as serious as losing *lian*. It may be that someone forgot to follow an accepted convention or etiquette. Although embarrassing, one's moral face may still remain in place after the mistake. People can add to their *mianzi* by contributing to society through donations to schools or orphanages. They may struggle for *mianzi* by trying to



outdo others in displays of wealth and extravagance. Most of the discussion relating to *guanxi* revolves around *mianzi*, the maintenance of social face rather than moral. The following discussion relates primarily to *mianzi* unless otherwise stated.

Face can be maintained, given or lost. To give face, or to *gei mianzi*, is to respect another person's feelings through spoken praise and the giving of favours (Yeung & Tung, 1996). Conversely to lose face, or *diu mianzi*, is to have one's feelings and pride injured by rude speech or the denial of favours. However, according to Cardon (2009) the giving or denying of favours contains deeper feeling or meaning than giving or losing verbal face. The need to protect each other from losing face is controlled by a deep sense of shame, a concept that differs from Western countries where morality is controlled by a sense of guilt (Yeung & Tung, 1996).

A sense of shame occurs because the identity of Chinese people is not individually constructed but rather created by the understanding of one's relationships with others (Yang, 1989). This understanding of oneself is determined by face. The way other people view an individual is how they make a judgement about themselves. If a person has or is given face they will also have a sense of self-confidence and respect. Without it not only will prestige be lost but also one's sense of identity and self-worth. For this reason, absolute care must be taken to protect or give face to others because it influences the value that person places in themselves.

#### ***2.6.12.1 Face in the Social Context***

Unstructured interviews conducted by Willis and Quan (2009) provide a description of how face applies to social and private life. Firstly, respondents believed that face had both affective and cognitive dimensions. Individuals could intuitively trust another person or could see by their actions that they could be trusted to save face. The affective dimension of face is strongly associated with deep *guanxi* relationships. The context and people with whom one is with determines the level of face that needs to be saved or maintained. With close friends and family a relaxed attitude takes place and speech will not be interpreted wrongly. With strangers and acquaintances great care must be taken not to let the

other lose face as it may result in the termination of the relationship. This also correlates with Cardon's (2009) findings where in business it was critical to give face in formal introductions but once those same colleagues became familiar with each other it became less important.

#### ***2.6.12.2 Face in the Business Context***

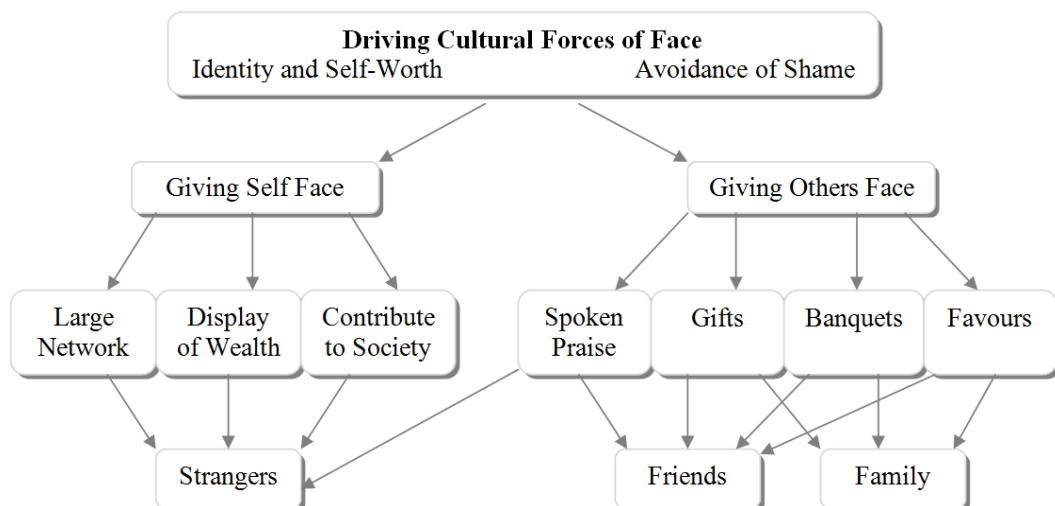
Face in the business context is more tangible than its affective dimensions in private and social life (Willis & Quan, 2009). It is associated with making money through the success of winning deals and is often used as a strategic tool to gain advantage particularly against the weaker party. It is also used against foreigners who will accept a deal for fear of causing the Chinese partner to lose face (Cardon, 2009; Willis & Quan, 2009). However, true *guanxi* relationships will contain the affective dimensions of concern for a person's emotional being rather than just their success in business (Willis & Quan, 2009). Cardon (2009) also writes that high importance is placed on sincerity especially towards insiders.

Giving face to others can assist in developing *guanxi* and ensure future reciprocal favours are returned. When Buckley, Clegg and Tan (2006) interviewed Chinese and expatriates in four joint ventures it was found that support from government officials and employees was gained through activities that gave face. Such activities included hosting guests, offering trips abroad, scholarships or funding to outside organisations, sponsoring events, training and visits from CEOs. These initiatives not only gave face to government officials and employees but also to the businesses bestowing the favours by raising their status and prestige. In addition Cardon (2009) found that employees gave friends face by supplying them with contracts or purchasing from them which resulted in the maintenance of long-term relationships. Scandinavian managers also found that giving face to their buyers by flying in top managers to conduct negotiations resulted in securing sales (Bjorkman & Kock, 1995).

The way face is given or saved is dependent on whether or not the other person is considered an insider or an outsider (Cardon, 2009). In addition, insiders are classed as either horizontal (equal hierarchical status) or vertical. Much care is taken in vertical insider relationships, such as between subordinates to their superiors, to give or protect face by hiding the manager's mistakes and talking

subtly about areas where they are not satisfied. Superiors on the other hand refrain from openly criticising their subordinates in order to save their face.

Horizontal relationships existed between colleagues, classmates, people from the same hometown or from the same work unit and they gave face to each other primarily by granting favours and then secondarily by giving gifts or going out for meals (Cardon, 2009). When dealing with initial meetings with outsiders or foreigners, Chinese businesspeople would either give face or vie for face. Face could be given by praising each other or vied for by displaying symbols of success such as having an expensive car or cell phone. This would be in formal social meetings but the need to give face would disappear as the negotiations got under way. Luo (2000, p. 14) and Gold (1985) also explain that the larger one's personal network is then the more face they have in front of others as it increases their level of prestige. By combining the different aspects in the discussion above the outworking of *mianzi* in the business context is shown below in Figure 2.3. It can be seen that the driving forces behind these actions are cultural and result in continued behaviour in both personal and professional life.



**Figure 2.3 The Outworking of *Mianzi* in the Business Context (Adapted from Cardon, 2009)**

The way face is expressed and the timing is different in China than in Western countries. Cardon (2009) writes that in western countries the giving of face is

often verbal whereas in China it is more often based on favours people do for each other. Chinese and westerners also give each other face at different times in the negotiation process. Chinese tend to give their counterparts face at the beginning, discuss the issues and then finish by giving face once again. Westerners on the other hand tend to discuss the issues immediately and then smooth the process over at the end by giving face. Although there are differences between Chinese and Western styles of negotiating this may not be a hindrance to the business dealings of both parties. Cardon (2009) also found that Chinese business people often enjoyed negotiating with their Western counterparts as they did not need to worry about the difficulties associated with face in vertical insider relationships.

### **2.6.13 Trust**

#### ***2.6.13.1 Trust and its Role in Guanxi***

As China is a relational society little, including the creation of *guanxi*, can be accomplished without trust (Abramson & Ai, 1997; Yeung & Tung, 1996). There are two Chinese terms referred to in the *guanxi* literature to describe trust: *xinren* (信任) and *xinyong* (信用). Luo (2000, p. 16) writes that *xinren* is the trust people have for each other as favours are fulfilled over time and is closely connected to the concept of *ganqing*. On the other hand, *xinyong* is based on a person's credit or trustworthiness (Wank, 2002, p. 104). However, Luo (2000, p. 16) also refers to *xinren* as a belief in a person's credibility and competence. The literal translation for *xinyong* is "trustworthiness; credit" and for *xinren* it is "trust; have confidence in" (Manser, 1999, p. 498). Although Wank (2002, p. 104) describes *xinyong* as being objective credit, this study takes Kiong and Kee's (1998) definition of *xinyong* to refer to a person's trustworthiness and credibility that contributes to and is a result of a *guanxi* relationship.

Two concepts are contained within the concept of *xinyong*. It denotes both the ability and sincerity of being trustworthy (Chen & Chen, 2004). A person's ability is determined on whether or not they have proven themselves trustworthy in the past, referring to their credit, while sincerity is established through a person's intentions being perceived as genuine or artificial. This corresponds to Michailova and Worm's (2003) explanation that the understanding of trust in China is both cognitive and emotional. In an effective *guanxi* relationship emotional trust is

stronger than cognitive. This would mean that the sincerity and affection felt through *ganqing* would be a stronger influence on trust than the ability to come through on one's reciprocal favours.

#### ***2.6.13.2 Trust and Societal Roles***

Trust is established through the fulfilment of expected societal roles (Yau et al., 2000). In familial situations each family member is expected to provide favours without the expectation of a returned repayment. Among friends it is expected that favours will be returned and not doing so causes the loss of face, prestige and ultimately trust. If trust is established through the fulfilment of societal roles then in-groups are established. Trustworthy members become part of the in-groups whereas untrustworthy individuals are unable to enter. It could be argued that people do not trust each other rather they trust the fact that the principles of the *renqing* norm will be followed through. So and Walker (2006, pp. 18, 19) write that when *guanxi* has been established one person will offer a favour with the expectation that it will be returned in the future. It is similar to a non-written contract and the giver of the favour trusts that the receiver will feel obligated in the future to return the favour.

#### ***2.6.13.3 Trust in Business***

Trust in the business environment is often associated with tangible features such as making a profit rather than personal characteristics even though the traditional concept is still highly valued (Willis & Quan, 2009). This is particularly the case in larger Chinese cities such as Shanghai. If a person is able to make money they are trusted in the business environment. However, although less common, people value business partnerships with friends over acquaintances. Moreover, business partners with whom a deep trust exists will be more likely to make long-term investments together. The Chinese interviewed by Willis and Quan (2009) had very little trust for foreigners in the traditional sense of the word. They even initiated the signing of contracts with foreigners due to their lack of trust.

If trust between two new business partners has not been established then they will go through a stage of testing (Kiong & Kee, 1998; Wong & Leung, 2001, p. 40). Each formal and informal transaction will be used to determine the new partner's trustworthiness. The reliability and competency in the fulfilment of expected tasks

will either cause trust to develop or decrease (Luo, 2000, p. 16). If the partners are successful they will leave the testing stage and become old friends, resulting in mutual trust (Wong & Leung, 2001, p. 40). Once trust is established a person's word is considered binding and is equivalent to a contract (Hutchings & Weir, 2006; Kiong & Kee, 1998).

The size of one's *guanxi* network has no influence over how trustworthy they are rather it is based on the level of trust given to an individual, a term referred to as *kexin* (Luo, 2000, pp. 18, 19). *Kexin* literally means "be credible, be believable" (Yu et al., 2006, p. 897). In China, trust is equal to capital. If a person is known to have a high level of trust others will be willing to take financial risks on their behalf. Information about a person's trustworthiness is disseminated throughout the *guanxi* network. If a newcomer does not have any *guanxi* referrals or is unknown to a business network it will take a long time to prove their trustworthiness and credibility. This is the testing time referred to by Wong and Leung (2001, p. 40) in the process of moving from a new to old friend.

Chinese traditionally based their business on personal rather than systems trust (Luo, 2000, p. 16). It was used to reduce opportunistic behaviour in an environment that did not strictly enforce laws. Personal trust was considered superior to systems trust. However, in recent years it has decreased in usage due to the use of an outside organisation in the negotiation of partnerships. This has caused an increase in contracts particularly with foreign enterprises. Within organisations Zhang, Tsui, Song, Li and Jia (2008) also found that middle manager's trust in their superiors had a stronger impact than the employee-organisation relationship (EOR). Supervisors were able to enhance the positive aspects of investing mutually in the EOR method while also minimising the negative aspects. This was at its best when supervisor support was high. When it was low the middle-manager did not trust the organisation or the superior. Although both the formal structure and the personal trust in superiors were both important it shows that trust in the organisation was built through personal interaction.

#### ***2.6.13.4 Other Theories on Trust***

##### ***Defining Trust***

When defining trust Cook, Hardin and Levi (2005, p. 2) write, “Trust exists when one party to the relation believes the other party has incentive to act in his or her interest or to take his or her interests to heart.” Rotter (1971, p. 444) also writes that interpersonal trust is “... an expectancy held by an individual or a group that the word, promise, verbal, or written statement of another individual or group can be relied on” (Rotter, 1971, p. 444). The important factors of these definitions are the *expectations* that someone has of another party. This was a development from the original idea that other psychologists held of trust being “... a belief in the goodness of others or in the benign nature of the world” (Rotter, 1980, p. 1).

Gambetta (1988, p. 219) expands on these definitions when he writes,

“Trusting a person means believing that when offered the chance, he or she is not likely to behave in a way that is damaging to us, and trust will typically be relevant when at least one party is free to disappoint the other, free enough to avoid a risky relationship, and constrained enough to consider that relationship an attractive option.”

This shows that in trusting another person there is an element of risk involved, however, as Gambetta explains, it is the probability that the other will not harm self that is called trust. Gambetta (1988, p. 218) also wrote that people have different levels of trust, distrust ranging from 0-0.5 and trust ranging from 0.5-1.0.

Trust has been examined from several angles by researchers which has brought rise to a number of theories on the issue. The encapsulated interest theory was first outlined by Hardin (2002, p. 3) who explained it when he wrote, “I trust you because your interest encapsulates mine, which is to say that you have an interest in fulfilling my trust. It is this fact that makes my trust more than merely expectations about your behaviour.” He continued by explaining how the relationship becomes more valuable over time as people’s interests become entwined in each others. A trust relationship develops over time from both parties’ mutual interdependence and the understanding of their reciprocal trustworthiness.

Also, if one person finds out his or her interests are no longer encapsulated by the other then their trust will diminish or be broken.

Outside of encapsulated interest theory is moral theory and disposition to trust theory (Cook et al. 2005, pp. 8-10). Moral theory is the idea that people act in a way that is morally motivated. However, this can be confused with the commitment to be trustworthy rather than the actual concept of trust. Even though there is little literature on moral motivations most assert that it affects trust. Secondly, is the disposition to trust theory which claims some people tend to trust others even in new situations while others are generally low at trusting (Rotter, 1971; Rotter, 1980). This idea was further developed by Yamagishi, Kikuchi and Kosugi (1999) who found that people who are generally high trusters are more likely to be able to identify people who are not trustworthy than low trusters. This ability is termed “social intelligence”. Those who have a higher level of trust, or in general are more trusting, can also be described as having generalized social trust.

### *Antitrust*

Although China is often referred to as a high trust society, it could be argued that because people lack trust in strangers, trust is needed to deal with each other. This lower level of trust has also been observed in China’s business environment. Bjorkman and Kock (1995) found that in China Scandinavian managers selling industrial products needed to establish more trust with potential buyers than in other countries. Rao, Pearce and Xin (2005) examined the levels of trust in countries where the governments were considered both facilitative and non-facilitative. Out of 399 managers interviewed from Thailand, China, Hong Kong and the United States it was found that the Chinese had the lowest levels of trust even with their closest business associates in comparison to the other countries. In order to counteract this lack of trust, business managers tried to build reciprocal relationships with their associates. The strongest reciprocal relationships had the highest levels of trust.

This difference in levels of trust may be what was originally referred to by Geller (1971, p. 445) as ‘generalised expectancy of trust or distrust’. This was later developed into the disposition to trust theory discussed above. Cook et al. (2005, p.



10) wrote, “If most people you have dealt with have been trustworthy, you may typically expect to find it easy to develop relationships of trust with new people with whom you come to deal.” It may be that in China people have had more experiences where people they dealt with should have been trustworthy but were not. This could lead to a societal phenomenon where there is a greater tendency towards a lower disposition to trust.

### *Trust and Management Research*

The majority of research on trust was not initially conducted in the management field but rather in sociology or psychology. Hosmer (1995) examines trust from both a philosophical and organisational point of view in order to define trust and identify areas for future research in the management field. After analysing the different intellectual traditions he writes, “Trust is the expectation by one person, group, or firm of ethically justifiable behaviour – that is, morally correct decisions and actions based upon ethical principles of analysis – on the part of the other person, group, or firm in a joint endeavour or economic exchange” (Hosmer, 1995, p. 399). He reached this definition by analysing the individual expectations, interpersonal relationships, economic exchanges, social structures and ethical principles of trust. However, he writes that although this is the definition of trust in relation to organisational theory, it is difficult in practice as there are no standards as to what the protection, rights and interests of others are. Moreover, the individual must weigh the rights and interests of others with their own personal interests and needs.

One of the first models of trust developed in organisational theory was that by Mayer, Davis and Schoorman (1995) (see Figure 2.4 below). They define trust as, “The willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party” (Mayer et al., 1995, p. 712). They propose that an individual’s personality will determine their likelihood to trust another. This is the concept discussed earlier on generalized social trust (Rotter, 1971; Rotter, 1980; Yamagishi & Yamagishi, 1994; Yamagishi et al. 1999). The individual’s generalized trust, defined by

Mayer et al. (1995) as the propensity to trust, influences the level of ability, benevolence and integrity that is contributed to trust.

The trustor also takes into consideration how he or she perceives the trustee's ability, benevolence and integrity (Mayer et al., 1995). Ability is also referred to as competence, a task based concept, and if one is perceived to be more competent others will be more willing to trust them. Benevolence refers to how much the trustee actually wants to help the trustor whereas integrity is the set of principles the trustee is seen to hold that the trustor agrees as being acceptable. As is shown in Figure 2.4, trust in a dyadic relationship will be influenced by how the trustor perceives the trustee's ability, benevolence and integrity, and the trustor's own propensity to trust.

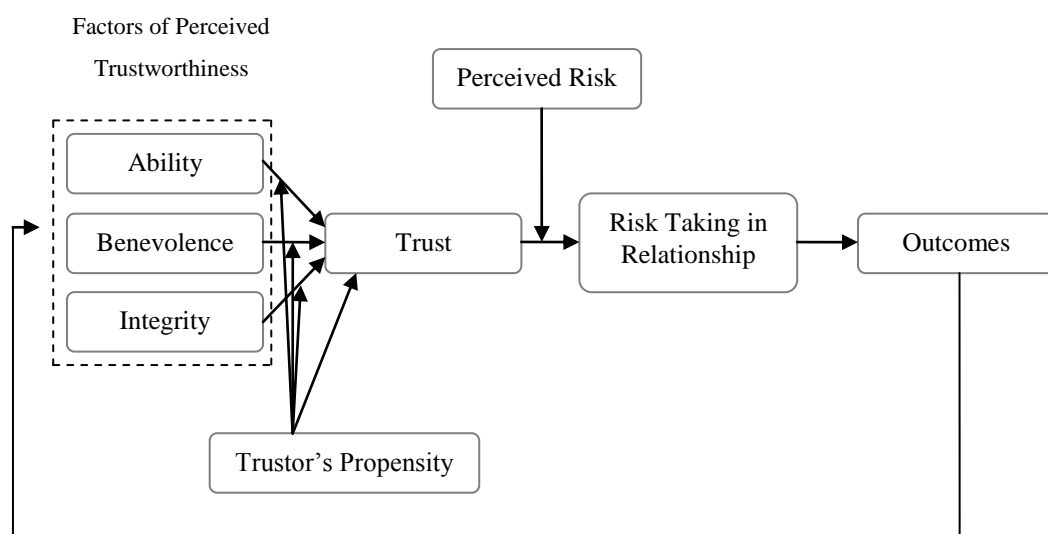


Figure 2.4 Model of Trust (Mayer et al., 1995, p. 715)

Mayer et al. (1995) then differentiate between having trust in another person and actually participating in action that requires risk. They call this *risk taking in relationship* (RTR). It is possible to trust a person without requiring or expecting them to do anything. Once they do however, some risk will be involved. If the trust is more than the perceived risk then the trustor will be willing to participate. If the outcome is positive then the trustor's trust in the trustee will increase. If on the other hand the outcome is negative then the level of trust will decrease.

Due to the attention and value of the model of trust proposed by Mayer et al. (1995), a number of issues were raised that enabled Schoorman, Mayer and Davis (2007) to develop it further. Schoorman et al. (2007) identified that their original model shown in Figure 2.4 only applied to micro rather than macro factors of trust, that is, at the individual rather than the organisational level. Of the three factors of perceived trustworthiness, Schoorman et al. (2007) acknowledged that ability and integrity have received a lot of attention in the literature but benevolence has not. Also, their original model of trust did not demonstrate the difference of time on each factor. The propensity to trust will be more important at the initiation of the relationship along with ability and integrity. However, it is likely that it takes a longer time to discern benevolence in the relationship.

Schoorman et al. (2007) also outline some factors that need to be included in the model when analysing trust within organisations. Firstly, the effects of control systems need to be factored into the model. Although they are used to reduce risks, control systems often lead to a reduction in trust. Furthermore, the concept of reciprocal trust has not been examined. In a dyadic relationship one person may trust the other without the feeling being reciprocated. Finally, the model shown in Figure 2.4 does not include the impact of affect on trust. It is purely cognitive and does not show how emotions influence an individual's decision to trust another person. Schoorman et al. (2007) believe that affection will affect the trustor's perceptions towards the antecedents of trust. They also write that it is likely emotions will dissipate as soon as the trustee is found to be untrustworthy and then a return to cognitive decision making will occur.

Mayer et al.'s (1995) model of trust may not apply to the context of China. Yang, Shuai, and Ghazanfar (2012) found that in the construction industry competence and intuitive based trust applied but instead of integrity based trust it should be readjusted to *guanxi* based trust. *Guanxi* based trust refers to the emotional bonds that are built between business partners based on the expectation of reciprocity. The importance in the difference between cognitive and affective trust in China was tested by Huang et al. (2011) in the areas of the sharing of tacit and explicit knowledge. It was found that cognitive trust had no effect on the intention to share either types of knowledge while affective trust did. It may be that in China people

rely more on a gut feeling until the actual trustworthiness, the cognitive aspect is known.

## **2.7 Models of Guanxi**

### **2.7.1 A Preliminary Model of Particularistic Ties (Jacobs et al., 1979)**

After conducting interviews and observations in a Taiwanese township Jacobs et al. (1979) formulated a preliminary model of *guanxi*. They stated that the value of *guanxi*, the closeness or distance of it, was dependent on the existence of a *guanxi* base and affect. The depth of affect was reliant on social interaction and utilization and help. The deepness of affect was dependent on the amount of social interaction that took place. Once *ganqing* developed then people were willing to help each other out or utilize the friendship.

### **2.7.2 Hwang's (1987) Theoretical Model of Face and Favour**

Hwang's (1987) sociological research combined the previously separated concepts of *renqing*, *mianzi*, *guanxi* and reciprocity into one framework. His ideas are based on the concept of equity, equality and the need rule. In a Chinese hierarchical society the equality rule is replaced by the *renqing* rule in which the exchange of favours is used to maintain harmony. This applies primarily to mixed ties as was discussed earlier. The *renqing* rule creates the dilemma of whether or not a person should provide a favour. Face is lost if the favour is not given but is enhanced if it is. At the centre of the model are the instrumental, mixed and expressive ties. The expressive ties contain the most affect, the mixed ties more or less and instrumental the least. However, it was the mixed tie that operated through *mianzi* and *renqing*. Hwang explained that it was easier for a relationship to move from instrumental to mixed ties than it was for mixed ties to move to expressive.

### **2.7.3 Leung et al.'s (1995) A.I.O and G.A.I.O Model**

#### ***2.7.3.1 Conceptual Framework 1***

The purpose of the research conducted by Leung et al. (1995) was to test Hakansson's Interaction Approach between suppliers and buyers in Hong Kong and concepts related to adaptation by Metcalf, Frear and Krishnan. From this a conceptual framework was created in two parts. Firstly, with the "A.I.O. *guanxi*

concept” in which there are eight stages in the development of supplier-buyer relationships: availability, association, acceptance, being affective, affordability, affirmation, assurance and adoption. Each is one step closer to insider status and close *guanxi* to form the G.A.I.O model which is shown in Figure 2.5. However, in this model there is no reference to the cultural features of *guanxi*. Leung et al. (1995, p. 23) themselves write that, “We recommend some distinct sociological and cultural Chinese elements should be included in future research on China business”. They include the following: patrimonialism, paternalism, Confucianism and reciprocity.

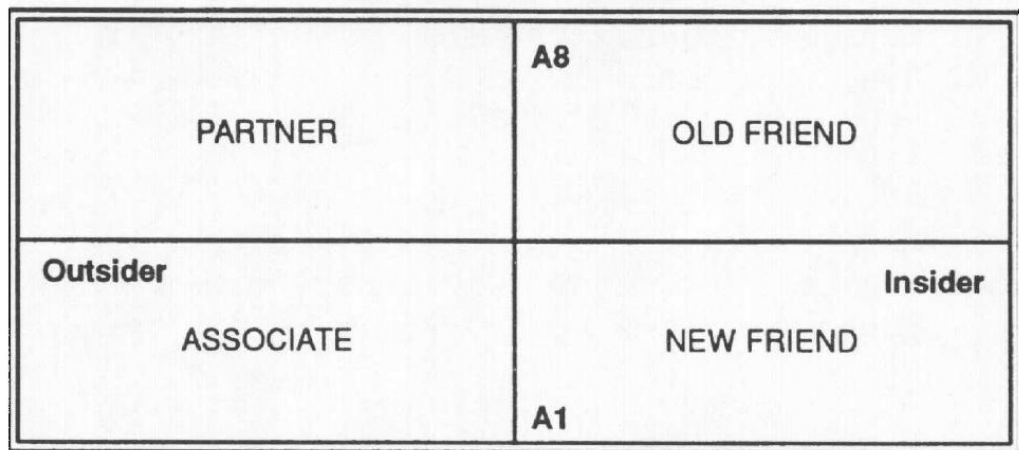


Figure 2.5 The G.A.I.O Model (Leung et al., 1995, p. 22)

### 2.7.3.2 Conceptual Framework 2

This A.I.O. and G.A.I.O model led to another five step conceptual *guanxi* framework that involved appraisal of the environment through to strategic control of relationships (Wong, 1998). The first step labelled SPACE is an analysis of system, personalism, adaptation, changes in the social system and egocentricity. The second step is to determine one's positioning as an insider or outsider in relationship to the concept of adaptation. The next stage is to decide which route to take to gain insider status. Then *guanxi* is developed by the use of bonding to reach commitment from the basic level of association. Bonding is managed through empathy and face (see Figure 2.6 below). The final step is to evaluate the effectiveness of each strategy.

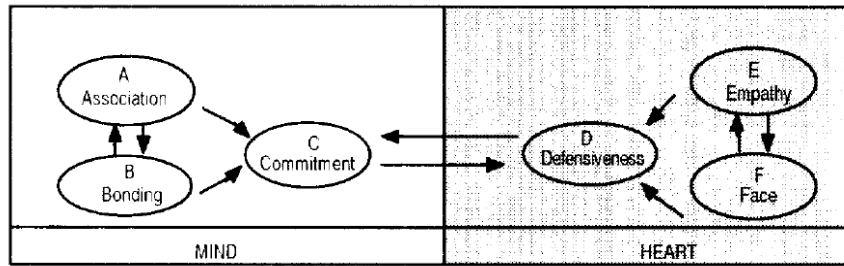


Figure 2.6 Implementation of Guanxi (Wong, 1998, p. 38)

### 2.7.3.3 Conceptual Framework 3

In 2008 Leung, Heung and Wong created another conceptual framework which included previous studies and a review of the literature to explain more specifically how new friends can obtain insider status (see Figure 2.7 below). For a new acquaintance to begin developing *guanxi* they must possess personal integrity, display a desire for harmonious relationships and be positioned as a wiser, that is, one who can develop affective relationships and demonstrate stability of character at the same time. A person with these traits is able to practice the social norms of *renqing*, usually through eating out, gifts and favours, which will in turn develop *ganqing* between partners. Over time both people will reach old friend status, or cronyism as referred to in this analysis. This framework moves away from the previous two in that it incorporates two cultural concepts *renqing* and *ganqing*.

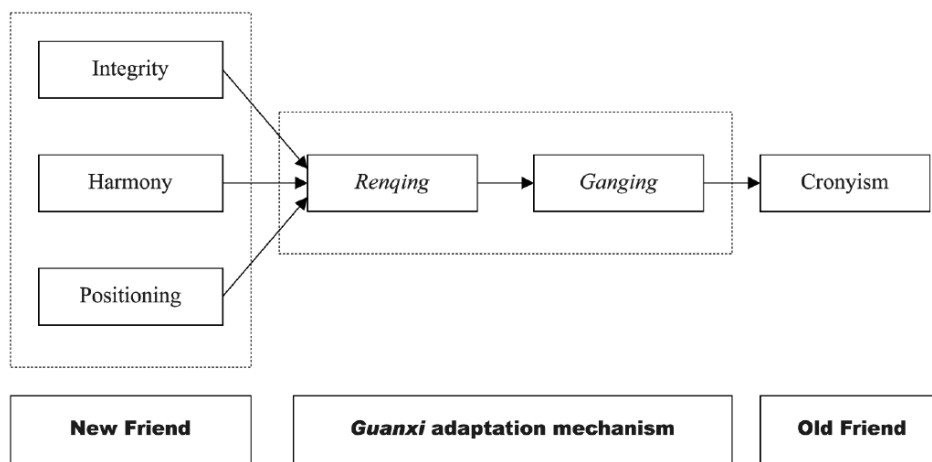


Figure 2.7 A Guanxi-Insider Approach (Leung et al., 2008, p. 26)

#### 2.7.4 Forces Affecting Chinese Personalism (Kiong & Kee, 1998)

The Personalism Model takes into account both internal and external forces (Kiong & Kee, 1998). The outward forces that challenge personalism (*guanxi*) are the political environment and other agencies such as multinational corporations which require transparency and legal protection. The forces that encourage the ongoing presence of personalism are associations and continuing insecurities. Here a number of cultural factors are attributed to external forces. For instance, a high distrust of legal systems results in the strong desire to build *xinyong*.

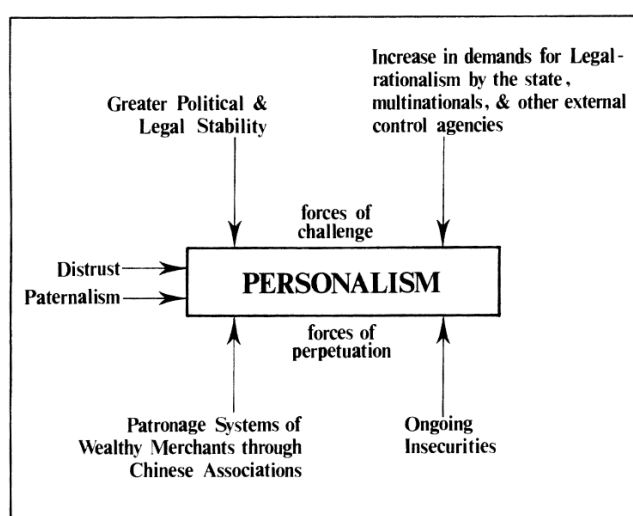


Figure 2.8 Model of Forces Affecting Chinese Personalism (Kiong & Kee, 1998, p. 91)

#### 2.7.5 Developing Marketing Relationships (Yau et al., 2000)

Yau et al. (2000) also put forward a conceptual framework that takes into account four dimensions of *guanxi*, the marketing mix, relationship bases and methods the relationship is built and maintained (see Figure 2.9). The dimensions of *guanxi* are bonding, reciprocity, trust and empathy. Bonding in their framework refers to *guanxi* bases. Those with closer bases such as family have stronger affection in the relationship. Reciprocity is the obligation to return a favour and it is not dependent on a short-term time frame. There will be loss of face if the favour is not returned. In terms of trust, it is defined as fulfilment of roles in the expected relationship. It is formed around in groups and out groups, is related to reciprocity and is morally binding. Empathy, on the other hand, is the understanding of the

desires and needs of the opposite party even when they may not have been expressed verbally. The relationship is built through social interaction, informal discussions, gift-giving, non-business favours and building trust. Although these were explained as being good methods of developing the relationship it does not show how they affect each of the relationship dimensions. The discussion on the marketing mix however, is limited to examples of how it is useful to have *guanxi* in China in the area of product, place, price, promotion and information.

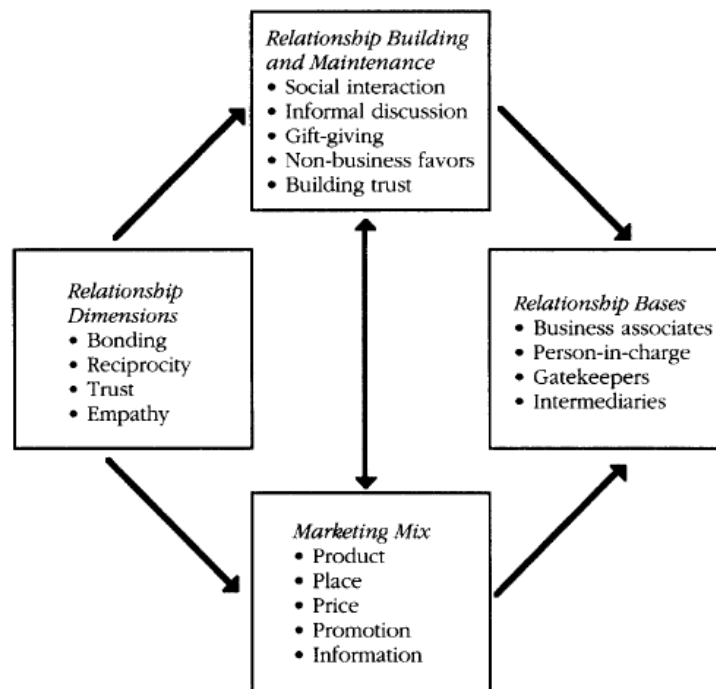


Figure 2.9 Framework for Developing Marketing Relationships (Yau et al., 2000, p. 21)

### 2.7.6 A Process Model of Guanxi Development (Chen & Chen, 2004)

Chen and Chen (2004) created a model on the process of *guanxi* development (see Table 2.2 below). Firstly, they explain that *guanxi* is initiated through the identification of a similar *guanxi* base. This is the foundation of the relationship. The quality of the relationship however, is measured by *qing* (feelings) and trustworthiness. Trustworthiness is composed of sincerity and ability whereas *qing* (feelings) is made up of affection and obligation. This is one of the few models to incorporate previous ideas on trust. The sincerity could be what Mayer et al. (1995) refer to as benevolence and ability may refer to what was called cognitive trust by McAllister (1995). The issue is then addressed on what process



takes place to create trust and feeling in the relationship. As outlined below in Table 2.2, both parties become familiar with each other by sharing personal information, referred to below as mutual self-disclosure. Then the relationship continues to be built through both expressive and instrumental transactions. Throughout the relationship building process the reciprocal principles must also be abided by. Finally, when the relationship is well established favours will be exchanged.

**Table 2.2 A Process of Model of Guanxi Building (Chen & Chen, 2004, p. 310)**

<i>Guanxi</i> stages	<i>Guanxi</i> objectives	Interactive activities	Operating principles
Initiating	Setting up bases	Familiarizing	Mutual self-disclosure
Building	Enhancing quality	Expressive & instrumental transactions	Dynamic reciprocity
Using	Getting benefits re-evaluating guanxi quality	Exchanging favors	Long-term equity

### **2.7.7 Interconnections of Guanxi (Freeman & Lim, 2008)**

Freeman and Lim (2008) created a conceptual framework that identified key dimensions of *guanxi* and how they interconnect. Trust, dependence and reciprocity were identified. It was predicted that reciprocity would be influenced by dependence. On the other hand reciprocity and trust would have a mutually influential relationship. The three *guanxi* dimensions were moderated by firm size and the external environment in China. The dependent variables to relationship success were performance and commitment. Freeman and Lim (2008, p. 126) raised two issues with this model. Firstly, the affects of the types and intensity of reciprocity on dependence need to be determined. Also, examining how trust influences reciprocal exchange and vice versa needs to be addressed. The issues of face and empathy are not included in this framework, nor is trust seen to be an antecedent of *guanxi*.

### **2.7.8 Aspects of a Guanxi Relationship (Willis, 2008)**

Through in-depth interviews conducted on both Chinese and Foreign members in strategic alliances in universities, Willis (2008) created a static model of *guanxi* relationships amongst participants containing four dimensions. At the centre of

the model is the affective dimension which involves the development of trust, empathy, respect and honesty between the partners. Cognitive, tangible and intangible components surround the affective dimension which remains at the core of the *guanxi* relationship. They cannot be developed unless the affective dimension is in existence. However, the model does not explain which dimensions are of most importance during the development of *guanxi* relationships even though participants identified four different stages in the process. It does on the other hand show that affective dimensions may be the most important in building *guanxi* relationships.

### 2.7.9 Working and Backdoor Guanxi (Bedford, 2011)

One of the few theoretical models to show a dynamic development of *guanxi* was formulated by Bedford (2011) in order to differentiate between corrupt and non corrupt types of relationships. Bedford also addresses the issue that most research has focussed on the outcomes of *guanxi* rather than its development. Shown in Figure 2.10 below is a model of development for non corrupt types of *guanxi*. Although the development of trust is not reflected in this model, what is interesting is the differentiation between moral face (*lian*) and social face (*mianzi*). For types of *guanxi* that involve strong working relationships Bedford believes it is *lian* which is the important factor rather than *mianzi*. Very few models, of which this one is an example, show the development of *guanxi* over time.

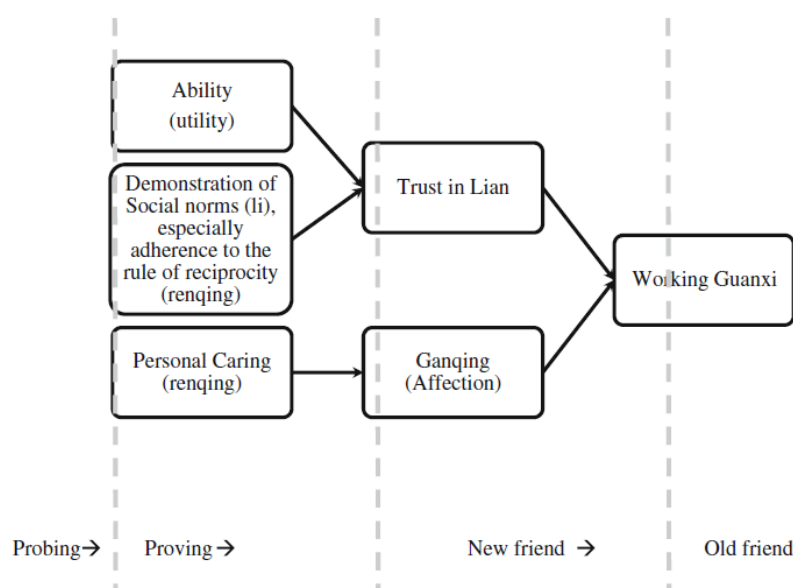


Figure 2.10 Initiating and Building Working *Guanxi* (Bedford, 2011, p. 155)

### 2.7.10 Comparison of Guanxi Frameworks

By comparing the different models of *guanxi* as shown below in

Table 2.3 a number of gaps in the literature were identified. Firstly, almost all models on the development of *guanxi* are conceptual. Fieldwork specifically pertaining to a *guanxi* framework was only conducted in Kiong and Kee's (1998) Singapore and Malaysian interviews and Willis's (2008) research on Sino-foreign strategic alliances in universities. Kiong and Kee's (1998) research examined the development of *guanxi* in relation to the Malaysia's political environment rather than purely examining the development of the dyadic relationship. Although some is written on establishing and maintaining *guanxi*, the process is not examined in detail. The focus of Willis's research is on the different kinds of relationships in Sino-foreign alliances. Of the four types of relationships one is *guanxi*. The focus of the research is not purely on the development of *guanxi*. Four dimensions of *guanxi* are identified but the processes of their development are not discussed. From this it can be seen that there is a definite need for fieldwork based in China to examine how dyadic *guanxi* business partnerships form over time.

In fact, even of the conceptual frameworks very few discuss in detail how the dimensions of *guanxi* develop. A number of the frameworks introduce dimensions of *guanxi* such as *renqing*, reciprocity, *ganqing*, *mianzi*, and *xinyong*. However, their actual development is not discussed. For instance, *ganqing* is said to deepen through banquets, gifts and favours but those processes are not examined. This is something that Bedford (2011, p. 149) pointed out when he wrote, "Even studies that mention tactics for developing *guanxi*, such as banquets, dinners or gifts, did not explore the process of how such ties are built, what goes on during such exchanges or how individuals are initiated into the practice". He explains that this is particularly important as in business relationships are mainly acquired as opposed to pre-existing.

Bedford and Hwang (2013) did try to address this gap by examining how males develop *guanxi* in Taiwanese hostess clubs. They were able to show an element of interconnection between *mianzi* and *renqing*. They also identified the possibility that providing favours led to increased affection. Nevertheless, it was not shown

**Table 2.3 Comparison of *Guanxi* Models**

<b>Date</b>	<b>Name</b>	<b>Purpose of Study</b>	<b>Type of Research</b>	<b>Field of Study</b>	<b>Static or Dynamic</b>	<b>Contribution to <i>Guanxi</i> Model</b>	<b>Future Research</b>
(1979)	Jacobs et al.	Examine particularistic ties in political alliances in a Matsu township in Taiwan	Preliminary model based on fieldwork in a Matsu township in Taiwan	Sociology and Politics	Dynamic	Identification and definition of <i>guanxi</i> bases, intermediaries and the role of affect in building the relationship through social interaction and utilization	Examines the different types of <i>guanxi</i> bases and the role of affect on the closeness of the relationship. Affect increases through social interaction and utilization. In the future the role of trust needs to be examined in relation to these factors
(1987)	Hwang	Combining separate concepts of <i>renqing</i> , <i>mianzi</i> , <i>guanxi</i> and reciprocity into one framework	Conceptual Framework	Sociology	Static	The role of face; The <i>renqing</i> dilemma; Affect and instrumentalism in different ties	The role of trust; Shows how face causes the action but not how the action improves the relationship
(1995)	Leung et al.	Explain the process of relationship building through the Interaction Approach	Conceptual Framework	Interaction process between buyers and suppliers	Dynamic	Steps to reach insider status	Does not show how the individual cultural features of <i>renqing</i> , <i>ganqing</i> , and <i>mianzi</i> improve <i>guanxi</i> or trust
(1998)	Kiong & Kee	To create a preliminary model on personalism. To examine the interaction of <i>guanxi</i> and trust	Preliminary model based on fieldwork in Singapore and Malaysia	Sociology, Economics and Politics	Dynamic	The interaction of <i>xinyong</i> with <i>guanxi</i> ; The effects of external forces on <i>guanxi</i>	How do the individual features of <i>guanxi</i> develop? What are the most important features in a business partnership?
(1998a)	Wong	Examine the cultural aspects of <i>guanxi</i> and provide exploratory ideas on insider-outsider interaction, proposing a <i>guanxi</i> model	Conceptual Framework	Business to business relationships	Dynamic	Introduces implementation strategies and includes the cultural norm of face	Show how other cultural features of <i>renqing</i> and <i>ganqing</i> improve the relationship and its relationship to trust

(2000)	Yau et al.	Examine the features of <i>guanxi</i> in a relationships marketing approach	Conceptual Framework	Relationship building in a marketing context	Static	Introduces specific methods of how to build <i>guanxi</i> in a marketing context	How do the methods of building a relationship affect the <i>guanxi</i> dimensions? How do the methods and <i>guanxi</i> dimensions relate specifically to the marketing context?
(2004)	Chen & Chen	Create a three stage model of <i>guanxi</i> development	Conceptual Framework	Management	Dynamic	One of the first models to incorporate trust. Addresses reciprocity and <i>ganqing</i> .	How do the actions of relationship building relate specifically to the dimensions of <i>guanxi</i> ? What role do instrumental relationships play? Those that do not turn into consolidated relationships?
(2008)	Freeman & Lim	Explain how people develop business relationships in China	Conceptual Framework	Relationship Strategy	Static	Introduces three dimensions of <i>guanxi</i> : Trust, reciprocity and dependence.	How do these individual dimensions of <i>guanxi</i> develop over time? What are the effects of <i>mianzi</i> and <i>ganqing</i> on the relationship?
(2008)	Leung et al.	Create a model on how foreigners gain insider status through building <i>guanxi</i>	Conceptual Framework	Business to business relationships	Dynamic	Inclusion of <i>renqing</i> and <i>ganqing</i> and how gift giving relates to these	Examine how the cultural norms of <i>renqing</i> and <i>ganqing</i> develop to strengthen <i>guanxi</i>
(2008)	Willis	Identify the importance of relationship types in alliances between universities. From examining the relationship type <i>guanxi</i> , its features were explored	Model based on fieldwork	International Business (strategic alliances)	Static	Identified affective, tangible, intangible and cognitive aspects of <i>guanxi</i>	The model is a part of the four relationship types, one of which was <i>guanxi</i> . Does not explain how each of the dimensions of <i>guanxi</i> are developed.
(2011)	Bedford	Create two conceptual models on the development of working <i>guanxi</i> and backdoor <i>guanxi</i>	Conceptual Framework	Business Ethics	Dynamic	Includes a comparison of instrumental modes of <i>guanxi</i> .	How is <i>ganqing</i> and trust developed through <i>renqing</i> and utility – through banquets, gifts and favours?

how these factors developed over time, nor how affection contributed to the development of trust. As a result, no new model of *guanxi* development was proposed. In addition to this, it would be necessary to examine how *guanxi* develops in different locations as the full use of gifts, banquets and favours cannot be examined in a hostess club. A limited range of methods would be used there. Women were also excluded from this study. Xu and Li (2015) found that even though urban women may not enjoy building and using *guanxi*, they are in fact skilled at doing so.

Some of the models also investigate the development of *guanxi* by examining it from the perspective of Western models of relationship development. Leung et al. (1995) initially formulated the 'A.I.O. *guanxi* concept' based on the Interaction Approach created by Hakansson to explore relationships between suppliers and buyers. This was expanded on by Wong in 1998. In 2008 these authors created another model that did include the cultural concepts of *renqing* and *ganqing* but once again, it did not show how these two features developed. Chen and Chen (2004) were one of the first to create a conceptual framework on *guanxi* development to be solidly based on indigenous concepts. This was followed by Bedford (2011).

The only in-depth studies in China that examine gift giving, banquets and favours do not have a specific focus on the development of *guanxi* in a business environment. Kipnis's (1997) ethnographic research on the production of *guanxi* was conducted in a North China village and examined the local customs in daily life. Yang (1994) examined the development of *guanxi* through the giving of gifts, favours and banquets in a variety of settings throughout a number of cities in China. Yan (1996b) also addressed the development of *guanxi* in a North China village. There is a need to examine the development of *guanxi* in business partnerships to investigate how utility and personal benefits influence the development process. This research seeks to fill this gap in the literature by examining the formation of dyadic relationship in business partnerships.

## **2.8 Moving Towards a Guanxi Framework**

Due to Chinese people being relationally based (King, 1994, p. 111) and defining themselves according to relational attributes (Nakane, 1970, p. 13) it would be

necessary for two people to have a common identifier to initiate the relationship. A *guanxi* base or tie (Chen & Chen, 2004; Chow & Ng, 2004; King, 1994, p. 115; Kiong & Kee; 1998, Luo, 2000, p. 6; Nakane, 1970). Without that it may be necessary to rely on an intermediary (Chen & Chen, 2004; Chen & Peng, 2008; King, 1994, p. 115; Yeung & Tung, 1996). Having the *guanxi* base or tie does not mean the existence of a relationship but rather a way of identifying oneself in the ensuing relationship.

Strong *guanxi* relationships contain both sentiment and instrumental aspects whereas weak ties are purely utilitarian (Li, 2007, p. 66). Strong relationships are long term and reciprocal whereas weak ties are short term and used for immediate gain, also described as personal (strong) and network (weak). However, *guanxi* relationships cannot be categorized as either totally utilitarian or totally mixed. Relationships can be closer or further away from the individual implying there is more *ganqing* with those closer even though the relationship still contains elements of instrumentality. And so both strong and weak ties are instrumental but the former also contains sentiment whereas the latter is purely utilitarian.

A *guanxi* relationship is formed through two people following the Confucian norms of *renqing*. *Renqing* refers to human sentiment felt between two people, a resource of reciprocal exchange bound by obligation and a social norm that maintains harmony in society (Hwang, 1987; Luo, 2000, p. 14). The norms of *renqing* are upheld in strong *guanxi* relationships but not in weak utilitarian relationships (King 1994, p. 120; Yan, 1996b). The closer one's *renqing*, or the more one abides by the norms of *renqing* in a dyadic relationship then the closer their *guanxi* will be. Hence, people in strong but not weak *guanxi* relationships will closely abide by the norms of *renqing*.

In a strong *guanxi* relationship it is the *renqing* norm that contains the feeling of obligation to reciprocate favours. Receiving a favour from another person is morally binding and must be repaid at a greater value in order to keep the relationship in a state of indebtedness (Chen & Chen, 2004; Seligman, 1999; Yau et al., 2000; Yeung & Tung, 1996). Mixed ties follow the aforementioned rules of reciprocity while instrumental ties do not. The latter are not long term relationships and focus on immediate gain or exchange (Hwang, 1987). The

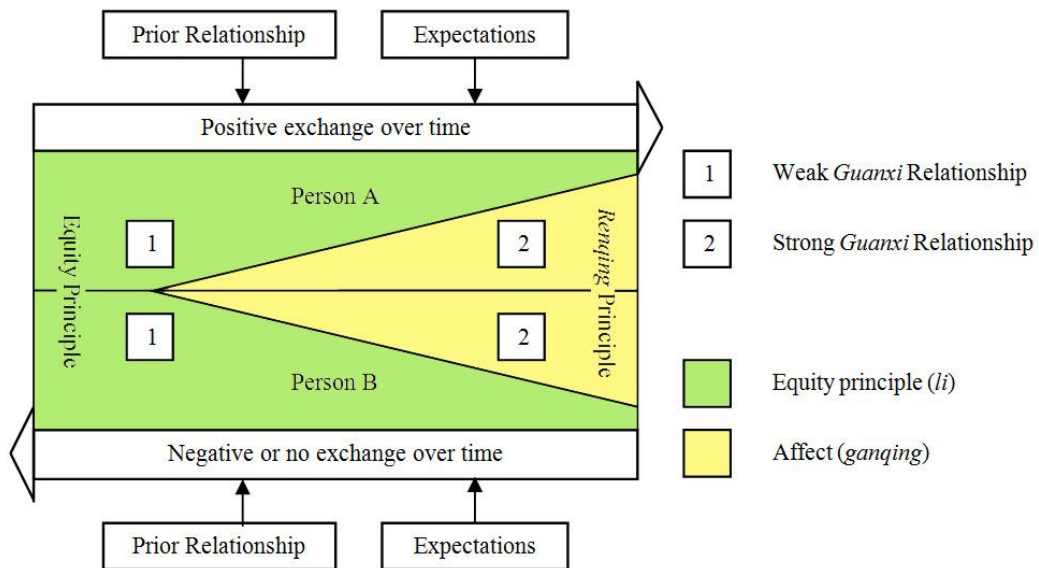
obligation to reciprocate is dependent on the loss of face that may be incurred by not reciprocating, the likelihood of having the favour returned at a future date and the strength of the tie between both people (Hwang 1987; Zhang & Yang, 1998). As the level of affect (*ganqing*) increases between both people so too does the level of obligation and abidance of the *renqing* norm (Zhang & Yang, 1998). Obligation is minimal in a weak tie and the equity principle is followed. Consequently, those in strong *guanxi* relationships are obligated to follow the unspoken rules of reciprocity whereas those in weak *guanxi* relationships are not as they abide by the equity principle. Obligation to reciprocate increases as *ganqing* increases.

One of the most prominent ways to reciprocate is through giving gifts at various occasions such as festivals, ceremonies, personal and community events, expressing one's friendship and occasionally for purely instrumental reasons (Bjorkman & Kock, 1995; Kipnis, 1996; Wank, 1996; Yan, 1996b). Gift giving is seen as an emotional investment and a sign of respect by following traditional Chinese customs and etiquette (Li, 2011). The exchange of gifts can help to create an emotional feeling (*ganqing*) and trust (Bjorkman & Kock, 1995; Smart, 1993). An individual attains a superior position over another when a gift is given and vice versa when a gift is returned of a higher value (Yang, 1989). Close friends are obliged to reciprocate gifts (Joy, 2001) but utilitarian ties are not and may also border on bribery (Smart, 1993). Thus, gift giving is a tangible aspect of the reciprocation process and in order to maintain or develop a relationship gifts are returned of a higher value. Giving gifts can increase *ganqing* and build trust in long term relationships but it is purely instrumental in weak *guanxi* relationships.

Favours can also create a deeper feeling than gifts which may just produce gratitude rather than human sentiment (Wank, 1996). Hosting banquets is also another way of developing the emotional feeling between *guanxi* partners (Yang, 1989; Leung et al., 1996; Wank, 1996; Yeung & Tung, 1996). Other methods not often mentioned in *guanxi* literature that have been shown to build stronger ties include communication (Leung et al., 1996), common language (Bjorkman & Kock, 1995), mutual help, friendship and social acceptance (Ai, 2006). The aforementioned methods contribute to both expressive and instrumental interaction (Yeung & Tung, 1996).



*Ganqing* is the personal feelings between two people whereas *renqing* is the social obligation (King, 1994, p. 119; Reid & Jallat, 2006). The deeper the *ganqing* two people have for each other then the stronger their interpretation of the closeness of the relationship will be (Chen & Chen, 2004). If *ganqing* is stronger in a dyadic relationship both people are likely to abide by the social etiquette found in *renqing* (Zhang & Yang, 1998). If there is little *ganqing* then there are more feelings of equity between both people. They will be more likely to treat each other fairly than give each other favoured treatment (see Figure 2.11 below). In dyadic relationships *ganqing* must be developed or the feelings between both people will be lost (Kiong & Kee, 1998; Luo, 2000, p. 15; Wang, 2007).



**Figure 2.11 Ganqing and Relationship Strength (Adapted from Zhang & Yang, 1998)**

The need to protect one's own face and save other people's is due to a sense of shame as opposed to guilt (Yeung & Tung, 1996). This causes people to take extreme care to give other people face or at the minimum not let them lose face especially at the beginning of the relationship (Cardon, 2009; Willis & Quan, 2009). Sincerity becomes more important as the relationship develops. By giving others face they are more likely to offer reciprocal actions in the future (Buckley et al., 2006). This can influence reciprocal actions both within and outside of the company (Cardon, 2009; Wong et al., 2007). Face will be given in different ways

depending on the relationship status of the people involved, e.g. outsiders, hierarchically equal and vertical relationships. Therefore, giving others face in the appropriate manner can facilitate future reciprocal behaviour.

In China, trust has both affective and cognitive dimensions. When *ganqing* is stronger in a relationship the affective side of trust is also stronger than the cognitive (Michailova & Worm, 2003). Trust is established through fulfilling one's societal obligations (Yau et al., 2000). When a relationship has been established both parties are obligated to fulfil the *renqing* norms and as a result of these fulfilled obligations trust is developed (So & Walker, 2006, pp. 18, 19). If there is no trust between two people they will go through a stage of testing (Kiong & Kee, 1998; Wong & Leung, 2001, p. 40). Once the testing period is over the result will be mutual trust and one's word is as binding as a written contract (Hutchings & Weir, 2006; Kiong & Kee, 1998; Wong & Leung, 2001, p. 40). Trust has been found to be both an antecedent and consequence of *guanxi* (Chen & Peng, 2008; Lee & Dawes, 2005). It is needed for the relationship to be established and becomes stronger as the relationship develops.

Finally, other conceptual models also provide insight to the development of *guanxi*. According to Willis' (2008) model at the centre of *guanxi* development are affective aspects such as empathy, respect and honesty. The cognitive aspects are unable to develop without the affective at the core. This is in line with Chen and Peng (2008) and Lee and Dawes' (2005) idea that trust is both an antecedent and consequence of *guanxi*. It may be that the affective aspects of trust are an antecedent while the cognitive aspects of trust develop over time through rational observation. Consequently, it would appear that affective trust is an antecedent to *guanxi* while cognitive trust is developed as the relationship evolves.

There are a number of models on *guanxi* that describe the different types of ties, however, most do not show how these ties transition from one stage to the next. Hwang (1987) provided the model on instrumental, mixed and expressive ties. Guo (2001) states that *guanxi* relationships range from being strongly instrumental to strongly emotional. Fan (2002) describes them as family, helper and business relationships. Wank (1996) explains that relationships range from being deeply obligatory to highly instrumental. Luo (2000, pp. 8, 9) explains that

they have different levels of expressiveness or instrumentality. Almost all of these descriptions of *guanxi* relationships start at utilitarian, instrumental and change to different levels of reciprocity, obligation through abidance of *renqing* norms to finally a deep development of *ganqing*. However, most of these descriptions do not show the process of how people transition from one stage through to the next.

There were 11 models previously discussed on the development of *guanxi* (see Table 2.3). Firstly, Leung et al. (1995) proposed a model with eight stages of development. The names of each stage are provided, however, they do not show how individual characteristics of *guanxi* are developed. Their second and most recent framework (Leung et al., 2008) provides the most beneficial analysis on how an individual can move from outsider to insider relationship status. A person must have the right affective characteristics that allow another person to enter into a reciprocal relationship which develops *ganqing* and finally trust. This also correlates with the previous propositions.

Other models (Freeman & Lim, 2008; Kiong & Kee, 1998; Yau et al., 2000) focus not on the dyadic relationship but rather the external factors that can shape these relationships. Kiong and Kee's (1998) model focuses on the institutional effects that cause people to use *guanxi*. Although Yau et al. (2000) do focus on the external forces they do, however, touch on the internal forces of a dyadic relationship in which reciprocity and trust are both important factors. However, there is no differentiation between cognitive and affective trust nor are the effects of face mentioned in this model. Freeman and Lim (2008) also focus on the external factors that can create dependency and in turn reciprocity. However, this does not show the development of reciprocity between two individuals.

Chen and Chen (2004) created a model to measure the depth of relationship. This is particularly relevant as it is one of the first steps towards developing a dynamic rather than a static model of *guanxi*. Trust is the measurement of relationship quality. However, there is no indication as to how *ganqing* may have a different influence on cognitive and affective trust. Bedford (2011) takes this a step further by pointing out that utility and *renqing* affect trust (Bedford refers to as *lian*) and *ganqing*. No exploration or testing has taken place to determine whether or not these frameworks hold true in Chinese society.

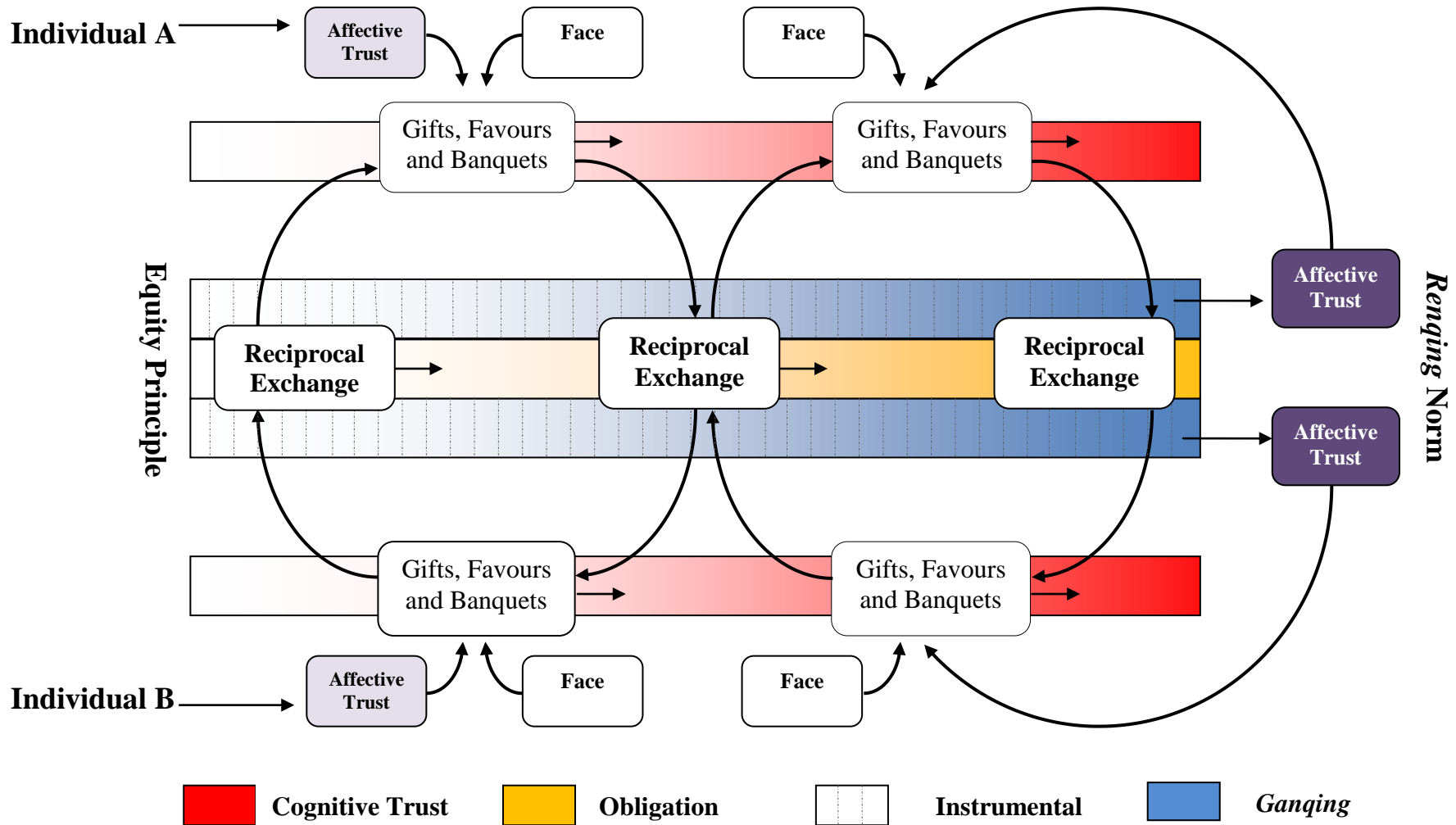


Figure 2.12 The Development of Guanxi over Time: A Preliminary Model

(Adapted from Chen & Chen, 2004; Chen & Peng, 2008; Hwang, 1987; Kiong & Kee, 1998; Kipnis, 1996; Lee & Dawes, 2005; Michailova & Worm, 2003; Smart, 1993; So & Walker, 2006, pp. 18, 19; Wank, 1996; Yan, 1996b; Yau et al., 2000; Yang, 1989; Zhang & Yang, 1998)

Consequently, by combining factors accounted for in the previous frameworks and discussion, a model on the development of *guanxi* in a dyadic relationship has been designed (see Figure 2.12). Firstly, if any transaction is to take place there will be an element of affective trust that exists as an antecedent to the development of *guanxi*. This may be due to finding a common *guanxi* base or an intermediary who is able to initiate a meeting between two individuals. This is enough to set the process in motion if both people chose to start a relationship. Secondly, their understanding of face will spur this on as when meeting a new person for the first time great care must be taken to give them face otherwise the relationship will not develop. So both the initial feelings of affective trust and the concept of face will contribute to the first instance of exchange through giving a gift, favour or hosting a banquet for another person.

As shown in Figure 2.12, once a gift favour or banquet has been offered to another person this will start the reciprocal exchange process. The act of giving a gift, favour or banquet is instrumental but will increase both the feeling of obligation and *ganqing* in the other person. Although *ganqing* increases throughout the relationship the instrumental aspect remains. This is the reason why at the early stages of the relationship it is based on the equity principle. It is devoid of *ganqing* and obligation and so people will be treated as equals. Once the relationship has developed over time, the obligation to reciprocate is stronger and so is *ganqing*. This is what causes people to follow the *renqing* norms. They must give favoured treatment otherwise the relationship will be broken or neutralised as was discussed earlier on *guanxi* avoidance. If the reciprocal process continues the relationship will be maintained.

Two important outcomes of this reciprocal process is the development of both cognitive and affective trust. Often when a relationship is instigated it is based on a feeling of trust that one person has for another. It may not be strong but it will still exist (the reason affective trust as an antecedent is a weak colour in the first step in Figure 2.12). However, over time, the instrumental exchange produces more *ganqing*. As a consequence affective trust is also developed. The more affective trust that is developed then the more willing the person will be to continue exchanging favours with the other party. Cognitive trust on the other hand is developed by what is seen in the relationship. If one person offers a favour,

gift or hosts a banquet and these actions are reciprocated, it is the fulfilling of this process that will produce cognitive trust. This strengthens as the individual sees that the other party's ability to do so continues over time.

Another area that needs to be addressed is determining whether or not certain *guanxi* characteristics are elements or results of *guanxi*. There is definite agreement over certain characteristics being elements of *guanxi* such as reciprocity, *ganqing* and face (Lee & Dawes, 2005; Reid & Jallat, 2006; Wong, 1998). However there is debate over whether trust and bonding are actual characteristics of *guanxi* or results of it. Some state that trust is an essential aspect of developing *guanxi* (Kiong & Kee, 1998; Wang, 2007; Yau et al., 2000) whereas other research shows trust is a result of *guanxi* (Lee & Dawes, 2005). In addition, Wong (1998) states that bonding occurs through empathy and face. This would infer that bonding is a result of the two *guanxi* characteristics empathy and face rather than an element of *guanxi*. These differences show that the dimensions of *guanxi* still need to be more carefully defined with clear separation of the elements and results of *guanxi*.

An in-depth exploration of this topic will take place examining first the observable features of *guanxi* and then working down to the meaning and significance of the intangible aspects. In order to understand *guanxi* development in a business setting the following questions have been proposed:

1. How are *guanxi* characteristics expressed within business partnerships?
2. Which *guanxi* characteristics are the most important at different stages of development in a business relationship?
3. How does each *guanxi* characteristic affect the building of successful business relationships?

## **2.9 Conclusion**

An analysis of management research showed that smaller private companies were more in need of *guanxi* than those working in SOEs. Private enterprises that connected closely to the government were found to gain competitive advantages at different stages in the life of the enterprise. Due to this, a number of academics recommended mapping relationships to utilise *guanxi* as a resource. The real

benefits, however, are difficult to measure as the timing of reciprocity is not immediate. In addition there appear to be both positive and negative results of strong *guanxi* in each field of study. While there are definite benefits, the focus of previous research has largely been on the outcomes of *guanxi* as opposed to its development. This is due to a tendency to investigate the topic from a network viewpoint rather than a dyadic relationship between two people. This has led to *guanxi* being investigated from a static rather than dynamic perspective and in its entirety rather than taking into consideration its individual characteristics.

To determine whether an institutional or a cultural perspective was adopted in this research an historic overview of *guanxi* was conducted. It was found that prior to 1949 there were numerous examples of *guanxi* type relationships but they were referred to as *renqing* or *mianzi* as the word *guanxi* had not yet come into existence. For ten years the CCP tried to ban kinship type relationships but the Cultural Revolution caused its re-emergence as people began creating networks to obtain favours in order to survive. *Guanxi* began to be used once again by all people but those that gained the most benefit were those higher in society. The overview of *guanxi* showed that its characteristics were in existence prior to 1949 and that it has adapted to the changes in society rather than re-emerged. This would indicate a cultural as opposed to institutional phenomenon.

The concepts of *guanxi* were examined, the most fundamental being *renqing*. Reciprocity and obligation were two concepts to be contained within *renqing* and they continued to be abided by due to face. *Renqing* was expressed through gift giving, banquets and favours. It was found that there were many instances of gift giving in daily life but less on banquets and favours. As banqueting was seen to be an important method of building business relationships this is an area that needs more investigation. *Ganqing* was also found to be a fundamental aspect of building *guanxi* as the closeness of feeling determined the closeness of the relationship. To identify gaps in the literature the sociological and management based *guanxi* frameworks were examined. It was found that all the management frameworks were conceptual except for two. Of those two one had formulated a static model of *guanxi* characteristics and the other examined *guanxi* in the context of the political environment. None of the models delved into the tangible methods of developing *guanxi* through banqueting, gift giving and exchanging

favours. The only investigations that examined these areas were ethnographic studies in rural society. To address this issue a preliminary model of *guanxi* and proposals were formulated.

The limitation with this model and others is that they are all conceptual. This study will be an attempt to bridge this gap by exploring the aspects developed within the model shown in Figure 2.12 and to see how they relate specifically to business partnerships in China. Moreover, the majority of in-depth research that explores each aspect of *guanxi* development in society has been ethnographic studies in village or city life (Kipnis, 1996; Yan, 1996b; Yang, 1994). There have been very few, if any, which have explored these issues in-depth in the business environment.



## Chapter 3 Research Context



Figure 3.1 Graffiti on the Southwest Wall of 798 (Author's Research: Allott, 2010)

### 3.1 Introduction

This chapter defines the art industry by categorising artwork and summarising the main players in the industry. Current art investment in the context of China is then examined. The development of the Chinese art industry before and after economic reforms is briefly explained. Finally, current locations of distribution, which are the focus of this research, are described including three districts in Beijing: 798 Art District (known more commonly as 798), Liulichang and Songzhuang.

### 3.2 Defining the Art Market

The art market is divided into three hierarchical levels (Campos & Barbosa, 2009). The base level is referred to as the primary market. At this level artists sell their work directly to private buyers, smaller galleries, through collective exhibitions and provincial art fairs. Artwork sold for the first time even after an artist has died,

such as the works of Van Gough, also enter the primary market (Robertson, 2005, p. 18). Dealers and brokers in the primary market are not usually well funded. Next, the secondary market refers to well established artists, galleries and collectors who circulate art usually in main urban centres (Campos & Barbosa, 2009). The highest level is termed the tertiary market, which is centred around top auction houses such as Sotheby's and Christie's and involves the resale of artworks created by artists with the highest reputation. Artists try to move their way up from the primary, secondary and then into the tertiary market throughout their careers. Investors on the other hand try to predict which artist is most likely to be the most successful and buy their work accordingly.

The high value of art is maintained by the monopolistic players in the industry (Robertson, 2005, p. 3). Decisions on judging the value of art is only controlled by a few players who share this information sparingly. As a result high prices are maintained and art is viewed as the ultimate consumer good. Although Robertson takes the perspective that it is the educated elite that control the demand of art, Frey (2003, pp. 11-13) is of the opinion that it is possible for the market to demand high quality art. In that case high quality will be supplied. However, the opposite often occurs where mass produced commercial art is of low quality resulting in a price system for those that want to buy high quality work.

The art industry is made up of commercial and institutional bodies which may be national, international or even supranational organisations (Robertson, 2005, p. 19). At the supranational level are organisations like UNESCO and Interpol the latter dealing with fraud issues. At the national level there are government ministries, art schools, museums and cultural agencies. The art establishment, which includes critics, historians, galleries and collectors, also tend to support types of art that have already been proven successful in the art market. However, they may also support new forms of art provided it does not exclude old and proven forms. Finally, there are the artists, who create the art market's culture but are also critical of most other artists.

Due to economic benefits that the art industry brings, governments may chose to support it in a number of ways (Frey, 2003, pp. 111-124). Indirect support may be shown by providing tax rebates to individuals and organisations that donate to

non-profit institutions. Direct support may take place through subsidisation and lump sums payments. It may also protect and develop the art industry by facilitating copyright and publication rights as well as prohibiting piracy. Government support may result in partial development of the art industry causing what is known as the 'benevolent elitist' phenomenon. Private institutions often receive funds from the government with the task of redistributing it to individuals and art institutions. However, they are only permitted to redistribute these funds to 'officially' sanctioned organisations some of which obstruct innovations in order to remain competitive.

In Europe and the US, the largest non-commercial holders of fine art are museums (Frey, 2003, pp. 35-46). To gain full governmental funding, sponsorship and donations, they cannot be perceived as commercial institutions. When lump sum payments are given, they try to ensure a profit is not made as the remainder must be returned to the government (Frey, 2003, pp. 120-122). Consequently, these institutions provide a high service but may not practice market efficiency. Financing may contribute to an increase in personal incomes, comfortable working environments and improving the institution's reputation. Moreover, museums in Western countries have contributed to the creation of demand and retention of high prices (Robertson, 2005, p. 5). This occurs because large numbers of masterpieces are hoarded creating demand in the marketplace. When the only remaining pieces come on to the market they sell for higher prices each time.

Many changes have been taking place in the auction house industry in recent years. Auction houses can be categorised as international with strong reputations, national with international influence, national and regional or local (Robertson, 2005, pp. 25, 26). Although Christie's and Sotheby's have dominated the art market share since the 18<sup>th</sup> century, auction houses in developing countries are generating an increasing number of sales in the domestic markets. Saffronart, an online Indian auction house, sells as many local works as Christie's and more than other auction houses in the world (Reddy & Dass, 2006). Within ten years, the top six Chinese national auction houses achieved sales of approximately 2.024 billion dollars (Artprice, 2015). Although still behind Christie's and Sotheby's, the two

powerful auction houses generated 55% of total global sales, a decrease from 70% in 2008.

Although the primary purpose of galleries is to make a profit, they also contribute to the art industry in ways that other players are unable to. Art galleries fall into two categories: art dealers or art brokers (Robertson, 2005, pp. 24, 25). Dealers collect art at the same time as selling it and have long term control over pricing. Brokers do not collect artwork while selling it and so face higher pressure to sell immediately and at a profit. Private galleries play an important role in selecting new forms of art, such as avant-garde, promoting it and bringing it to the forefront of the art world (Frey, 2003, pp. 107-108). These new artworks make their way into the market with the expectation that demand for them will increase in the future. This type of investment in new art is speculative in nature. The profit that the art dealer makes from successful artists allows him or her to spread risk and continue to invest in new artists. This also contributes to a continued creativity by the artists.

### **3.3 Art as an Investment**

Although auction prices for individual pieces of artwork are often reported in the press the actual average rate of return is far below what most assume. The odds are more likely to lead to speculative investment as opposed to certain financial gains. Baumol (1986) showed that art differs from financial investments in that the latter is homogenous and can be substituted whereas famous artworks are unique and unable to be substituted (aside from the occasional forgery). Stocks are held by a number of different investors and traded frequently whereas the owner of artwork holds a monopoly and may not sell it for decades. The price at which stock is sold is public information but the resale of artwork is often not leading to difficulties in measuring investment returns. Robertson (2005, p. 7) also writes that the insurance costs for holding on to artwork is much higher than stocks. There are no dividends and may even be restoration costs.

There are a number of studies that have shown rates of return lower than investing in stocks. By using data compiled by Reitlinger of work sold by famous artists over the past five centuries up until 1920, Baumol (1986) found that the return was extremely low and risky. The original results showed an approximately 3.25

percent return (2.5 percent in real returns). However, after calculating the risk of damages, restoration and sellers fees the rate of return was more like 0.55 percent or a median of 0.85 percent. Not only were the rate of returns low but returns were highly dispersed. For some works of art the yearly rate of return was 27 percent to others as low as minus 19 percent. More than 40 percent yielded a negative rate of return and 60 percent gave a return less than government securities resulting in opportunity losses.

In another study, Pesando (1993, pp. 1075-1084) examined the resale of modern prints between the years 1977 to 1992. It was found that the average return on a portfolio of modern prints would bring a return in real terms of 1.51 percent and 2.10 percent on a Picasso portfolio. Traditional financial assets on the other hand bring returns of 2.23 percent for treasury bills, 2.54 percent for long-term bonds and 8.14 percent for stocks. Although masterpieces retained their price during the market crash of the 1980s they provided the lowest return indicating it is better to invest in low and middle end works. The lower return on investment for masterpieces also holds true with Latin American art. Campos and Barbosa (2009) found that from the years 1995 to 2002 the rate of return on the top 20% priced works sold through Sotheby's was 1.92% whereas the return on the 20% lowest priced works was 5.63%. This was also much lower than stock investments in the same years. Moreover, this does not take into account Sotheby's commission fees which were 15% for lots less than US \$50,000 and 10% if over in the year 2000.

Investment in the art market can be risky and confusing even for the well informed (Frey, 2003, pp. 157-177). In the 1980s when speculation was high some paintings were bought for millions but in the 1990s those same paintings were unable to be sold. Baumol (1986) writes that perhaps those who have a strong understanding of a work's artistic potential are more able to benefit from investing in art. However, it does not account for taste which frequently changes over time. In the past William Turner's works were an embarrassment to the Tate Gallery but are now its treasures. Perhaps those who are able to influence taste are the most likely to benefit. "Only those critics who have succeeded as instruments for the redirection of general tastes seem really to have been in a position to profit from their judgement" (Baumol, 1986, p. 14).

### **3.4 Chinese Art as an Investment**

#### **3.4.1 Art Value in Transitional Countries**

The value of art in transitional economies is usually lower than that of developed countries (Robertson, 2005, p. 16). The reason for this is that the domestic market has a much lower demand for that region's art and so there is no added value even when it is bought by international buyers. An exception to this was the development of Hong Kong as an art centre for the trade of Chinese art. At the time Robertson published this book (2005, p. 16) he found that in Mainland China there was little demand for Chinese art by domestic buyers. Rather, Hong Kong was a hub for international buyers of Chinese art. However, the following discussion will demonstrate that within a few short years the demand of indigenous buyers has pushed the Chinese art industry into the forefront of the world.

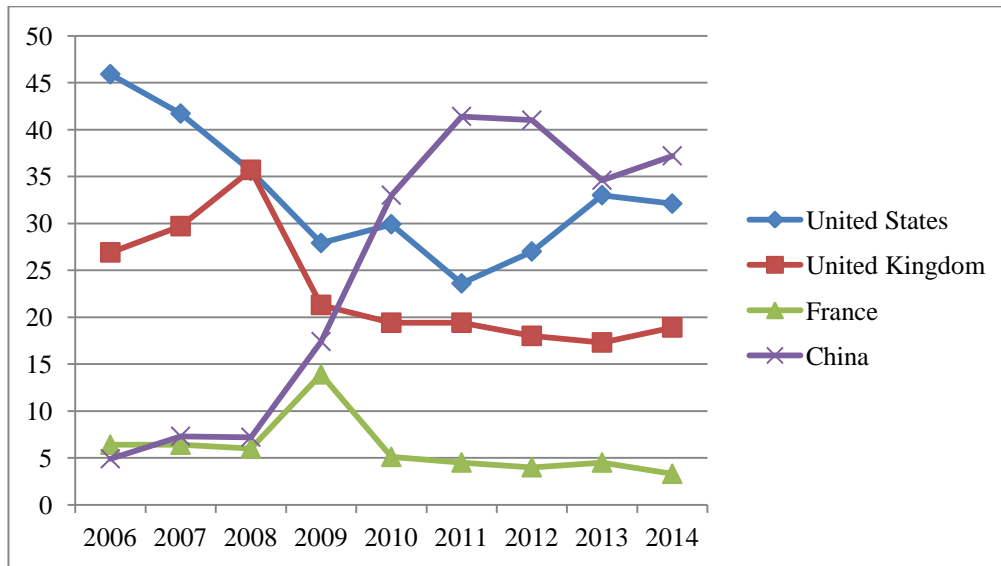
#### **3.4.2 The Context of Investment in China**

The growth of sales of Chinese art in recent years is due to its acceptance by Western auction houses (Smith, 2008, pp. 9, 10) and from the support of Chinese domestic buyers (Robertson, 2005, p. 16). The turning point came in 2006 when Sotheby's held an auction of Asian art in New York instead of Hong Kong bringing it to the forefront of the American public. Chinese artists were given the credibility and recognition they needed causing the price to rise from the tens of thousands (US dollars) to the hundreds of thousands. By 2007 individual artworks were reaching the millions. In 2006 Christie's and Sotheby's sold 190 million US dollars worth of Asian art, most of which was Chinese contemporary. The demand for Chinese art has also been spurred on by domestic buyers who prefer Chinese traditional work over contemporary. According to Robertson (2005, p. 16) the value of art in transitional countries is normally much lower than that in developed because there is no added value in the domestic market. However, China has been an exception to this rule as Hong Kong has always been a hub for Chinese art and now domestic sales are adding value to traditional works.

##### ***3.4.2.1 Current Trends in Chinese Art Investment***

The growth in sales of Chinese art at domestic auctions in the past eight years has been phenomenal (Artprice, 2015). Figure 3.2 charts the worldwide auction sales

for the top countries in the art industry. In 2006 China only had 4.9% of worldwide auction sales. However, in 2007 it overtook France as third and by 2010 it had reached first place with 33%. In 2011 China far outperformed all other countries with 41.4% of auction sales worldwide which then levelled out to 41% in 2012. In 2014, China still held the lead with 37.2% of auction sales, followed by the U.S. with 32.1%, the UK with 18.9% and France with 3.3%. China continues to have the largest revenue of fine art in the world.



**Figure 3.2 Fine Art Auction Sales: Percentage of Revenue by Country (Artprice, 2015)**

Chinese artists are also coming into the global forefront. Shown in

Table 3.1 below are the top ten artists in global auctions from the years 2007 to 2013 (Artprice, 2015). In 2007 no Chinese artists were rated in the top ten for highest total revenue worldwide. In 2009 Qi Baishi was the first Chinese artist to make it into the top 10 with a placing of third. In 2010 three Chinese artists were on the list and by 2011 there were six. By 2013 three remained in the top auction turnover list. Picasso had dropped to fourth and Zhang Daqian had reached 554,537,029 US dollars in total sales. The same trend applies to the top 50 selling artists in the world (see Appendix D). In 2002 not one Chinese was in the top 50. By 2006 4% were and by 2011 almost half of the 50 top selling artists in the world were Chinese.

**Table 3.1 Top Ten Selling Artists Worldwide (Artprice, 2015)**

2013		2011			
Artist Ranking	Auction Turnover (US\$)	Artist Ranking	Auction Turnover (US\$)		
1	WARHOL Andy (1928-1987)	367,410,717	1	ZHANG Daqian (1899-1983)	554,537,029
2	PICASSO Pablo (1881-1973)	361,395,402	2	QI Baishi (1864-1957)	510,576,030
3	ZHANG Daqian (1899-1983)	291,667,408	3	WARHOL Andy (1928-1987)	325,884,120
4	BASQUIAT Jean-Michel (1960-1988)	250,406,917	4	PICASSO Pablo (1881-1973)	314,692,605
5	QI Baishi (1864-1957)	230,005,520	5	XU Beihong (1895-1953)	233,488,777
6	BACON Francis (1909-1992)	195,711,262	6	WU Guanzhong (1919-2010)	221,158,432
7	RICHTER Gerhard (1932)	165,885,409	7	FU Baoshi (1904-1965)	198,335,740
8	LICHTENSTEIN Roy (1923-1997)	140,589,926	8	RICHTER Gerhard (1932)	175,673,073
9	ZAO Wou-ki (1921-2013)	139,559,927	9	BACON Francis (1909-1992)	129,202,110
10	MONET Claude (1840-1926)	137,602,368	10	LI Keran (1907-1989)	115,361,356

2009		2007			
Artist Ranking	Auction Turnover (US\$)	Artist Ranking	Auction Turnover (US\$)		
1	PICASSO Pablo (1881-1973)	121,125,525	1	WARHOL Andy (1928-1987)	430,410,295
2	WARHOL Andy (1928-1987)	106,904,681	2	PICASSO Pablo (1881-1973)	321,415,656
3	QI Baishi (1864-1957)	70,178,537	3	BACON Francis (1909-1992)	244,551,868
4	MATISSE Henri (1869-1954)	69,741,862	4	ROTHKO Mark (1903-1970)	206,690,290
5	MONDRIAN Piet (1872-1944)	57,950,358	5	MONET Claude (1840-1926)	164,928,461
6	GIACOMETTI Alberto (1901-1966)	51,266,158	6	MATISSE Henri (1869-1954)	114,402,912
7	LEGER Fernand (1881-1955)	50,596,541	7	BASQUIAT Jean-Michel (1960-1988)	101,514,800
8	DEGAS Edgar (1834-1917)	43,304,861	8	LEGER Fernand (1881-1955)	92,300,944
9	RAPHAEL (1483-1520)	42,723,200	9	CHAGALL Marc (1887-1955)	89,608,500
10	MONET Claude (1840-1926)	40,399,336	10	CEZANNE Paul (1839-1906)	86,597,938

Chinese artists have also been making records for the highest hammer prices at auctions worldwide. According to the records collected by Artprice (2015), in 2011 there were 33 Chinese artists whose artwork was in the top 100 hammer prices worldwide. This number dropped to 9 in 2012 and 11 in 2013. Appendix E shows these Chinese artists' names, their ranking in terms of top hammer auction prices worldwide and the price that it was sold for (US dollars). In addition to this, Appendix E also provides website links showing examples of their artistic style.

Furthermore, the top Chinese auction house, China Guardian Auctions, is providing strong competition against Christie's and Sotheby's as Chinese



customers are willing to pay more for traditional ink paintings than a Western collector would for a Picasso (Chiang, 2012). The Beijing based auction house had already reached 3.9 billion RMB in sales in 2011. The demand for traditional Chinese art in Mainland China has outstripped supply due to many pieces being destroyed during the Cultural Revolution from 1966 to 1976. However, a large number of traditional works of art left the Mainland during two periods in China's history, firstly, before 1949 when opponents to the Communist Party fled the country and then in the 1990s when there was mass emigration from China. To meet the demand China Guardian has hosted consignment events in Los Angeles, San Francisco and has now set up an office in Vancouver.

Both galleries and auction houses in the West are making moves to capture some of the Chinese art market (Souccar, 2011). In New York a number of galleries are now signing on Chinese artists and finding their sales increase accordingly. Even so, there are very few specialising in Chinese art. Eli Klein Fine Art and Chambers Fine Art are two of the only galleries in New York specialising in Chinese Art. However, they are reaping large profits with Eli Klein Fine Art's sales up 44% in 2010. Western galleries are also opening branches in China with the likes of New York's Pace which opened recently in 798 Art District. In December 2010 Christie's also opened offices in Shanghai and Beijing with the purpose of retaining existing Chinese collectors and capturing new customers.

### **3.5 Distribution of Chinese Art**

#### **3.5.1 Before Economic Reforms**

After the CCP came into power in 1949, artists were subjects of the State and their livelihoods were directed through the government controlled art associations (Xu, 2005, pp. 342, 343). At that time artists were called art workers, not artists, to show that they were different to those working in capitalist societies who were referred to as painters or artists. The galleries existed for the artists and the artists existed for the State. However, it was through the art galleries that art workers were able to serve the State. Their duties were primarily to help the government with its propaganda initiatives. In general the artists did not receive a high salary. However, it was an honour to be an art worker and they did receive some benefits such as improved living conditions and commodities.

From the 1950s through to the late 1980s all art galleries and museums were controlled by the State and the only reason they existed was to raise support among the people for the CCP (Xu, 2005, pp. 340-344). They faced heavy restrictions on all aspects of their operations. The galleries worked alongside the art associations which were both under the same administrative system. The art associations received directives from the government, selected artists and ensured the correct material was to be exhibited in the galleries. The associations were responsible for the creation and selection of artwork whereas the galleries' sole responsibility was to exhibit it. The restrictions became tighter during the Cultural Revolution and no artwork was permitted to be collected or exhibited. Museums only held exhibitions once a year in autumn to air out the paintings so they would not be damaged by the humid summers.

### **3.5.2 After Economic Reforms**

In the early 1980s the government still held tight control over the production of art. In 1981 there was a campaign against bourgeois liberalism and in 1983 and 1984 there were campaigns to purge the population of spiritual pollution (Köppel-Yang, 2003, pp. 22, 23). Despite this there were a number of new artistic movements that emerged including the *Stars Group*, a group of untrained artists who were permitted to hold an exhibition at the National Art Gallery in Beijing, and *Today*, which was an underground magazine founded by poets from this time (Wu, 2000, p. 12; Van Elzen, 2009, p. 91). However, it was not until the mid 1980s that contemporary art began to emerge due to a relaxation of the government led by Deng Xiaoping's desire to develop culture in China.

From the mid 1980s the 85 New Wave Art Movement emerged and flourished until it was disbanded in 1989 (Köppel-Yang, 2003, p. 23; Wu, 2000, pp. 16, 17). Most of these artists were formally trained and broke away from official artistic styles. They were unsatisfied with the uniformity of socialist art in the State exhibitions and began to hold their own without gaining government approval (Xu, 2005, pp. 333-338). In 1989 artists from the 85 New Wave Art Movement were permitted to hold the *China Avant-garde* exhibition at the National Art Gallery in Beijing (Smith, 2008, p. 20; Wu, 2000, pp. 16, 17). The exhibits were both radical and shocking for the times. The exhibition was closed down by police and arrests

were made including the artists Tang Song and Xiao Lu who famously let off a live gun in their performance.

After the 1989 *China Avant-garde* exhibition state run museums no longer risked exhibiting controversial work in case the blame was put on them (Xu, 2005, p. 344). The museums have never been able to control their own operations. Before the 1980s they were controlled by the government by being unable to obtain individual intellectual status. After the 1980s they were controlled financially. However, the museums are still considered to be a 'work unit' and if an individual member of society wants to hold an exhibition they need to find a work unit that will be willing to approve it. In the 1989 *China Avant-garde* exhibition the artists gained permission from six different work units of which the National Art Gallery was one. Even though the gallery did not organise the exhibition, it only rented the wall space, it was blamed for the content being displayed. From that time on, state run galleries and museums had no alternative but to refuse the exhibition of contemporary art.

By the early 1990s there were very few private galleries and most were not as effective at promoting artists as the state run galleries and museums (Xu, 2005, p. 345, 345). In order to gain influence in the Chinese art market many corporate galleries began to hold biennales to promote artists some of which have become successful such as the Shanghai Biennale established by the Shanghai Art Gallery and the Chengdu Biennale hosted by the Chengdu Modern Art Museum. The goal of the Shanghai Biennale was to change the way art was selected in China and to become internationally known. Most galleries were catering to international customers as the number of foreign collectors began to increase throughout the 1990s.

For the next decade Chinese contemporary artists disbanded and worked on their own work individually instead of in groups (Wu, 2000, p. 17). The artists wanted to achieve the normalisation of their work in society and so exhibited in ways that would promote their cause rather than destroy it. From 1989 until the late 1990s no exhibitions of contemporary art were held in national museums (Angremy, 2008, p. 13). Exhibitions were held in artists' homes or in private spaces. Although there were a small number of private art galleries in Beijing they did not

demonstrate the scope of artistic achievement that was beginning to occur. As a result, foreign curators built networks to buy contemporary art directly from the artists themselves rather than through galleries.

Even though contemporary art had been banned in China it was becoming known internationally (Wu, 2000, pp. 18, 19). A number of Hong Kong and international galleries began holding exhibitions of Chinese contemporary artists. They were also represented at the Venice Biennale in 1993 and 1999 and articles were published in well known publications such as *Flash Art*, the *New York Times* and *Art in America*. Some artists that left China were able to gain fellowships such as Xu Bing who received the MacArthur Fellowship in 1999. Successful overseas Chinese artists often gained fixed representation whereas those that remained in China were more independent. However, both received numerous invitations to exhibitions. Contemporary artists also began to exhibit in private galleries in China towards the late 1990s (Xu, 2005, p. 345).

Before the year 2000 both public and private methods were used for exhibiting and selling artwork (Wu, 2000, pp. 22-29). Governmental licensed exhibitions were conducted through national galleries, university galleries, semi-official art galleries and exhibition halls. Privately owned public exhibitions occurred through commercial and non-commercial galleries and exhibition halls. Licensed exhibitions were also held in public open spaces, commercial spaces, through the media and virtual spaces. Unlicensed private exhibitions also occurred throughout the 1990s in people's homes, basements, studios, embassies and foreign institutes. Some sympathetic university organisations were able to hold not-for-profit exhibitions of contemporary art. However, it was easier for universities in provincial areas to hold radical exhibitions than those in Beijing as it was and is the political hotbed of the country (Wu, 2000, p. 43).

The acceptance of Chinese contemporary art has been propelled by the role of commercial galleries in China. The primary reason for this has been that a commercial gallery is considered to be a 'licensed art business' rather than an 'exhibition space' in Chinese law and so has been able to avoid the restrictions that other organisations have faced in gaining government permission to display work (Wu, 2000, p. 32). Some of these commercial galleries have an interest in

contemporary art and have even run not-for-profit exhibitions such as video installations. One of the earliest privately owned galleries in Beijing was the Red Gate Gallery opened by an Australian, Brian Wallace in 1991 (Wu, 2000, p. 23). The Wan Fung Art Gallery was opened in 1993 in an imperial building and a Chinese-American lawyer, Handel Lee, opened the Courtyard Gallery in 1996. From the year 2000 onwards, contemporary art in China became a symbol of progress and fashion largely through the development of the 798 Art District in Beijing (Angremy, 2008, p. 21).

### **3.6 Beijing Art Districts**

#### **3.6.1 798 Art District**

798 Art District, also referred to as just 798, was originally an area of industrial factories built through a joint collaboration between the newly founded People's Republic of China, the Soviet Union and East Germany (Luo, 2008, pp. 58-61). It was to be a radio electronic components factory and since the East Germans were experts in this field it was decided that they would be responsible for building the factory instead of the Soviet Union. In good German style the quality of Factory 718 (which included the 798 Factory) surpassed buildings built by the Soviet Union (Li, 2008, pp. 62-64). The East Germans refused to lower the quality of brick work and ensured the buildings would be able to withstand earthquakes up to 8 on the Richter scale, much to the annoyance of the Soviet Union inspectors.



**Figure 3.3 German Bauhaus Architecture (Author's Research: Allott, 2011)**

Factory 718, was built in the suburb Wangyefen, now called Dashanzi, and was an important part of Beijing’s socialist history (Huang, 2008, pp. 164-178). The factory manufactured acoustic equipment which was used in important national buildings and it also helped North Korea to build their own factories. It was often visited by members of the politburo and the factories received awards for being an outstanding collective. Remnants of the political history can still be seen in the remaining slogans that grace the factory walls and are treasured by designers today (Wu, 2008, pp. 50, 51). Figure 3.4 is a photograph of the remains of a Cultural Revolution slogan in one of the factory buildings that has been converted into a gallery. It says, “Great Teacher, Great Leader, Great Commander, Great Helmsman, Long Live, Long Live Chairman Mao” (see Appendix F for additional photos of the research locations).



**Figure 3.4 Remains of a Cultural Revolution Slogan (Author’s Research: Allott, 2011)**

Like many other State factories, by the mid 1990s it was struggling to make a profit and many of the empty workshops were being rented out cheaply (Huang, 2008, pp. 166-168). In 1995 the Sculpture Department of the Central Academy of Fine Arts (CAFA) rented out a large warehouse close to 798 as it needed space to complete a large sculpture that the students were working on (Huang, 2008, p.

168). Following this, a student from the Sculpture Department, Sui Jianguo, also set up his studio in the factory (Ying, 2008, p. 36). From that point on a small number of artists began moving into Factory 798 and then in 2001 and 2002 the number began to escalate (Angremy, 2008, p. 12). Among them was an artist who had recently returned from Japan called Huang Rui (Ying, 2008, p. 28). It was he and another artist, Xu Yong, that introduced the first gallery to the area – the well established Tokyo Gallery from Japan, known in China as the Beijing Tokyo Arts Project (B.T.A.P).

With new developments, the area became known as the *Dashanzi Art District* or the *798 Art District* (Angremy, 2008, pp. 16-21). In 2003 new galleries such as Long March, 798 Photo Gallery and 798 Space opened. Then in 2004 galleries that followed Western commercial operational methods also opened such as White Space, Chinese Contemporary and Xing Dong Cheng Space. In 2006 the government committed to protecting the area as an art district and the result was that over 100 galleries moved in including Red Gate, the Yan Club, Galleria Continua, Faurschou Gallery and Pace Prints Gallery. In November 2007 Baron Ullens opened a non-profit centre called the Ullens Center for Contemporary Art (UCCA). The UCCA rented the largest space available, exhibited a range of artists, held educational events and sold entrance tickets.

However, during the development of the 798 Art District a number of conflicts have occurred with the proprietors. The government formed the Seven Star Corporation in 2002 and they were responsible for the management and lease of the buildings (Ying, 2008, pp. 26-28). As time passed, the majority of artists were forced to leave due to rising rents but some were also evicted by the proprietors (Van Elzen, 2009, pp. 131-133). Some galleries also did not get renewed leases after doing extensive renovations. The renovated buildings were then rented out to other galleries for higher prices. The Seven Star Corporation also signed a contract with the Zhongguancun Electronics Company allowing them to develop the area in 2005 (Ying, 2008, pp. 28-31). At the same time the artists were working together to create a protected art zone. In 2004 they organised the Dashanzi International Art Festival (DIAF) which garnered much public attention and support. Although the proprietors tried to prohibit exhibitions the central government protected the artists and later named the 798 Art District as one of the

*First Group of Beijing Cultural Innovation Industry Zones* by the Beijing Municipal Cultural Innovation Industry.

Although, conflicts still occur with the monitoring of the proprietors, the 798 Art District continues to grow. Artists still return to 798 to exhibit their work and there are over 2,000 exhibitions, performances and cultural activities every year (Yu, 2011). By the end of 2010 there were at least 450 different art galleries, restaurants and shops in the area. Moreover, 50 of the art organisations were foreign owned. In September and October 2010, the fifth 798 Art Festival was held. Over 750,000 visitors attended of whom 40% were foreigners. Although the commercial nature of 798 Art District is not what artists envisaged when trying to protect the area, it has changed the distribution of contemporary art in China forever.

### **3.6.2 Liulichang**



**Figure 3.5 West Entrance to Liulichang (Author's Research: Allott, 2010)**

Liulichang is one of the main centres in Beijing for traditional Chinese art (see Figure 3.5). It was originally the factory where tiles for all the ancient buildings in



Beijing were glazed (Jiang, 2008). It has a history of more than 700 years but did not become an antique and painting market until after the kilns were removed during the Qing Dynasty. At the centre of both entrances are several galleries run by the State. Many have strong brand names including Rongbaozhai, Qingmige and Haiwangcun. Rongbaozhai is by far the most well known. These State galleries will sell works ranging from a few thousand RMB through to works in the millions. There are also hundreds of small privately owned galleries, book shops and shops selling traditional painting art supplies.

### 3.6.3 Songzhuang



**Figure 3.6 Entrance to Songzhuang Art District (Author's Research: Allott, 2011)**

In 1994 just prior to artists being evicted from Yuanmingyuan, the largest community of artists at that time, the well known contemporary artist Fang Lijun began looking for a new area to work in (Smith, 2008, p. 163). He found a village on the Eastern side of Beijing called Songzhuang where he was able to take out a 79 year lease on a section of land. Other artists and critics followed including Yue Minjun, Li Xianting and Liu Wei. From that point on painters, sculptors, photographers, film producers, poets, musicians and conceptual artists were all attracted to Songzhuang (Wang, 2010, p. 6). By 2001 there were several hundred artists living there and by 2010 that number had grown to 4,000 (Smith, 2008, p. 163). A total of 22 art hamlets sprang up next to Songzhuang including Xiaopu, Daxing, Xindian, Lamazhuang, Renzhuang, Baimiao, Beisi and Fuhao (Wang,

2010, p. 6). In 2004 there was only one art gallery in Songzhuang. Now there are over one hundred. There are 14 museums and also development parks designed specifically for exhibition spaces. These include the Defence Fortification Art Zone, Zuoyou Art Zone, the Original Art Expo Exhibition Centre, Xiaopu Arts Park, Songzhuang A Zone and the East Zone Art Centre.



**Figure 3.7 An Artist's Studio and House (Author's Research: Allott, 2011)**

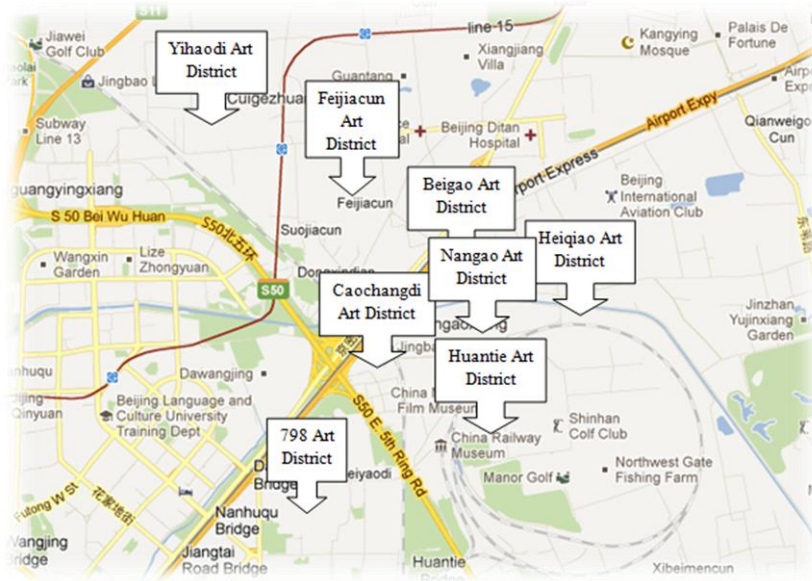
A contributing factor to the success of Songzhuang has been the support from the local government (Wang, 2010, pp. 5-7). When artists began moving to Songzhuang the local government had a positive attitude towards their arrival. Moreover, they implemented strategies to promote art in the district with the goal of having a global impact. The 'Township of Culture' strategy was planned for the development of Songzhuang and was to be implemented between the years 2004 through to 2020. The Songzhuang local government had also been working with the government of the suburb Tongzhou to create a Central Arts District (CAD).



**Figure 3.8 A New Local Government Building (Author's Research: Allott, 2011)**

#### **3.6.4 Demolition and Redevelopment**

One of the major issues that galleries and artists have been faced with is forced eviction from their homes due to political and economic reasons. 798 Art District, Liulichang and Songzhuang are only a few of the numerous art districts that exist in Beijing. A number of art districts have sprung up in recent years particularly in the North-Eastern regions of Beijing (Liu, 2010). These include Caochangdi, Huantie (Central Railway Art City), Heiqiao Art District, Creative Zhengyang Art District, 008 Art District, Jiangfu Art District, Dongying Art District, Suojiacun Art District, Beigao Art District, Nangao Art District, Yihaodi Art District, 318 Art District, Feijiacun Art District, Shengbang Art District and Xiedaoxi Art District (see Figure 3.9 below).



**Figure 3.9 Northeast Beijing Art Districts (Google, 2012)**

Problems have occurred due to mismanagement and miscommunication between the central government, the local government, villagers, artists and commercial galleries. Take the Caochangdi Art District for instance. The villagers found that they could make more money leasing land to galleries and artists rather than farming it (Spalding, 2009). However, the galleries and artists have no protection or rights if the land is sold on to developers as their newly built galleries and studios are technically illegal. The government's original plans for Caochangdi were to demolish the village and rebuild a business development zone and also new housing for the rural residents on the outskirts of Beijing. If they chose to do so the galleries and artists run the risk of losing their buildings and not gaining compensation from the government or landlords.

This occurred to artists living in the Heiqiao Art District (Nuandong, 2010; Zhang & Liu, 2010). On the 10<sup>th</sup> of December, 2009, the artists were informed that the district was to be demolished. They were not given a specific date nor were they consulted by the landlords (villagers) or the government. It was only after their water was cut on April 30<sup>th</sup>, 2010, that they became aware that the district was to be demolished within a few days. The artists did not want to leave as they had rented the land for ten years and had not received compensation. Some had received only one month in back rent. In addition many artists had constructed or

renovated new buildings. The central government was not willing to pay as they had already compensated the villagers. The villagers were unwilling to compensate the artists because they knew they had no legal protection. On the 7<sup>th</sup> of May, 2010, Heiqiao Art District was demolished. Over one year later it remained a deserted ruin (see Figure 3.10)



**Figure 3.10 Demolished Remains of Heiqiao Art District (Author's Research: Allott, 2011)**

In fact the plans to redevelop Heiqiao Art District were due to the central and not local government. The local government had been in full support of the artists and had even constructed hundreds of traditional Chinese styled buildings that were to serve as galleries (see Figure 3.11). However, after the central government decided to develop the area the local government had no say over what occurred. The galleries now remain a deserted ghost of Heiqiao Art District and may also be demolished by the central government at a future point.



**Figure 3.11 To the Left: Traditionally Styled Galleries (Author's Research: Allott, 2011)**

### **3.7 Conclusion**

This chapter outlined art as an investment particularly in China. More importantly, it set the scene for where the research was conducted – the Beijing art industry.

From the literature review it had been determined that the most suitable location for examining the development of *guanxi* would be in SMEs, a criteria that galleries fit well. These businesses have faced much pressure from the government and it has only been in recent years with the establishment of 798 Art District that the distribution of contemporary art in China has become accepted by the public and unofficially by the government. It was there and two other art districts, Liulichang and Songzhuang, that research was conducted investigating the development of *guanxi* between art dealers and artists.

## **Chapter 4 Research Methodology**

### **4.1 Introduction**

In determining the selection of a methodological philosophy and approach, Guba and Lincoln (1994, pp. 107-109) explain that a researcher's paradigm can be identified through his or her ontology, epistemology and methodology. Ontology is the researcher's beliefs in the forms of reality in the world. Epistemology is the relationship between what the researcher is able to know and what he or she believes can be known. And lastly, the researcher must address the methodological issues on how the data is to be collected. The following section examines firstly, the ontological and epistemological orientation of the researcher and then how these influence the selection of methods used in the collection of data throughout the project.

### **4.2 Ontology and Epistemological Orientation**

A researcher's understanding on how knowledge is established will influence the design and methodology selected in the inquiry. For this reason, the investigator must be aware of how his or her inherent epistemological outlook influences the selection of methodological approaches. During this selection process, the researcher should not be confined completely to their own personal convictions but should also carefully examine the research goals, questions and existing knowledge on the topic before determining whether or not qualitative or quantitative methods are the most appropriate. Even the staunch qualitative researcher Strauss writes, "... that researchers must think of quantitative procedures as representing not the enemy but rather a potential ally to theory building when its use seems appropriate" (Strauss & Corbin, 1998, p. 32). With this in mind, the epistemological paradigms will be examined first and then their appropriateness in relation to the research outcomes.

#### **4.2.1 Methodological Paradigms**

The following discussion examines firstly the epistemological background to both quantitative and qualitative approaches and then their suitability to different research approaches.

#### 4.2.1.1 *Quantitative Paradigms*

The quantitative approach originated from positivistic epistemology, a term first coined by Auguste Comte who regarded facts as being observable or positive (Maykut & Morehouse, 1994, p. 3). Although its roots are in social rejuvenation its present philosophical understanding can be outlined by Kolakowski (1993, p. 2) who writes,

“Positivism stands for a certain philosophical attitude to human knowledge; strictly speaking it does not prejudge questions about how men arrive at knowledge – neither the psychological nor the historical foundations of knowledge. But it is the collection of rules and evaluative criteria referring to human knowledge.”

Kolakowski (1993, pp. 3-7) goes on to explain that these positivistic rules enable the truth to be established in areas of scientific and philosophical debate. The rules of positivism are as follows: *phenomenalism*, that is, only that which can be observed, or that which has observable manifestations can truly be measured and is therefore scientifically truthful; *nominalism*, that is the belief that nothing can be proven unless it can be experienced; avoiding the use of *value judgements and normative statements*; and the *unity of scientific methods*.

There are also differences in the positivistic school of thought. Although it is maintained that there is an external reality which can be measured resulting in the accumulation of knowledge (Kirk & Miller, 1986, p. 14), post-positivistic theorists, who also believe reality to exist externally, are of the opinion that people perceive that reality differently (Denzin & Lincoln, 2003, p. 14). However, both positivistic and post-positivistic research is based on the creation of knowledge through deductive reasoning which measures causal relationships by means of a hypothesis (Hesse-Biber & Leavy, 2006, p. 23).

Quantitative research originated from positivism as it facilitates the collection of factual data obtained through the measurement of pre-constructed variables which either prove or disprove a hypothesis. As a result quantitative research builds on previously proven theories by either confirming or disproving a related idea (Kirk & Miller, 1986, pp. 11-15). A proven hypothesis is directly related to objectivity, a fundamental concept in quantitative research and positivistic thinking. Velde,



Jansen and Anderson (2004, pp. 42-45) write that the hypothesis must be a verifiable statement devoid of subjective language and abstract ideas that will create clear and concrete facts. Some quantitative methods used to obtain empirical data are surveys, closed-ended questionnaires, structured interviews and experiments all of which make use of pre-constructed variables to test a hypothesis.

#### ***4.2.1.2 Qualitative Paradigms***

Towards the end of the nineteenth century a trend against positivism began to emerge led by a number of social scientists, philosophers and historians of whom academics such as Max Weber, Droysen, Dilthey, Simmel and Windelband, to name a few, led the movement (Wright, 1993, pp. 10, 11). The qualitative epistemologies that emerged were in direct response to the limitations found in positivism particularly in the area of analysing social phenomenon (Hesse-Biber & Leavy, 2006, pp. 23, 24). The leaders of this movement refused to acknowledge that laws used to measure phenomena in the social sciences could relate to every subject such as history which often contained unique features unrelated to comparable situations (Wright, 1993, p. 11). The hypothetical laws were coined by Windelband as being *nomothetic* and descriptive individuality as being *ideographic*.

Droysen, a German historian and philosopher, continued the development of antipositivist thinking by showing that the fundamental purpose between the two movements was different (Wright, 1993, p. 11). He explained that positivist research focuses on explaining phenomenon whereas antipositivist is concerned with understanding it. This was also described by Dilthey as ‘moral science’. The psychological connotations of this understanding or moral science was further elaborated by Simmel who wrote, “...that understanding as a method characteristic of the humanities is a form of empathy or recreation in the mind of the scholar of the mental atmosphere the thoughts and feelings and motivations, of the objects of his study” (Wright, 1993, p. 11). From this concern with understanding rose a number of qualitative epistemologies.

Epistemologies such as phenomenology, ethnography, hermeneutics, feminist theory, modernism and postmodernism examine how people experience reality

differently resulting in the inability to portray truth as absolute. Qualitative researchers consider there to be more than one reality unlike positivist theorists who believe proven theory contributes to one reality (Maykut & Morehouse, 1994, pp. 12, 13). As a result, research conducted from qualitative epistemologies is exploratory and facilitates new discoveries based on inductive reasoning.

Qualitative research opens the way for exploration by examining how people construct reality through the meanings discovered in their words and actions rather than in the statistical significance of a phenomenon (Maykut & Morehouse, 1994, pp. 17-21). It is the researcher's responsibility to describe the situation as expressed by participants in order to show their perspective rather than preconceived assumptions. This type of research cannot be objective as it seeks to find new perspectives with the purpose of finding meanings within contexts rather than generalised principles. The researcher becomes the instrument as he or she collects data through open-ended fieldwork. The data is then analysed in a reflexive manner through the identification of themes using a variety of coding processes (Ryan & Bernard, 2003, p. 279). Methods that facilitate thematic exploration are unstructured interviews, observations, case studies, focus groups, document interpretation and personal narratives.

#### ***4.2.1.3 Suitability to Research Approaches***

By comparing the characteristics of qualitative and quantitative methodology, it is clear that both approaches are suited to particular types of research. Firstly, if the research goals are to describe or explain a phenomenon rather than understand it then quantitative approaches would be most appropriate. On the other hand, if there was little theory related to a particular research topic then qualitative research would be the most suitable. Moreover, if it were necessary to understand social phenomena qualitative research would once again be more suited as the variables are not fixed. In the next section, qualitative and quantitative approaches will be examined in relation to the research questions and the justification for their use.

Table 4.1 below is based on a description by Henwood and Pidgeon (1992, pp. 14-32).

**Table 4.1 Qualitative and Quantitative Approaches (Henwood & Pidgeon, 1992, pp. 14-32)**

	<b>Quantitative Approaches</b>	<b>Qualitative Approaches</b>
<b>Epistemological Position</b>	Experimental; hypothetico-deductive; positivist	Naturalistic; contextual; interpretative
<b>Common Subject Area</b>	Natural sciences	Moral of human sciences
<b>Goal</b>	Explanation of physical events	Finding the meaning and understanding of phenomena
<b>Characteristics</b>	Nomothetic; Explanation; Justification, verification, criticism; Immutable empirical facts; Objectively defined facts; A priori theory, theories are either proven or disproven; Measurable, generalizable and can be replicated; Experimental; Causes and effects;	Ideographic; Description; Discovery; Explanation from participants' perspectives; View experience and meaning in the context and complexly; Generating working hypotheses; Theorizing; Concepts emerge from the data
<b>Methodology Process</b>	The priori theory directs the process of data collection, analysis and interpretation	The collection of data guides the process of generating theory
<b>Suitability</b>	Explaining laws, particularly in the area of natural sciences; Explaining fixed variables; Proving a theory;	Understanding the uniqueness of the human experience; Understanding variables which change depending on their context; Generating theory

#### ***4.2.1.4 Reasons for Selecting a Qualitative Approach***

##### ***The Research Questions***

The selection of qualitative or quantitative research is determined primarily through the nature and objectives of the research. The research questions which were based on the previous literature are as follows:

How do art dealers express *guanxi* characteristics with cultural entrepreneurs in their business partnerships?

How does each *guanxi* characteristic affect the building of successful business relationships between art dealers and cultural entrepreneurs?

Which *guanxi* characteristics are the most significant when art dealers are building business relationships with cultural entrepreneurs in the first, second and third stage of development?

The purpose of this study was to acquire a clearer understanding of *guanxi* characteristics between art dealers and cultural entrepreneurs, to identify how each characteristic was expressed and to determine the importance of each expression in building successful business relationships over different stages of development. These goals were achieved by firstly identifying *guanxi* characteristics and then determining how business partners use these characteristics through practical examples. The practical uses of *guanxi* were described in relation to their importance over time and in the ways they help or damage the business relationship.

The primary objective of this research, which was to examine the significance of *guanxi* in the relationship building process, was the first determining factor in the selection of either a qualitative or quantitative approach. Because *guanxi* is a cultural phenomenon it needs to be examined from the perspective of those within the society rather than from "... a model of reality imposed by a researcher" (Veal, 2005, p. 24). Strauss and Corbin (1990, p. 19) also explain that certain research questions are more suitable to qualitative methods when it is "... research that attempts to uncover the nature of persons' experiences with a phenomenon". A number of qualitative methods including ethnographic and phenomenological epistemologies investigate culturally embedded perspectives, the former by

examining the meanings associated with people's actions and the latter which examines phenomena considered to be normal in everyday life (Liamputtong & Ezzy, 2005, p. 16). Special meanings are identified with the way *guanxi* is demonstrated and these are considered normal in the life of Chinese. It is therefore clear that if the actions and meanings of *guanxi* are to be understood as Chinese art dealers experience it then a qualitative approach must be implemented.

These cultural understandings do not need to be limited to the individual but can also be examined at the organisational level. In explaining the usage of qualitative methods Strauss and Corbin (1990, p. 19) state that although it examines the functioning of human behaviour, this behaviour does not necessarily mean it is at the individual level. It can also relate to groups and organisations. *Guanxi* is a cultural phenomenon which is examined from the perspective of the individual. However, it not only involves the individual but also the other party with whom it has been established. In this case, it is the individual within the art gallery and his or her connection to the artist and vice versa.

Secondly, because *guanxi* is a cultural phenomenon, it is not static and exploratory research is needed to identify any new or disappearing forms of expression. Take the practice of gift giving for example. It was considered to be one of the most important methods to building *guanxi* networks in urban and rural China. Although still very much evident in rural areas (Yan, 1996, p. 74), male entrepreneurs in cities have replaced gift giving by utilising evening entertainment to build business relationships (Yang, 2002). Although their findings may not be incorrect it is essential to determine whether or not the forms of *guanxi* have changed and what new variables should be used for future studies. A qualitative approach will facilitate the exploration of these new developments in the ways *guanxi* is presently expressed.

The objectives of the research and the questions to be addressed are also two deciding factors on whether or not to make use of qualitative methods. If the purpose of the research is to make generalisations then quantitative methods are the best approach (Velde et al., 2004, p. 75). However if the research objective is to discover new concepts within a specific context then qualitative methods are the most appropriate (Maykut & Morehouse, 1994, p. 21). The purpose of this

research is not to make wide generalisations but rather to understand how *guanxi* is developed specifically within the context of art dealers in a set location - Beijing. Therefore, a qualitative approach is the most suitable as it is the nature of *guanxi* rather than the actual measurement of it that will be explored. Although there have been numerous studies on *guanxi* in recent years, this is the first to examine *guanxi* in the context of the Art Industry in Beijing.

Moreover, the wording of the research questions show that exploratory rather than hypothetical analysis is needed to conduct an accurate investigation. According to Hesse-Biber and Leavy (2006, p. 50), questions using “how” are used to determine by what methods individuals produce meaning in their everyday lives. The first two research questions specifically deal with how Chinese art dealers construct meaning in business processes by seeking to identify how *guanxi* is expressed and how these expressions affect the building of successful business relationships. Because the questions identify the construction of meaning and are absent of a hypothesis, qualitative methods will be used to conduct this inquiry.

Finally, Strauss and Corbin (1990, p. 19) also explain that qualitative research can be used to understand a phenomenon that has not been researched in the past or “... to gain novel and fresh slants on things about which quite a bit is already known”. In the business management research numerous studies have been conducted on the outcomes of *guanxi*. However, from examining the literature it was found that very little fieldwork has been conducted on its development, especially in relation to business partnerships. Even those in sociological fields are largely theoretical. Therefore, using qualitative methods to examine the development of *guanxi* would provide a deeper understanding of an issue where little field research has been conducted before.

#### ***4.2.1.5 Selection of a Qualitative Approach***

The four qualitative approaches shown in Table 4.2 below are phenomenology, ethnography, postmodern approaches and grounded theory. By examining the purposes of each approach against the research questions it is possible to identify the most suitable method for this project.

**Table 4.2 Comparison of Qualitative Approaches (Goulding, 2002, pp. 21-43)**

	Origins	Purpose	As a Methodology	Data Analysis	Misconceptions or Negative Points
<b>Phenomenology</b>	<ul style="list-style-type: none"> <li>~ As a philosophy (Husserl, 1962; Heidegger, 1962)</li> <li>~ A methodology (Schultz, 1967)</li> </ul>	<ul style="list-style-type: none"> <li>~ Expand and understand a range of experiences (Spiegelberg, 1982)</li> <li>~ A description of a person's experiences that cannot be immediately identified (Goulding, 2002).</li> </ul>	<ul style="list-style-type: none"> <li>~ Language analysis</li> <li>~ Interviews</li> </ul>	<ul style="list-style-type: none"> <li>~ Comprehension, synthesising, theorising, recontextualisation (Morse, 1994)</li> </ul>	<ul style="list-style-type: none"> <li>~ Many researchers do not use the underpinning existential philosophy.</li> <li>~ The data should not be analysed in bit and then used to describe the whole.</li> </ul>
<b>Ethnography</b>	<ul style="list-style-type: none"> <li>~ Originated from early anthropological studies</li> </ul>	<ul style="list-style-type: none"> <li>~ Concerned with closely examining "... the nature, construction and maintenance of culture" (Goulding, 2002, p. 25)</li> <li>~ May describe an aspect of human experience, an entire social group or may be particularistic (Boyle, 1994)</li> </ul>	<ul style="list-style-type: none"> <li>~ Holistic, reflexive and uses both emic and etic perspectives</li> <li>~ Researcher participation</li> <li>~ Long-term immersion</li> <li>~ Unstructured interviews, shadowing, observations</li> </ul>	<ul style="list-style-type: none"> <li>~ Patterns identified through categorisation</li> <li>~ Text divided and assigned themes</li> <li>~ Synthesis – content is categorised and grouped</li> </ul>	<ul style="list-style-type: none"> <li>~ Must have some understanding of the culture</li> <li>~ Language acquisition</li> <li>~ The analysis is often never abstracted and remains a description</li> </ul>
<b>Postmodern Approaches</b>	<ul style="list-style-type: none"> <li>~ The denial of absolute truth</li> <li>~ Formed in response to modernism which was the belief that society was transparent and understandable</li> </ul>	<ul style="list-style-type: none"> <li>~ An attempt to address the issue that the human condition cannot be truly understood</li> <li>~ Examine the human condition rather than differentiating it into different dichotomies</li> </ul>	<ul style="list-style-type: none"> <li>~ "Analysis of language, metaphor and discourse as the constructs that shape our world" (Parker, 1995)</li> </ul>	<ul style="list-style-type: none"> <li>~ Development of multiple theories rather than one (Firat &amp; Venkatesh, 1995)</li> </ul>	<ul style="list-style-type: none"> <li>~ Criticised as a theory that is anti-establishment</li> <li>~ One does not have to be postmodernist to make cautious claims to what truth is (Parker, 1995)</li> <li>~ Very few guidelines to guide enquiry</li> </ul>
<b>Grounded Theory</b>	<ul style="list-style-type: none"> <li>~ Origins in the symbolic interactionism movement at the turn of the century</li> <li>~ A method of generating theory created by Glaser and Strauss (1967)</li> </ul>	<ul style="list-style-type: none"> <li>~ Its purpose is to generate theory in the field. Theory must originate in the data that has been collected. There are no preconceived hypotheses</li> <li>~ Theory is generated from the perspective of the participants</li> </ul>	<ul style="list-style-type: none"> <li>~ In-depth interviews</li> <li>~ Observations</li> <li>~ Secondary data</li> </ul>	<ul style="list-style-type: none"> <li>~ Coding of data through detailed analysis then making connections between conceptual relationships</li> </ul>	<ul style="list-style-type: none"> <li>~ May take a long time developing theory from categories</li> <li>~ Often ended prematurely before theory has been fully developed</li> </ul>

Due to the inductive nature of understanding how *guanxi* impacts business relationships in the Chinese art industry, grounded theory, was found to be the most suitable method for implementing this research. Grounded theory first came to the forefront in 1967, when Glaser and Strauss published a book describing a new method of developing theory from raw data as opposed to proving a theory via the data (Glaser & Strauss, 1967; Mansourian, 2006). They were of the opinion that this method, theory derived directly from the data, would be more accurate than previous methods employing a priori theory (Strauss & Corbin, 1998, p. 12). This was found to be relevant to the research aims on two counts. Firstly, due to the exploratory nature of understanding ‘how’ *guanxi* was expressed and ‘how’ it affected business processes. And secondly, due to the fact it was not generalisations that were important but rather the discovery of new concepts in understanding how *guanxi* was developed.

This discovery of new concepts is the development of theory which differs to a number of other qualitative approaches. Both phenomenology and ethnography often stop short at only providing a description of the culture rather than the development of theory. Moreover, a post-modern approach has less structure to undergo the process of analysis. Grounded theory on the other hand provides a framework to be followed which ensures not only the description of the case but also the development of theory purely from the perspective of the participants.

Due to the changing nature of *guanxi* and the understanding that it must be seen from the perspective of Chinese participants, the techniques used in grounded theory were also found to be appropriate. Glaser and Strauss (1967, p. 23), the creators of this approach, state that the purpose of grounded theory is to generate new theory through constant comparison rather than to make generalisations that apply to the entire population. The comparative technique ensures that differences are seen from the perspective of the participants rather than the preconceived ideas of the researcher or those outside of the context. The researcher must remain open to new ideas that may emerge during the entire analysis. Once the inductive analysis has been completed the new theories may be examined deductively against existing literature to complete the investigation.



### **4.3 Grounded Theory: The Strauss and Corbin or Glaser Approach?**

Grounded theory was originally created by Barney Glaser and Anselm Strauss (1967) in their book *The Discovery of Grounded Theory*. However, after co-authoring the book both writers had a number of differing views on how grounded theory should be conducted (Goulding, 2002, p. 38). As a result there are two main methods of grounded theory in use today, the 'Glaserian' and the 'Strauss Corbin' approach. The similarities and diverging ideas of these two approaches are outlined below and the version employed in this study is explained.

#### **4.3.1 Similarities between the Approaches**

Although grounded theory is currently used in management research it was first found in sociological literature. It originates from symbolic interactionism, a movement founded by Charles Cooley and George Herbert Mead at the turn of the 19<sup>th</sup> century, which sought to move away from psychologism and sociologism (Goulding, 2002, p. 39). The former was based in the belief that human behaviour had genetic origins whereas the latter that it originated from society. According to Annells (1996), symbolic interactionism is a theory of human behaviour and how people conduct themselves both individually and in society. It contains the idea that people come to understand themselves in the context of society through a process of socialisation. This is identified through symbols that people use, the most evident of which is language. Although symbolic interactionism relates closely to the ideas of grounded theory it was only a theory and there was very little to guide the process of analysis.

Using the ideas of symbolic interactionism, Glaser and Strauss created a method to conduct research which became known as grounded theory (Goulding, 2002, p. 40). Glaser had a strong background in quantitative research involving theorising and verification. Strauss on the other hand had a stronger background in qualitative methods making use of interviewing and observations. However, in the formation of grounded theory both agreed on the following points (Glaser, 1992, p. 16). There was a need to be on the field to obtain data. The theory should be derived from the data. It should be a process of evolution for both the participants and the researcher. People create the world they are in. Finally, that there were connections between people's perceptions and their actions. There was also the idea that present actions were a result of past causes and those present actions in

turn become causes for future actions (Goulding, 2002, p. 41). Qualitative research at the time was seen as unscientific and unverifiable. It was Glaser and Strauss's intention to address this issue and create a methodology that was both of these.

Both Glaser and Strauss agreed that there was too much verification of theory rather than the creation of it. They wrote, "... in social research generating theory goes hand in hand with verifying it; but many sociologists have diverted from this truism in their zeal to test either existing theories or a theory that they have barely started to generate" (Glaser & Strauss, 1967, pp. 1, 2). Through the grounded theory approach, theory is "derived from data, systematically gathered and analyzed through the research process. In this method, data collection, analysis, and eventual theory stand in close relationship to one another." (Strauss & Corbin, 1998, p. 12). Initially Glaser and Strauss intended grounded theory to be used with transcripts (Henwood & Pidgeon, 1992, p. 21). Through the detailed analysis of transcripts, both concrete and abstract categories could be formed which in turn should be used to create theory. It should be through the connections made between relationships in the categories that theory can begin to emerge (Strauss & Corbin, 1998, p. 22).

#### **4.3.2 Differences between the Approaches**

Goulding (2002, pp. 45, 46) explains that the fundamental difference between Glaser and Strauss is the concept of theoretical development. Glaser takes the opinion that grounded theory can only be used to prove the existence of phenomena in the context of the research being conducted. Strauss and Corbin on the other hand believe that the strong use of coding can create a theory that is applicable to other situations. This relates to the concept of substantive or formalised theory. A substantive theory is a theoretical construct that only relates to the context being examined and is unable to be related to other situations. A formal study on the other hand is able to relate to a number of situations. However, in most cases formal theory can only be obtained if there has been a large group of researchers employed over a wide range of situations.

Corbin (1998) explains that a major source of conflict between Glaser and Strauss was to do with the concept of verification. One of the premises of grounded

theory is that verification can be obtained throughout the course of the research through category saturation. That means that research only stops being conducted once there is no new evidence that emerges. However, Glaser believes that verification occurs after the research has been completed. The verification process should occur through quantitative research in another separate study.

According to Mansourian (2006) Glaser and Strauss were divided not on their epistemological orientation but in their opinion on what methods should be used for the constant comparative approach. Glaser considered the coding and analysis to be an entirely integrated task while Strauss viewed it as a process of steps. Strauss and Corbin recommend a strict method of coding, breaking the data up into small units, even down to individual words (Goulding, 2002, p. 47). Glaser on the other hand believes that ideas should emerge from the data as a whole.

### **4.3.3 Selection of the Strauss and Corbin Approach**

In this research the Strauss and Corbin approach is used with the tentative exception being the opinion of substantive and formalised theory. The cultural nuances that are experienced between art dealers and artists will be different to those between businesspeople and government officials. The hierarchy associated with different social statuses will also be absent. Therefore, due to time limitations and inability to conduct research among every group in Chinese society the findings will be specifically associated with the development of relationships in the art industry. Although these findings will be similar to other relationship types this will need to be validated through replication or another type of verification. This theory will provide a set of hypotheses that will give other researchers the opportunity to test quantitatively if they so choose. This belief is in accordance with Glaser who wrote that, “The grounded theory approach is a general methodology of analysis linked with data collection that uses a systematically applied set of methods to generate an inductive theory about a substantive area” (1992, p. 16).

However, the Strauss and Corbin (Corbin, 1998) approach of verification through saturation was employed in this research. Moreover the Strauss and Corbin methodology of strict coding was also used as an effective method to compare different cases in the art industry, creating categories through identifying

commonalities and differences. After the general creation of categories through open coding took place, axial coding was able to ensure a detailed comparison throughout the study.

During this research the methods outlined by Strauss were employed where the data was recorded, verified, recorded once again and verified. The first set of in-depth interviews were recorded, coded and categorised. The researcher then used two methods to verify the data. For participants that were willing to be interviewed a second time more questions were asked based on their initial responses. In addition, new respondents were asked questions that expanded the initial answers of interviewees before them. Those questions were once again coded and categorised until the researcher ensured the point of saturation had been reached.

The in-depth interviews were analysed according to the approach of comparative analysis as outlined by Glaser and Strauss. The recording and transcription of interviews provided the researcher with an effective means to code and analyse the data. Glaser and Strauss (1967, pp. 101-113) write that constant comparison is achieved through a combination of both coding and analysis throughout the entire process. The first step in this process is to create categories through the comparison of separate incidents in each case. Secondly, the properties or different factors for each category need to be identified. Then as the material is being reduced through the constant comparison of ideas, theories or general themes are to be reached aided by the separate recording of ideas as memos. Finally, the theory may be written.

#### **4.4 Grounded Theory and Methodology Process**

There were three steps taken to obtain data in this research. Firstly, a thorough review of previous research findings in the literature revealed patterns of *guanxi* characteristics (see Appendix G). The common patterns were used to create the initial in-depth interview questionnaire. Both art dealers and artists were interviewed. The interviews were then transcribed verbatim, translated, coded and analysed. After interviews had been analysed participants were once again asked to provide clarification or expand on their earlier answers. Finally, a short questionnaire was given to each participant in order to determine financial success,

or lack of it, and the relationship *guanxi* played in art dealers' and artists' financial development (see Appendix H and I).

#### **4.4.1 The Role of Literature**

At the time their book was first published, Glaser and Strauss were criticised for initially ignoring the need to explore previously established theories before data was collected (Henwood & Pidgeon, 1992, p. 22). They later admitted there was an omission and outlined its value in later publications. According to Strauss and Corbin (1998, pp. 49-51) there are numerous ways in which the literature can be used throughout the grounded theory process. Some are listed below:

- ~ It might help the researcher identify missing areas of theory or topics that may not have been examined in-depth.
- ~ It may be used to develop the initial set of questions for interviews. These interviews should be followed by a new set based on those initial findings.
- ~ It may help the researcher's sensitivity in identifying emerging patterns in the data.
- ~ After analysis has been completed it may assist in confirming the researcher's findings.

However, in order to limit prejudice during the data collection Goulding (2002, pp. 55, 56) recommends the following steps. Firstly, although the researcher may have a deep understanding of an entire topic, they should choose a specific area that they are less familiar with. They should enter the field at an earlier stage and should choose a topic that has less literature than others. These are all recommended to limit the bias of the researcher appearing throughout the research process.

##### ***4.4.1.1 Prior to Data Collection***

In order to ask questions in the in-depth interviews that were meaningful and revealed insights to the topic, an understanding of each individual *guanxi* characteristic and how it affected the building of successful business relationships was needed in the Chinese context. This was achieved by identifying each characteristic of *guanxi* mentioned in previous literature on the topic. The most

frequently mentioned characteristics were tallied and notes taken about the less commonly mentioned ones (see Appendix G). Notes were also made on the ways people express the characteristics of *guanxi* in their daily lives or business dealings. For example, from the summary of the literature as shown in Appendix G it can be seen that reciprocity was examined twelve, *renqing* seven, *ganqing* five, trust ten, bonding twice, empathy three and *mianzi* seven times. After each *guanxi* characteristic had been grouped according to its importance as shown in the literature, practical examples of each characteristic were also identified.

Strauss and Corbin (1990, pp. 49, 50) explain that during the data analysis the literature can be used to identify relevant categories and relationships between different variables. This differs from quantitative research which uses the literature to test the variables from the onset of the research. Once the research has been conducted the findings should be explained in light of an already existing theoretical framework which is identified in the literature. The categories should emerge first and then be examined in the literature, not the other way around. Strauss and Corbin (1990, pp. 51, 52) also explain that literature can be used to increase theoretical sensitivity. It is beneficial to know how to approach and interpret data if previous literature has been read, a source of secondary data, encourage the questioning process, guides theoretical sampling and finally can be used as a method to validate the sample.

#### **4.4.2 Data Collection Techniques in Grounded Theory**

Grounded theory is flexible in that different data collection techniques can be used to best obtain the information needed. Goulding (2002, pp. 56-66) explains that data collection has a wide range including uses of secondary data, life histories, interviews, observational data and memos.

##### **4.4.2.1 In-depth Interviews**

Interviews are one of the most useful data collection methods in grounded theory and in qualitative research. Goulding (2002, p. 59) writes, "...in social research the language of conversation, including that of the interview remains one of the most important tools of social analysis, a means whereby insight is gained into everyday life, as well as the social and cultural dimensions of our and other societies". Due to this reason the primary method used to obtain data was through

in-depth interviews which were then analysed using the grounded theory approach. Through in-depth interviews the phenomenon of *guanxi* could be understood from the respondents' perspectives and provided thick details of the topic being analysed. It was the primary method of data collection used during this research. The use of in-depth interviews enabled the characteristics of *guanxi* to be identified, provided practical examples, showed how widespread each characteristic was and their importance over time.

According to Hesse-Biber and Leavy (2006, p. 125) the three types of interviews that can be used in the data collection process are structured, semi-structured and open-ended. The structured interview is a quantitative approach that provides little room for exploration. In order to obtain depth of response while still controlling the direction of the interview, semi-structured in-depth interviews were used. Fontana and Frey (2003, pp. 75, 76) write that the purpose of open-ended interviews is to understand the respondents in the way they describe themselves rather than to explain them. Open-ended interviews allowed Chinese respondents to explain the phenomenon of *guanxi* in the business environment from their perspective rather than from preconceived ideas.

In order to gain depth of information while still adhering to the topic, either a checklist or topic questions can be used in in-depth interviews (Veal, 2005, pp. 128-130). With a checklist it is not necessary to follow set questions so long as the needed information is obtained during the conversation. Topic questions on the other hand are closer to a structured questionnaire in that set questions are asked in each interview although they are still designed to ensure depth in the respondents' answers. In order to cover all the subjects that needed to be understood to answer the research questions in detail, topic questions rather than a checklist were used. From the literature currently reviewed, an example of the interview guide can be found in Appendix H for art dealers and Appendix I for artists. It covers information that needed to be obtained from respondents about their opinions on the characteristics of *guanxi*, examples of those characteristics, the importance of those characteristics for building business relationship and their importance over time.

Care was taken to maintain accuracy throughout the interview process. Veal (2005, pp. 130-131) writes that neutral wording must be used to ensure the respondents' responses are not influenced by the interviewer, with the exception of topic sentences when a new subject is to be addressed. There was also space on the interview guide for note taking so any ideas or questions by the interviewer were noted without interrupting the respondents' answers. Care was also taken to ensure participants had enough time to think. In each case respondents gave their permission for the interviews to be recorded. They were then transcribed verbatim, translated when in Chinese and then analysed using Atlas.ti software, version 6.1. Most interviews were conducted in Chinese except when participants showed a preference to speak in English and had the ability to do so. There were also two foreign artists who were interviewed in English.

#### *Dealing with Difficulties when Interviewing*

One of the major difficulties encountered when doing interviews is the establishment of trust (Goulding, 2002, p. 60). Trust goes hand in hand with confidentiality and if participants feel that the information may be used against them then it may be difficult to illicit honest responses. In this study the topic of *guanxi* was considered sensitive and a number of participants were not willing to divulge certain information particularly when it involved the government. To deal with this the researcher firstly explained the confidential nature of the data collection and in some cases met with participants a number of times beforehand prior to interviewing.

Fontana and Frey (1994) also explain that rapport needs to be built so that the participants trust the researcher and are forthcoming in their responses. However, some people will never fully trust the interviewer which is why it is necessary to reach theoretical saturation in order to ensure honest data. During the interview process the building of rapport posed a number of problems. Firstly, when rapport was developed well the participants would often go off topic when talking in a very relaxed manner. They had to be continually redirected. When rapport had not been established the participants were unwilling to talk freely. As a result a careful balance needed to be established to ensure rich data that was relevant to the study.



#### **4.4.2.2 Observations**

The benefit of observations is that they are usually unobtrusive reducing the interference of the researcher and minimising changes in behaviour (Adler & Adler, 1994). However, there are some negative aspects to using observations in grounded theory. They may be evidence of chance happenings and also do not explain why particular behaviour takes place. For these reasons observations were used as a supplement to the interviews that had already been conducted. In many instances after interviews had been completed the participants invited the researcher out for a meal. During these situations many interviewees would invite their friends to eat with them. In these instances the researcher was able to observe behaviour that had been discussed in the interviews and also listen to conversations in a relaxed environment. When this occurred all observations were written down after returning home. In some cases photographs were also taken. These notes and photographs were also assigned as documents in the Atlas.ti software.

#### **4.4.3 Selection of Participants**

The process of participant selection in grounded theory differs to other research methods for a number of reasons. According to Glaser (1978, p. 36), participants are selected when needed rather than as a set criteria. As the theory is being developed some types of participants may need to be added in order to strengthen the findings. Moreover, some new types of participants may be needed than were initially anticipated. Glaser writes,

“... the process of data collection for generating theory whereby the analyst jointly collects, codes and analyses the data and decides what data to collect next and where to find it, in order to develop the theory as it emerges. This process of data collection is ‘controlled’ by emerging theory” (1978, p. 36).

However, in order to begin the data collection a set of criteria was needed to initially start the research.

There were four types of art dealerships that were selected for this study. The types of galleries selected are shown below in Table 4.3 and the selection criteria for each are also explained.

**Table 4.3 Initial Selection Criteria of Galleries**

Selection Criteria	Artists with Art Dealerships	Family Run Art Dealerships	Privately Owned Chinese Art Dealerships	Privately Owned International Art Dealerships
Number of Employees	One or more employees	One or more employees	Five or more employees	Five or more employees
Number of Artists Represented	Minimum of 5	Minimum of 5	Minimum of 10	Minimum of 10
Minimum Time Open	Minimum of two years	Minimum of two years	Minimum of two years	Minimum of two years
Type of Art Sold in Dealership	Painting, calligraphy, sculpture, photography	Painting, calligraphy, sculpture, photography	Painting, calligraphy, sculpture, photography	Painting, calligraphy, sculpture, photography

The initial respondents were selected based on the following attributes. Firstly, artist and family run dealerships were selected based on a limited number of employees. It was assumed that these dealerships would be smaller in size due to the possible economic limitations facing artists and small family run businesses. A selection of larger sized dealerships was also desired so privately owned Chinese and international dealerships were selected based on having a larger number of employees.

The same also went for the number of artists represented in the galleries. Galleries owned by artists or family members had to represent more than five different artists. Privately owned Chinese and international dealerships had to represent more than 10. The focus of the research was to examine the relationship building process between artists and dealers and so it was necessary for the owners to have enough artists in their galleries to make comparisons about when being

interviewed. It was also necessary for them to be able to give examples of the relationship building process.

It was also necessary for the galleries to have been open for a period of time so that they could be questioned on different stages of relationship building. In this case a period of more than two years was selected. This would provide enough time to examine how the relationships were initiated, developed and established. If the gallery had just opened then it would not be possible to examine how the relationship building process took place between art dealers and artists.

Finally, the type of artwork necessary to be sold in the gallery needed to be a medium where the artists worked independently from others. As individual cultural entrepreneurs they may be reliant on other people for the sale of their work. For this reason galleries that sold artwork such as painting, calligraphy, sculpture and photography were selected.

This was only the initial selection of participants. As Glaser (1978) wrote, the researcher must be open to new modifications in data collection. As the research was conducted there were three new patterns that emerged into the selection shown in Table 7 above. In addition to these criteria of artist owned, family owned, Chinese and internationally owned, it was found that the same galleries could be divided into three new categories, or as referred to on Atlas.ti, families. These were low earning brokers/dealers, high earning brokers/dealers and galleries. High and low earning brokers refers to galleries that borrowed artwork from artists for the duration of exhibitions and returned them if they were not sold. If the artwork was sold they worked on a commission basis. A gallery on the other hand refers to businesses that first bought the artwork and then collected or sold it. In all cases they were high earners as they were able to control the supply and demand of a particular artist.

During the interviews with dealers and galleries it was found that many tapped into the *guanxi* networks of artists without having to build *guanxi* themselves. For this reason it was necessary to conduct interviews with artists to determine how they built *guanxi* between themselves and with those who sold their work. So, interviews were also conducted with artists. Initially artists were selected as having more than 2 years experience as a full time artist. After a number of

interviews took place fulltime artists were divided into two categories. Firstly, some artists had the means to sell work independently from galleries. These artists usually had studios facing the road and pedestrians were able to walk in freely. Then there were artists who had studios that were inaccessible from the road and could only be visited if one was acquainted with the artists in question. A total of fifty interviews took place. Twenty art dealers were interviewed in 2010 and thirty artists in 2011. In total there were 1,757 pages of transcribed materials from interviews that were assigned as documents into the Atlas.ti software.

#### **4.4.4 Theoretical Saturation**

To achieve an in-depth study of how the characteristics of *guanxi* influence business processes in the art industry, the number of participants were selected using what is termed saturation of data. The initial intention was to interview 16 galleries in Beijing. However, after determining that new concepts would emerge by interviewing artists the number of participants was expanded. The research continued until the point of saturation was reached. This is what Liamputtong and Ezzy (2005, p. 49) refer to as “sampling to the point of redundancy”. With this method the researcher stopped interviewing when no new information emerged. Glaser (1978) also writes that the researcher should not leave the field until there are no more patterns or concepts that emerge. This is referred to as data saturation.

Theoretical saturation is different to data saturation in that it is the inability to form any new concepts as the analysis takes place. Goulding (2002, p. 70) writes, “Theoretical saturation is achieved through staying in the field until no new evidence emerges which can inform or underpin the development of a theoretical point”. This also involves saturation of data. When examples provided by participants repeated themselves then it was evident that a full theory could be formulated.

#### **4.4.5 Analysis of the In-Depth Interviews**

##### ***4.4.5.1 Theoretical Sensitivity***

Strauss and Corbin (1990, pp. 41-45) explain the importance of maintaining theoretical sensitivity throughout the research process. This is a concept that is closely associated with grounded theory. They explain that “Theoretical sensitivity refers to the attribute of having insight, the ability to give meaning to

data, the capacity to understand, and capability to separate the pertinent from that which isn't" (Strauss & Corbin, 1990, p. 42). This refers to conceptual ideas rather than concrete ones. The researcher is able to develop and enhance theoretical sensitivity by use of the literature and through professional and personal experiences. It is also something that develops throughout the research process. As the concepts are compared the researcher becomes more sensitive to the concepts being examined through analysis and creating small frameworks as the research continues.

#### ***4.4.5.2 Reliability of the Grounded Theory Approach***

According to Strauss and Corbin (1990, p. 23) the criteria for judging an effective grounded theory should be based on the following: *fit*, *understanding*, *generality* and *control*. If the grounded theory has a good *fit*, this means that the theory has been accurately derived from and reflects the data. It should be *understood* by the participants and experts in the area as being a correct reflection. *Generality* means that the theory should be relevant to a number of other contexts and similar phenomenon. Finally *control* refers to the actions towards the phenomenon. This is a formulated set of hypotheses that may be relevant to other situations. It must be noted that the hypotheses are derived from the data rather than used beforehand to direct data gathering.

#### ***4.4.5.3 Ensuring Credibility***

One method of ensuring credibility in the grounded theory approach occurs through what is referred to as member checking (Goulding, 2002, p. 89). This can be done by asking outside members to check the validity of the findings or returning to participants. This was done throughout the research process in a number of ways. Firstly, transcripts and audio recordings were returned to the participants for them to listen to. They were able to change details or discuss any issues they had regarding the interviews. Secondly, when the transcripts were returned to the participants the interviewer often asked questions on the important findings. The researcher was able to ask if her ideas were correct. These were either confirmed or negated by the participants. Also, there were a two Chinese people who were not participants who were confided in for advice. They were asked questions to do with the findings and asked whether or not the ideas were

correct in a typical Chinese setting. In this way member checking was able to occur throughout the research process.

#### ***4.4.5.4 Comparative Analysis***

Once interviews had been transcribed the comparative analysis on each began. This process began with what Strauss and Corbin termed microanalysis (1998, pp. 57-106). In this process the transcripts were analysed line-by-line so that ideas emerged from individual words, phrases, sentences and even paragraphs. The new ideas that emerged were assigned properties or dimensions. These dimensions were then compared with other transcripts in order to make classifications. When these newly found concepts were able to be grouped conceptualisation was able to occur through categorisation. It was the relationships between the different categories that then allowed theory to be developed.

#### ***4.4.5.5 Coding***

Charmaz (1983, p. 111) explains that coding in qualitative research is not like that in quantitative. In quantitative research the data is put into preconceived codes. However, with qualitative research the codes are obtained and interpreted from the data. In grounded theory there are three types of codes, open coding, axial coding and selective coding (Strauss & Corbin, 1990, p. 61).

#### ***Open Coding***

The first step of the analysis in grounded theory is open coding. Strauss and Corbin (1990, p. 62) explain that is "... the naming and categorizing of phenomena through close examination of the data". During this stage the data is closely analysed and given names. These are then compared with other codes to identify and similarities or differences. It is the foundation of the analysis and without it more could not be attempted.

Of all the qualitative methods for coding, Miles and Huberman (1994, p. 58) recommend the line-by-line analysis explained by Strauss and Corbin (1990). By examining a paragraph line-by-line there are a number of labels which are assigned to ideas within the paragraph. Once there are a number of similar labels these are assigned categories which are slightly more abstract in nature. In this research the Atlas.ti software was used for the coding process. It provides a platform to assist in the process of coding. As shown below in Figure 4.1,

segments of text were assigned codes as the ideas emerged. At first these were very general and then refined as the number of open codes accumulated.

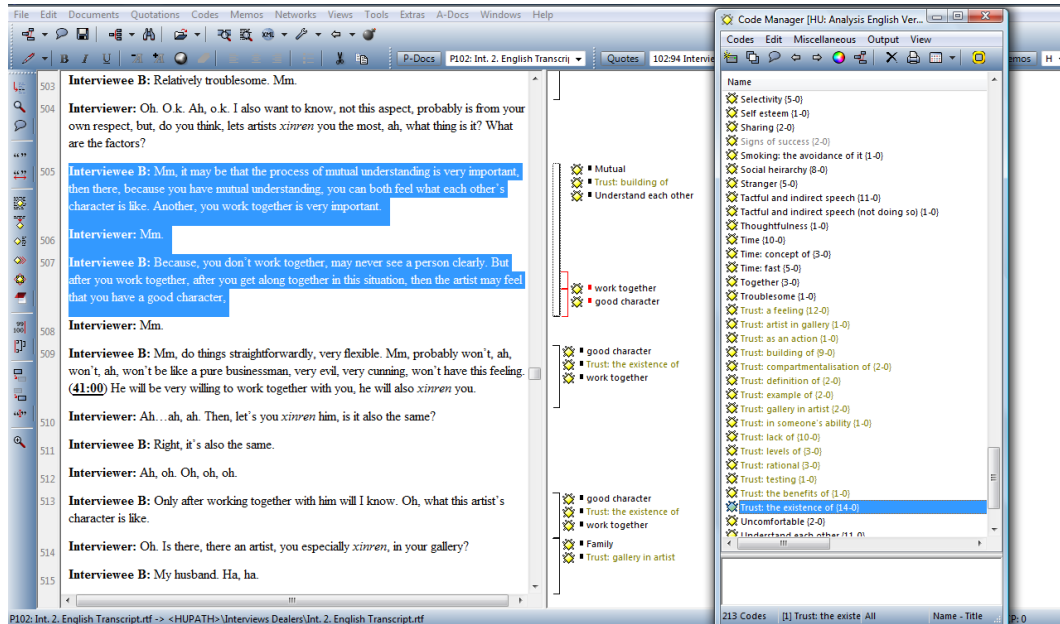


Figure 4.1 Coding Platform of Atlas.ti (Author's Research)

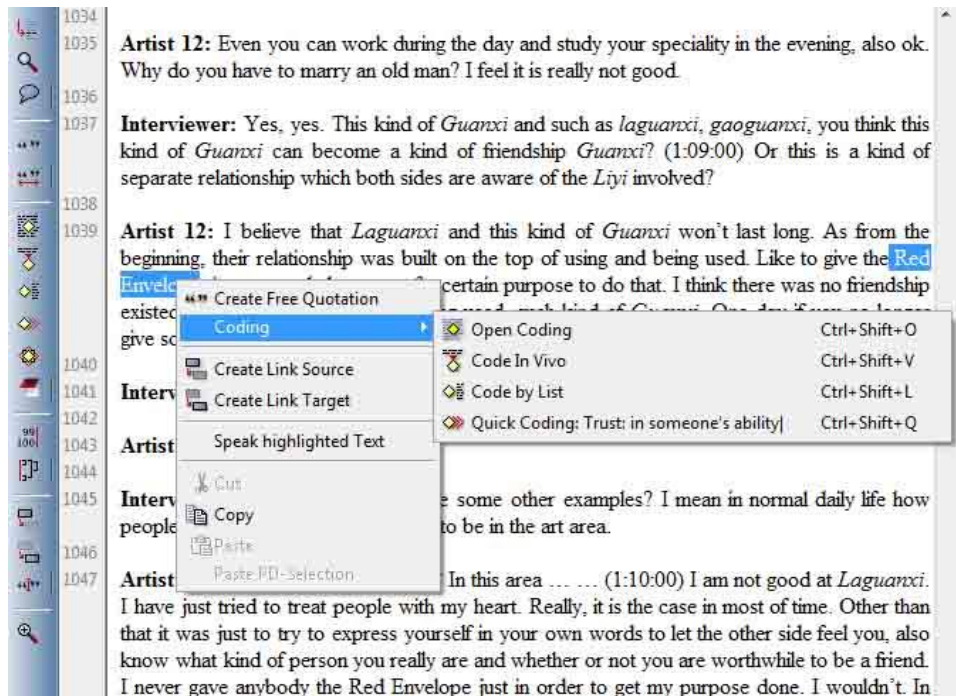


Figure 4.2 Coding Types in Atlas.ti (Author's Research)

As shown in Figure 4.2 above, the Atlas.ti software provides four different methods of coding. The first is open coding. This allows the researcher to create their own name for the code. The second selection for coding is code in vivo. If this is chosen then the selected or highlighted text will become the new name of the code. This is more appropriate for words or short text. Code by list selects the previously assigned codes which can then be selected when the list appears. Finally, quick coding uses the code that was used in the most recent instant of coding. Moreover, as shown below in Figure 4.3, not only can photographs be assigned quotations but comments on these can also be filed. The Atlas.ti software provided a platform of analysis that assisted in the coding process.

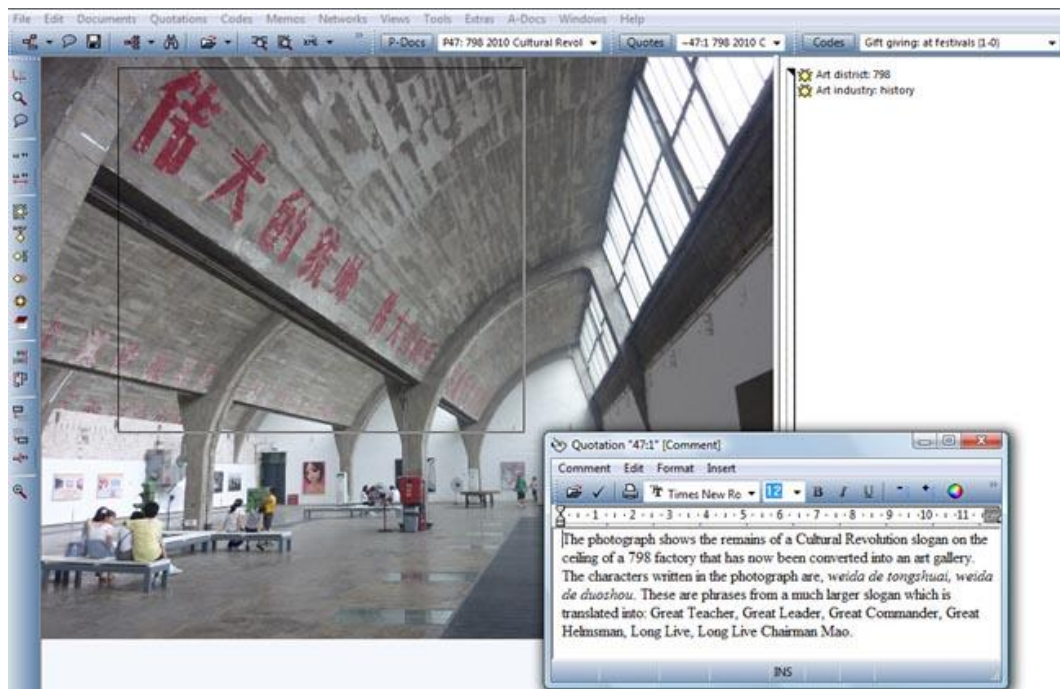


Figure 4.3 Coding and Commenting on Quotations (Author's Research)

#### 4.4.5.6 *Atlas.ti Exploratory Tools*

In Atlas.ti software there are a number of tools that assist in the exploratory process. It is the researcher that must assign codes to quotations, identify categories and create abstract constructs. However, in this process a number of tools were used. Figure 4.4 shows the use of the tool called the *Wordcruncher* in Atlas.ti. Once a sizeable number of transcripts had been assigned as documents in Atlas.ti the software was able make a list of every time a single word had been



used throughout all of the transcripts. As shown in Figure 4.4, this provided a list of words related to *guanxi* that had been used in the interviews. These words were then able to be examined to determine why they appeared so many, or so few times in the text. Another tool is the co-occurrence tool. This examines the number of times one code occurs at the same time as another. It can then be outputted in two formats, as a co-occurrence tree, or table. It is also colour-coded to provide quick analysis of codes that co-occur frequently. Although this does not give answers it provides the starting point for exploration. Both the wordcruncher and co-occurrence tools were used for exploration throughout the analysis process.

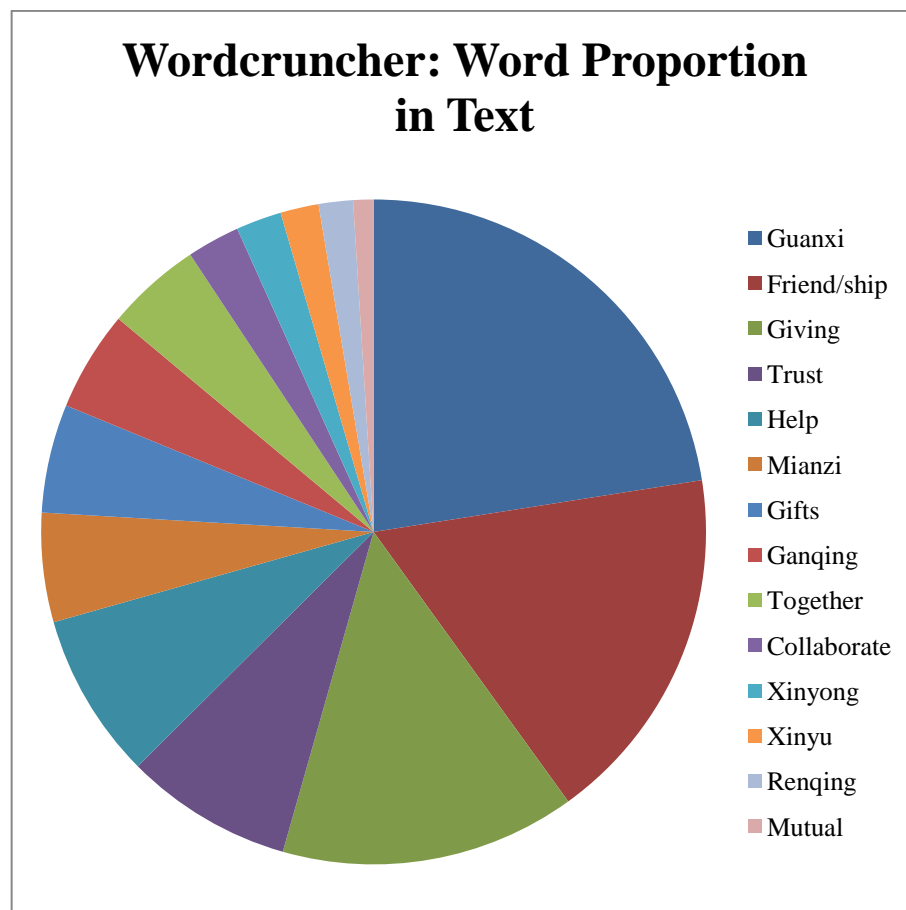
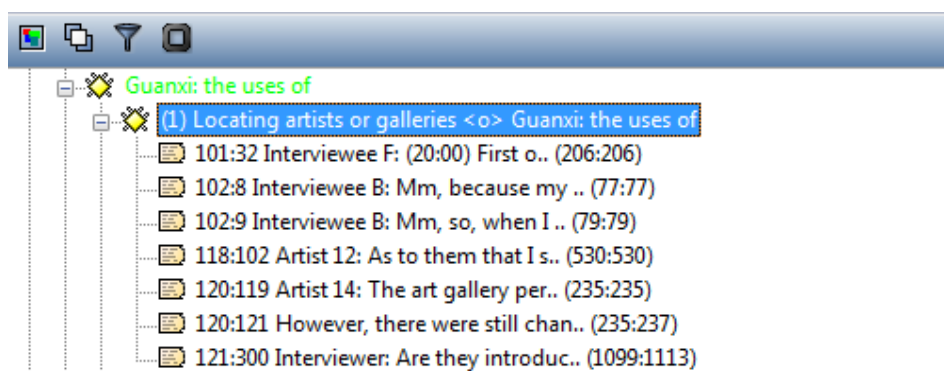


Figure 4.4 The Atlas.ti Wordcruncher (Author's Research)

Figure 4.5 below provides a demonstration on how the Atlas.ti Co-occurrence tree was used. The different ways that *guanxi* was demonstrated throughout the supply

chain was examined in Beijing's art industry. By using the co-occurrence function in Atlas.ti the code *Guanxi: the uses of* could be examined against other codes related to the supply chain. Figure 4.5 shows the two codes *Guanxi: the uses of* and *Locating artists or galleries*. The co-occurring tree on Atlas.ti also provides immediate access to all quotations existing between both codes so examples in the interviews could be accessed easily.



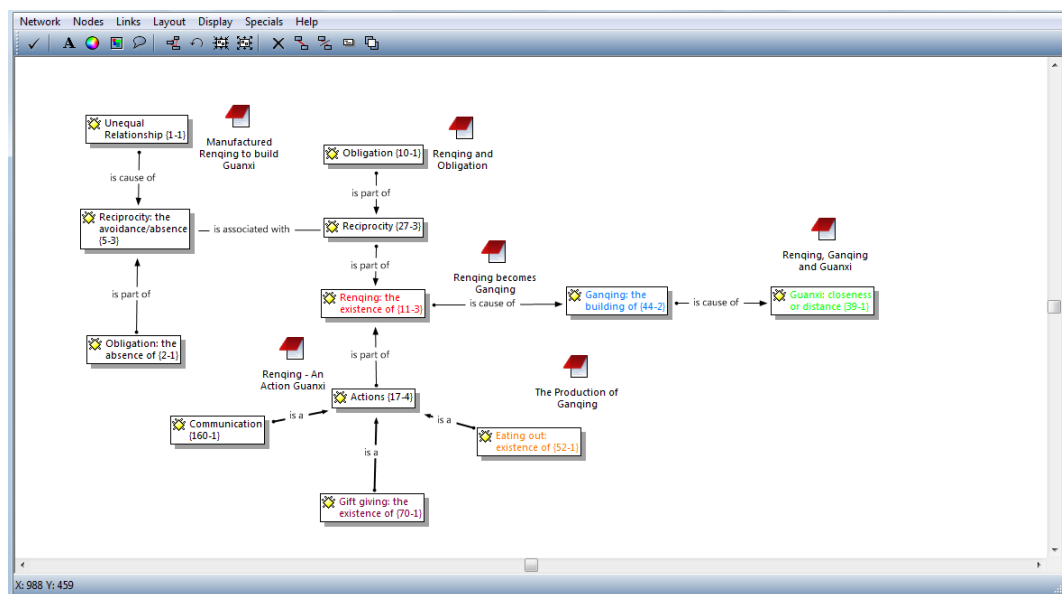
**Figure 4.5 The Atlas.ti Co-occurrence Tree (Author's Research)**

#### **4.4.5.7 Axial Coding**

As the coding continues and transcripts are added to the software the codes are able to be compared (Goulding, 2002, p. 77). This is the beginning of the abstraction process whereby instead of only description the data is also able to be interpreted. In this way it is possible for the data to be verified, corrected and saturated. Glaser (1992) explains that after the open coding occurs, a concept is able to be assigned to a similar set of incidents. These concepts or categories are what Spiggle (1994) refers to as the steps to abstraction. The categories developed are able to be collated into higher order constructs. These are abstract in nature. However, they originate and are verified in the data which has emerged from the primary text.

Axial coding is one step in the abstraction process and is a core aspect of Strauss and Corbin's (1990) grounded theory approach. It is the identification of a core category or construct with which the others concepts surround. It shows the interrelationships between the concepts and is the foundation of the theory that

emerges. Spiggle (1994, p. 494) writes, “Abstract concepts encompass a number of more concrete instances found in the data. The theoretical significance of a concept springs from its relationship to other concepts or its connection to a broader gestalt of an individual’s experience”. Finally, through axial coding the relationships are able to be connected providing what is shown below in Figure 4.6 as the network view. These are the connections and links between all the concepts that have been compared and abstracted providing an overall view of the theory that developed.



**Figure 4.6 Network View Demonstrating Renqing (Author’s Research)**

#### 4.4.5.8 Families

In Atlas.ti it is also possible to create a set of families, otherwise known as attributes on other software. This allows for certain characteristics to be assigned to each primary document. In this case the primary documents were in-depth interviews and so the participants who gave them were assigned attributes. Table 4.4 below shows all the attributes that were assigned to gallery participants and all those assigned to artists. These attributes could then be cross queried with the codes. By doing this it was possible to identify different trends in relationship building between the groups of participants.

**Table 4.4 Gallery and Artist Attributes (Author’s Research)**

<b>Galleries</b>	<b>Artists</b>
Age	Age
Gender	Gender
Position in Gallery	Nationality
Nationality	Location
Education	Years as Fulltime Artist
Years Open	Art Style
Gallery Location	Sales Method
Type of Gallery	Work Location
Cooperation Method	Income
Earnings	

#### **4.4.5.9 Using Memos**

According to Glaser (1978), the use of memos is a core stage in the process of grounded theory. They are ideas that are formed during the data analysis and sometimes away from it. These ideas should be written freely without concern for being wrong. They can then be changed at a later stage and are used to identify relationships and connections as the theory develops. Glaser explains that memos should be separated from the data. They should also be titled with the idea that has occurred. Glaser outlines the following steps when writing memos. Firstly, they should begin at the beginning of the research right until the final report is written. They should be captioned. In addition, memos contain ideas as opposed to description which assists in the development of theory.

In order to follow these guidelines of grounded theory the researcher wrote memos throughout the research. When analysing the data these were easily written in to the Atlas.ti software. When not on the computer these details were written in a notebook and transferred at a later date to the software. They were able to assist in the development of ideas during the research process.

#### **4.4.6 Cross-Cultural Considerations and Grounded Theory**

There have been very few academics who have taken into consideration issues associated with doing research in different cultures. For the researcher this was a pertinent issue due to being born in New Zealand and conducting research in China. Firstly, Barnes (1996) explains that the researcher should have a prior frame of reference. This includes having knowledge of the language and having lived in the country before. The researcher has a background in advanced Chinese

studies and had also lived in China prior to the research taking place. Even so, there were instances where outside advice was sought by close Chinese friends to assist understanding and also observe culturally correct protocol when conducting interviews.

Another important issue is the process of translation. The initial interviews and all materials given to participants were firstly translated into Chinese and then back translated into English. In this way, errors were able to be identified in the translation process and corrected before the interviews took place. Moreover, the interviews were transcribed in Chinese and then translated into English.

According to Barnes (1996, p. 433), “It is generally acknowledged that translators actually interpret, rather than translate literally, constantly making judgements about what the respondent meant to say and what the researcher meant to ask”. For this reason the researcher had to translate all of the transcripts rather than relying on another translator who was unfamiliar with the respondent to do the task. However, there were a number of Chinese speaking helpers who assisted in explaining some words with specific cultural nuances and areas that the researcher had difficulty with.

#### **4.4.7 Ethical Considerations**

Due to most of the data being obtained through in-depth interviews there was obviously a high level of human participation which in turn led to the need to carefully address all possible ethical concerns. The first step taken to address these issues was to use the Waikato University Code of Ethics as a guideline to design and conduct the study. Moreover, ethical approval was obtained from the Waikato Management School of Ethics Committee before the collection of data commenced.

#### **4.4.8 Informed Consent**

Open communication was provided to participants throughout all stages of the research including obtaining informed consent. The researcher personally approached art dealers and artists in Beijing to identify suitable participants. During this process the researcher was able to communicate information about the goals of the research while also identifying suitable candidates. After identifying suitable candidates the researcher approached them and explained the study to

them in more detail. Those that were interested in the study were provided with a participant information sheet (Appendix L). They were given several days to consider participating and were contacted either directly in person or by phone. They were also given time to question the researcher about any concerns they might have had. Those that were willing to be involved were given a consent form for participants to sign (Appendix M).

The participants were also given flexibility in personal choices after agreeing to participate in the study. Firstly, during the interview participants were informed that if they did not want to answer a question they were free to refuse. Moreover, after the interviews had been transcribed, participants were given them to review. They were able to change any details or withdraw statements that they felt might be incriminating. Moreover, the respondents were given the right to withdraw from the research at any time before the research was to be completed. There were no withdrawals.

#### **4.4.9 Protection of Anonymity**

Throughout the process of the research, confidentiality of all the respondents was ensured in a number of ways. Firstly, during the writing up of the thesis all names of participants were changed. Their Chinese pseudonyms are not connected to them in any way. However, there were also other details that were unable to be written about. Some immediate locations of galleries were not mentioned so that the gallery could not be identified by indirect associations. This could incriminate them particularly in regards to sensitive topics such as dealings with the government. For this reason, it was necessary to withhold that information to ensure not only their confidentiality but also their safety. The password protection tool was also used on Atlas.ti as well as documentation only being stored on two locations, a personal computer and external hard drive.

Finally, as mentioned before in the process of informed consent, participants were given the right to delete any information in the transcripts that they themselves felt might incriminate them. On two occasions participants informed the researcher to not mention that gallery in name so as to ensure the confidentiality of the gallery. This would have been abided by without their request but they were given the freedom to approach the researcher with these concerns. Moreover, one

artist contacted the researcher asking to omit a paragraph as she felt the content was offensive towards someone who had helped her. In these three cases the wishes of the respondents were respected.

#### **4.5 Conclusion**

This chapter outlined the selection process of methodology and the techniques used to conduct the research. Due to the nature of the questions and the goal of the research a qualitative approach was deemed suitable. In addition, grounded theory was found to benefit the goals of the research which were to explore emerging theory rather than to make wide generalisations over an entire population. In-depth interviews were selected as the method of gaining insight from the perspectives of participants in the Beijing art industry. These were then assigned as documents on Atlas.ti software which provided ease in coding and analysis. Throughout the process, ethical and cultural considerations were taken into account.

## Chapter 5 Interview Results

### 5.1 Introduction

The findings chapter is divided into four sections. After the participants' background information has been introduced, their perceptions and opinions on *guanxi* are discussed. Useful terms related to their discussion are also explained. Then the usage of *guanxi* in the Beijing art industry is investigated by outlining the *guanxi* networks that are in existence and how they are used. Thirdly, the process of selecting artists is described. This includes both industry and relationship selection criteria. Finally, an in-depth investigation of relationship building methods ensues. This includes tangible features such as banqueting, gift giving and providing favours. The intangible features of face and trust are also examined. This in-depth investigation leads to the demonstration of a model on the process of *guanxi* development and its contribution to the creation of trust.

### 5.2 Participant Attributes

The background information for participating galleries (Table 5.1) and artists (Table 5.2) is shown below. This information was collected through the interviews, a background information sheet for galleries (see Appendix N) and artists (see Appendix O) and also a number of secondary sources such as gallery publications. Most of the attributes for galleries (Table 5.1) are self-explanatory. However, types of galleries, cooperation method and earnings need explaining. Firstly, there are three categories under *Type of Gallery*. Privately owned Chinese and privately owned international galleries are self-explanatory. Family/co-op galleries on the other hand refer to two different types of galleries. The first is where the gallery owner is not an artist but sells the work of a family member who is and also sells a selection of other artists' work. Family/co-op also refers to a gallery that has been started by an artist and is run collectively by a group of artists. They are usually equally responsible for the management of the gallery.

Secondly, *Cooperation Method* refers to the different ways galleries collaborate with artists. There are two categories, the 'gallery' or the 'dealer'. Those that take the 'gallery' style first buy work from the artist and then sell it on to the customer. This may be for a number of reasons including providing the artists with stable



**Table 5.1 Attributes of Participating Art Dealers (Author's Research)**

<b>Name<sup>1</sup></b>	<b>Age</b>	<b>Gender</b>	<b>Position in Gallery</b>	<b>Nationality</b>	<b>Education</b>	<b>Years Open</b>	<b>Gallery Location</b>	<b>Type of Gallery</b>	<b>Cooperation Method</b>	<b>Earning</b>
<b>Wang Qing</b>	54	Male	CEO	Chinese	Polytechnic	15	798	Private International	Gallery	High
<b>Zhang Shuyi</b>	26	Female	CEO	Chinese	Undergraduate	2	Songzhuang	Family/Co-op	Gallery/Dealer	Medium
<b>Tang Juan</b>	34	Female	Sales Manager	Chinese	MA	20+	798	Private International	Gallery/Dealer	High
<b>Wu Min</b>	39	Female	CEO	Chinese	High School	3	798	Private Chinese	Dealer	Medium
<b>Guo Wen</b>	43	Male	CEO	Chinese	High School	3	798	Private Chinese	Dealer	Low
<b>Liu Yang</b>	37	Male	CEO	Chinese	Undergraduate	5	798	Private Chinese	Dealer	Medium
<b>Liu Qi</b>	43	Female	CEO	Chinese	High School	6	Songzhuang	Family/Co-op	Gallery/Dealer	High
<b>Huang Lijuan</b>	37	Female	CEO	Chinese	Undergraduate	8	Songzhuang	Family/Co-op	Gallery/Dealer	Low
<b>Li Qiang</b>	23	Male	CEO	Chinese	MA	2	Songzhuang	Private Chinese	Gallery/Dealer	High
<b>Jin Mei</b>	22	Female	Sales Manager	Chinese	Undergraduate	3	798	Private Chinese	Gallery/Dealer	Medium
<b>Yu Wei</b>	27	Male	Sales Manager	Chinese	Undergraduate	5	Liulichang	Family/Co-op	Gallery/Dealer	Low
<b>Jiang Xinhua</b>	28	Female	CEO	Chinese	Undergraduate	6	798	Private Chinese	Gallery/Dealer	Medium
<b>Zheng Jun</b>	48	Male	CEO	Chinese	Undergraduate	2	798	Family/Co-op	Gallery/Dealer	Low
<b>Hu Yao</b>	49	Female	CEO	Chinese	Polytechnic	4	Liulichang	Private Chinese	Dealer	Low
<b>Zhang Chao</b>	23	Male	Sales Manager	Chinese	Undergraduate	7	Liulichang	Private Chinese	Dealer	Low
<b>Xia Jun</b>	30	Male	Sales Manager	Chinese	Undergraduate	5	Liulichang	Family/Co-op	Gallery/Dealer	Low
<b>Wang Bo</b>	53	Male	CEO	Chinese	High School	12	Liulichang	Private Chinese	Gallery/Dealer	Medium
<b>Qian Dongmei</b>	38	Female	CEO	Chinese	Polytechnic	3	798	Private Chinese	Gallery/Dealer	Medium
<b>Sun Xiangxiang</b>	26	Female	Sales Manager	Chinese	Undergraduate	3	Songzhuang	Private Chinese	Gallery/Dealer	High
<b>Ye Wen</b>	31	Female	CEO	Chinese	Undergraduate	2	Songzhuang	Private International	Gallery/Dealer	Medium

<sup>1</sup> Pseudonyms have been assigned to all names in order to protect the participants' identities.

financial support. The 'dealer' style gallery borrows artwork from the artist and pays commission once it is sold. If not, the artwork is returned. The final attribute is *Earnings*. Turnover was not the only factor taken into consideration. Galleries with collections of artwork have a higher long-term earning potential than those that sell artwork based on commission. Therefore, galleries classed as 'high' earning showed a turnover of more than 2,500,000 RMB per year, possessed valuable collections, participated in international art fairs as well as sold work through highly regarded domestic and international auction houses.

There are a few differences between attributes for artists and galleries (see Table 5.2). *Years as a Fulltime Artist* refers to the length of time the artist has been earning money solely from selling artwork. Then, *Sales Method* points to three different ways that artists sold their work: directly to customers, lending it or selling to galleries. In addition, artists worked in one of two locations. Workshops that could not be accessed by the public are referred to as studios. Working areas that could be accessed by pedestrians from the road are called shop/studio. Finally, artists' earnings were determined by examining the average GDP per capita in China. The 2011 estimate was \$8,400 US dollars (CIA, 2012). This exchanged roughly into 52,000 RMB (XE, 2012). Low earners were artists who earned on average less than 50,000 RMB per year. Medium earners were those who earned 50,000 to 199,999 RMB per year. High earners were artists who earned more than 200,000 RMB per year. These were calculated at an average over a five year period or the average number of years working as a fulltime artist if it was less than five.

**Table 5.2 Attributes of Participating Artists (Author's Research)**

<b>Name<sup>2</sup></b>	<b>Age</b>	<b>Gender</b>	<b>Nationality</b>	<b>Education</b>	<b>Location</b>	<b>Years as Fulltime Artist</b>	<b>Art Style</b>	<b>Sales Method</b>	<b>Work Location</b>	<b>Income</b>
<b>Zhou Xiangyi</b>	44	Male	Chinese	Middle School	Songzhuang	10	Contemporary	Direct to Customer/ Lending to Gallery	Studio	Low
<b>Xia Ri</b>	54	Male	Chinese	Undergraduate	Songzhuang	20+	Contemporary	Direct to Customer	Shop/Studio	Low
<b>Su Xing</b>	45	Male	Chinese	Polytechnic	Songzhuang	20+	Contemporary	Selling to Gallery/ Lending to Gallery	Studio	High
<b>An Ding</b>	63	Male	Chinese	High School	Songzhuang	20+	Contemporary	Selling to Gallery/ Direct to Customer	Shop/Studio	Medium
<b>Guo Junshan</b>	58	Male	Chinese	Polytechnic	Songzhuang	14	Traditional	Direct to Customer	Shop/Studio	Low
<b>Li Zi</b>	27	Female	Chinese	Undergraduate Fine Arts	Songzhuang	6	Contemporary	Direct to Customer	Shop/Studio	Low
<b>Fan Guowen</b>	59	Male	Chinese	High School	Songzhuang	5	Traditional	Selling to Gallery/ Direct to Customer	Shop/Studio	Low
<b>Li Zheng</b>	42	Male	Chinese	Undergraduate	Songzhuang	18	Contemporary	Direct to Customer/ Lending to Gallery	Shop/Studio	Medium
<b>Jane Armstrong</b>	63	Female	American	MA	Songzhuang	20+	Contemporary	Direct to Customer/ Lending to Gallery	Studio	Medium
<b>Lin Sen</b>	33	Male	Chinese	Undergraduate	Songzhuang	11	Contemporary	Selling to Gallery/ Lending to Gallery	Studio	High
<b>Xu Shanshou</b>	56	Male	Chinese	Middle School	Songzhuang	10	Contemporary	Direct to Customer	Shop/Studio	Medium
<b>Feng Ye</b>	39	Female	Chinese	Undergraduate	Songzhuang	13	Contemporary	Direct to Customer	Shop/Studio	Low
<b>Chen Pi</b>	53	Male	Chinese	High School	Songzhuang	6	Contemporary	Direct to Customer	Shop/Studio	Medium
<b>Yang Shan</b>	51	Female	Chinese	Undergraduate	Songzhuang	20+	Contemporary	Lend to Gallery	Studio	Low

<sup>2</sup> Pseudonyms have been assigned to all names in order to protect the participants' identities.

<b>Du Shui</b>	25	Male	Chinese	Undergraduate	Songzhuang	5	Contemporary	Direct to Customer/ Lend to Gallery	Studio	Medium
<b>Luo Si</b>	49	Male	Chinese	High School	Songzhuang	20+	Contemporary	Direct to Customer	Shop/Studio	Medium
<b>Maxime Dupont</b>	52	Male	French	Undergraduate	Songzhuang	4	Contemporary	Lend to Gallery	Studio	Low
<b>Fan Lili</b>	35	Female	Chinese	Undergraduate	Songzhuang	5	Contemporary	Direct to Customer/ Lend to Gallery	Studio	Low
<b>Luo Hongwei</b>	55	Male	Chinese	Polytechnic	Songzhuang	20+	Traditional	Direct to Customer/ Lend to Gallery	Shop/Studio	Medium
<b>Tian Hongjiang</b>	46	Male	Chinese	Undergraduate	Songzhuang	20+	Contemporary	Sell to Gallery/ Lend to Gallery	Studio	High
<b>Song Bo</b>	44	Male	Chinese	Undergraduate	Songzhuang	19	Contemporary	Direct to Customer/ Lend to Gallery	Studio	Medium
<b>Zhu Jun</b>	48	Male	Chinese	Undergraduate	Songzhuang	20+	Traditional	Direct to Customer	Shop/Studio	Medium
<b>Lin Shan</b>	58	Male	Chinese	Undergraduate	Songzhuang	20+	Traditional	Direct to Customer/ Lend to Gallery	Shop/Studio	High
<b>Xu Zhong</b>	42	Male	Chinese	Polytechnic	Songzhuang	15	Contemporary	Sell to Gallery/ Lend to Gallery	Studio	High
<b>Wang Meizhen</b>	32	Female	Chinese	Undergraduate	Songzhuang	7	Contemporary	Lend to Gallery	Studio	Low
<b>Xiao Tieshan</b>	43	Male	Chinese	Polytechnic	Songzhuang	16	Contemporary	Sell to Gallery/ Lend to Gallery	Studio	High
<b>Wu Qiang</b>	27	Male	Chinese	Undergraduate	Songzhuang	5	Contemporary	Sell to Gallery/ Lend to Gallery	Studio	Medium
<b>Song Xiaomei</b>	39	Female	Chinese	Undergraduate	Songzhuang	8	Traditional	Direct to Customer/ Lend to Gallery	Shop/Studio	Medium
<b>Yu Hong</b>	49	Female	Chinese	High School	Songzhuang	20+	Traditional	Sell to Gallery/ Lend to Gallery	Studio	Low
<b>Gao Chao</b>	34	Male	Chinese	Polytechnic	Songzhuang	9	Contemporary	Sell to Gallery/ Lend to Gallery	Studio	Medium

### 5.3 Participants' Definitions of Guanxi

#### 5.3.1 Guanxi as a Simple Noun

*Guanxi* in its simplest form was described by participants as the type of relationship that existed between two people. Every relationship could be described as a form of *guanxi*. These included and were not limited to: relatives, husband-wife, parent-child, classmate, friendship, employee-boss, same hometown, colleague, collaborative, teacher-student, same surname (fictional kinship), life-saving, partner, and business *guanxi*. Even relationships that did not yet exist could be described in terms of their *guanxi* such as neighbour or stranger *guanxi*.

These expressions showed the point of connection between two people. Liu Yang commented, “*As long as I feel that between two points there is a connection, then it is guanxi*” (2010, para.569). Even if that relationship was nonexistent, people were still able to describe how they were connected to each other in terms of their *guanxi* such as neighbour or stranger *guanxi*. The relationship types mentioned above were reflective of the five Confucian relationships previously discussed including predetermined family and relative relationships and voluntary relationships (Chen & Chen, 2004; Luo, 1997; King, 1994, pp. 111-114). It was the latter type of voluntary relationships that were examined in the relationship building process between artists and galleries. The types of relationships between galleries and artists were described as business, partner, cooperative, collaborative or friendship *guanxi*.

#### 5.3.2 Making the Connection: Intermediaries

If people wanted to meet someone who was not initially an acquaintance then it was usually necessary to meet via an introduction. Meeting others through the extension of a friend was seen as politer than meeting without an introduction. The person who introduced both strangers was referred to as an intermediary and assisted in creating a connection between the unacquainted. It was not always easy to find the person who could act as an intermediary. Xu Shanshou explained that sometimes he had to go through a number of intermediaries when trying to build *guanxi* with art industry leaders. “*If I don't have this sort of guanxi, how do*

*I go about finding it? Perhaps I will have to go through you, ...or through many people to establish this guanxi” (2011, para.271).*

Once the point of connection had been made between two strangers it did not necessarily take a long time for the relationship to develop. One of the most common occurrences of intermediary use in the art industry was between artists and artists, and artists and gallery owners. The artist Zhou Xiangyi explained that the first time an intermediary brought a new person to his studio they felt reserved and held polite conversation. However, if the new acquaintance came a second time they would chat in a more relaxed manner and might even be viewed as a friend. He quoted the Chinese saying *Strangers at the first meeting, friends at the second* (2011, para.721). It was the intermediary that facilitated this meeting and made the friendship possible.

Although it may be difficult to establish *guanxi* with a complete stranger, a number of participants commented that this was not impossible even though it took a longer time than if an intermediary had introduced them. Galleries said it was necessary for them to welcome those who would normally be classified as strangers. Fan (2002) believed that there was a misconception in the literature that a common relationship base was needed to build *guanxi*. It could be built even if two people did not have anything in common. It would take more time and money than if a *guanxi* base had been used but friendship could still be achieved. Yau et al. (2000) also believed that a relationship based on interaction at work could develop into *guanxi*. This also appears to be the case between galleries and artists in Beijing.

### **5.3.3 Guanxi Network**

The ability to use one’s connections to locate people who are or may be of help to oneself in the future was called a *guanxi wang*, literally meaning *guanxi* network, or *renmai*, which means contacts. These networks were discussed as being a resource in society, like a bank book or a deposit book. By helping someone out a resource was put into the bank book. Next time something was needed they could return to that person to make a withdrawal. By having contacts with certain people in society individuals could get help in the future if it were needed. This kind of

help included getting into hospital quickly, entering a good university or even getting off fines for drinking and driving.

People were also able to tap into the *guanxi* network of other people, using intermediaries to get connected to someone who could help them. In discussing his own *guanxi* network, Zheng Jun (2010, para.994) explained the scope of it by saying, “*In general it is said that if a Chinese person knows about 6 people, if you know about 6 people, then you can probably become acquainted with several million people*”. Zheng Jun’s comments are reflective of Fan’s (2002) explanation of a web of connections where by using one intermediary an individual can be connected to many others like a chain.

#### **5.3.4 La Guanxi**

Another term used to explain relationships was *la guanxi* which literally means to pull *guanxi* together. This happened through giving gifts or inviting someone out for a meal resulting in pulling two people closer together. This term had negative connotations when it was purposefully used to build relationships for an ulterior motive. Those that *la guanxi* usually did so with people who had a higher social status than themselves or who were able to provide benefits. *La guanxi* was seen as an instrumental type of relationship containing very little *ganqing* and not likely to be long-term.

In explaining this type of relationship Feng Ye (2011, para.1039) said,

*“I believe that la guanxi, this kind of guanxi won’t last long. From the beginning the relationship is built on using and being used. Like giving red envelopes<sup>3</sup>, it is done purely for a certain goal. I think that that there isn’t any friendship that exists between [them]. ...One day if you don’t give any more red envelopes, then maybe it will be time for you to say bye-bye”.*

Despite being seen negatively in the art industry people were frequently found to *la guanxi* with government organisations or officials who could help promote or sell their work. Both galleries and artists tried to gain favours from private enterprises. They also tried to *la guanxi* with advertising and broadcasting companies in order to obtain free or discounted promotions.

---

<sup>3</sup> Red envelopes (红包) is a reference to giving a red envelope with money inside.

### 5.3.5 Liyi and Liyi Guanxi

When a person tried to *la guanxi* the relationship was seen to contain *liyi*, meaning benefit or profit. This was also alluded to as *liyi guanxi* which meant that the relationship contained benefit or profit to the individual. In the context of *la guanxi* having *liyi* was perceived negatively. Be that as it may *liyi guanxi* was seen as neutral or positive if benefits were brought to both sides of the party. If it was perceived negatively the friendship was considered to be superficial and the feelings or emotions displayed were seen to be false. On the more positive side, often partners in business were able to build their relationships on mutual *liyi* such as artists and galleries who were both able to make a profit through each other's cooperation. Both types of *liyi guanxi* were generally seen to contain less *ganqing* than other types of relationships.

### 5.3.6 Distance and Closeness of Guanxi

The term *guanxi* explains the type of connection in a relationship between two people. Participants did not usually express having or not having *guanxi* with another person. Rather they would describe it as being good or bad *guanxi* and weak or deep *guanxi*. *Guanxi* containing strong *liyi* was considered to be a weak relationship type. The following characteristics were described as determining whether or not *guanxi* was shallow or deep.

#### 5.3.6.1 Ganqing

*“I think that in China this is probably something that is covered up more. The Chinese are not as straightforward as Westerners. A lot of people will really hold back, maybe I have ganqing for you and am very grateful, [but I] probably won't show it in my words and expression. It's called a buried heart. In China people probably pay more attention to something that is kind of implied, something internal. Ganqing is something that is more internal, that can't be used. What do you say ganqing is? If you use an object to describe it you won't be able to describe it. Ganqing is a kind of intangible thing, it's something internal”* (Du Shui, 2011, para.562).

The literal meaning of *ganqing* is emotion, feeling, affection or sentiment. Like *guanxi* it was described in terms of weakness or deepness depending on whether or not it had increased or decreased. The more *ganqing* felt in a relationship the



stronger *guanxi* was considered to be. Relationships based on strong friendships or blood ties were characterised as containing deep *ganqing*. On the contrary, *guanxi* containing strong *liyi* was described as having little *ganqing*. The strength of that feeling determined the strength of *guanxi*. Su Xing explained,

*“After you have this kind of qing (feeling), mm, then and only then do you have guanxi. This kind of guanxi can be deep or shallow, for instance the deeper your qing is then your guanxi should be closer ...for example the qing I have with my parents, because they are my parents, between us there is father’s qing, mother’s qing, isn’t that so, I have this kind of ganqing, there is particularly deep ganqing there, so the guanxi between us is stronger”* (2011, para.201).

Figure 5.1 below illustrates how participants expressed their *guanxi* in terms of the levels of *ganqing*. The ideas expressed are similar to Chen and Chen (2004), Fu et al. (2006) and Zhang and Zhang (2006) in that a person’s *guanxi* forms a concentric circle around the individual. Close blood relatives and friends were described as having the most *ganqing* which resulted in stronger *guanxi*. On the other hand, relationships with superior or business associate *guanxi* were seen as containing less *ganqing*. These relationships were able to increase in *ganqing* and *guanxi* would likewise become stronger. For example, after spending time together two people with classmate *guanxi* could move from unknown acquaintances to having strong friendship ties.

#### **5.3.6.2 Renqing**

*Renqing* was a type of conduct that was followed only with a relationship type outside of one’s closest circle of friends and relatives. Jin Mei explained that *renqing* did not apply to certain types of *guanxi* including love relationships, family and extremely close friends. She said,

*“It is guanxi that is outside of your closest circle, ...he doesn’t need to do anything for me, but he does it, ...that is, mm, renqing”* (2010, para.447).

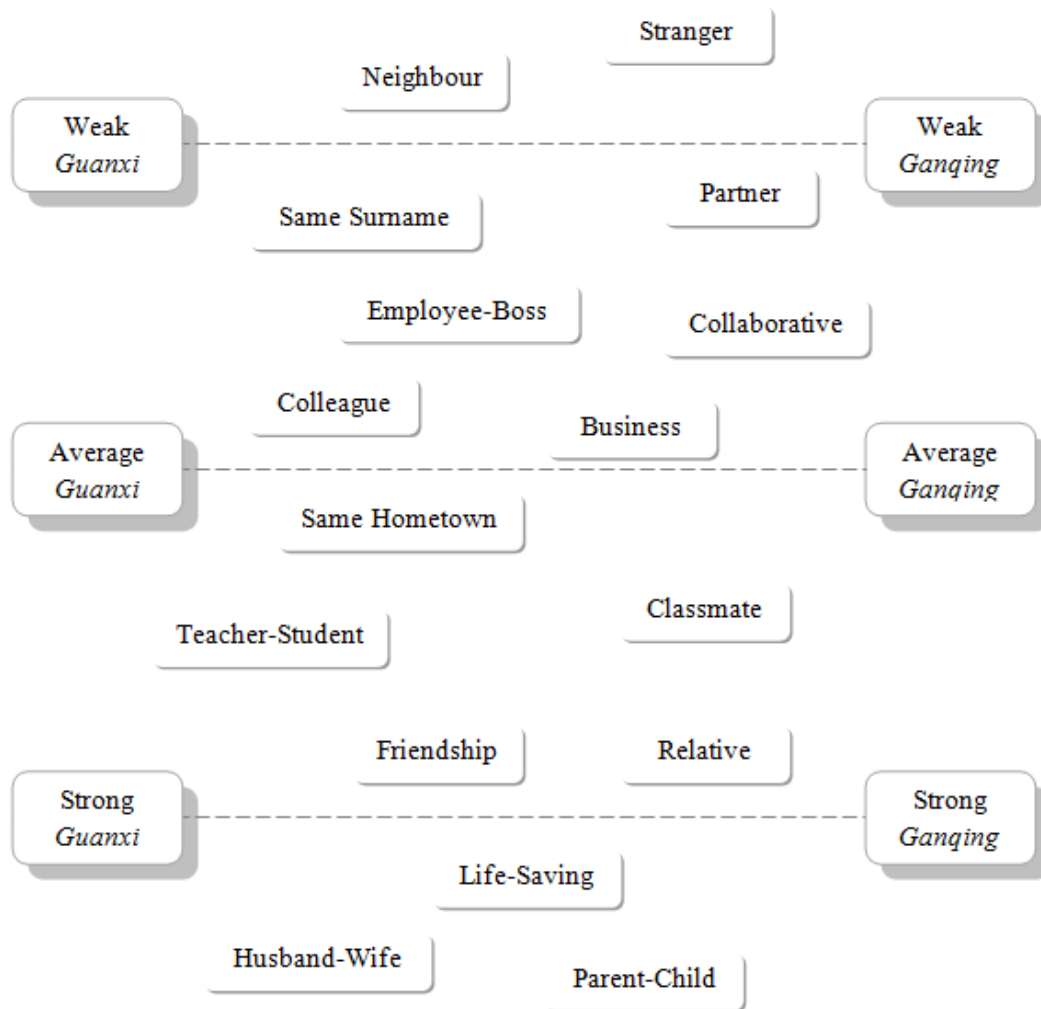


Figure 5.1 Strength of Guanxi Ties in Relation to Ganqing (Author's Research)

This implies that it is necessary for family and closest friends to do things when the individual needs it done. However, under the *renqing* principle, it is not necessary for the person to do anything but because they do it then the feeling to repay a favour occurs. Tang Juan's ideas are reminiscent of what King (1994, p. 112) described as obligatory relationships. With family relationships people do not abide by the norms of *renqing* but rather obligation based on the person's need.

Participants referred to *renqing* as a favour that needed to be paid back in the future. This was similar to Hwang's (1987) definition that *renqing* was a resource in the form of a gift or favour that needed to be repaid. Liu Qi explained, "...renqing is what you owe other people. It has to be paid back, just like a loan from the bank" (2010, para.270). Gifts such as money at a wedding, paying for a

friend's meal and providing favours were all expected to be repaid. Jin Mei explained,

*“Renqing, I think even more, involves doing things, entrusting you to handle a matter. Then one day if you come looking for me, probably I will also help you to handle a matter, so in my heart, underneath everything, for certain things, I owe you a renqing”* (2010, para.463).

*Ganqing* increased when favours were exchanged. It was able to deepen because even though that person was not in their closest circle of friends they were still willing to do something for them. It took time and frequent contact for the relationship to become close. Su Xing explained how he felt *ganqing* and *renqing* improved,

*“I give you something, right, I’m willing to give you my things. If I give it to you then it’s a kind of renqing, ...in the end it will produce a kind of ganqing, right, qing, ganqing there is a kind of qinggan contained within it ...It is a kind of art. First there must be this kind of renqing, practice, Renqing it is, is a kind of, I consider renqing to be a kind of behaviour, it is only a kind of action”* (2011, para.215).

The more *ganqing* was produced through *renqing*, the closer two people’s *guanxi* became. If favours, gifts and interaction through banquets seldom occurred then there was less *ganqing* resulting in weaker *guanxi*. The opposite also held true. *Guanxi* being developed through *renqing* was the reason King (1994, p.120) explained that the two terms were often used in place of the other. The same occurred with a number of respondents who said they had close *renqing* with someone instead of close *guanxi*. Lin Shan explained this process,

*“Guanxi is an indication of a certain kind of mutual connection between person A and person B, some kind of form of address. So that is to say in society, say I want to establish guanxi with you, ...I want to establish good guanxi, What kind of guanxi is it? This kind of guanxi is friendship guanxi. Mm, right, you would definitely use renqing to go and do it. To slowly add to it, go and exchange, to strengthen ganqing, to make it deeper”* (2011, para.242).

Due to the literature on *guanxi* the assumption could be made that every type of relationship follows the norms of *renqing*. As Lin Shan mentioned above, when building friendship *guanxi* he followed *renqing* etiquette. However, as was mentioned previously by Jin Mei, family, closest friends and romantic interests did not follow the principles of *renqing*. At the same time, those relationships were also a type of *guanxi*. The relationships between galleries and artists were described as business *guanxi*, partner *guanxi* and cooperative or collaborative *guanxi*. What role did *renqing* play in the development of these relationships? If it was not *renqing* then how did the relationships develop? These concepts are explored in section 5.6 on how the relationship developed.

## **5.4 Guanxi and its Usage in the Art Industry Supply Chain**

### **5.4.1 Guanxi Networks**

*“If you know one artist, you know a group of artists. If you know a group of artists, you know a community, a group, a lot of artists. It’s kind of a chain”*

(Liu Yang, 2010, para.254)

By examining the instances when *guanxi* was mentioned both directly and indirectly through intermediaries a network emerged showing the methods of its usage in the art industry (see Figure 5.2). There were twenty one different industry players that could either benefit or hinder the development of galleries and artists. Surrounding art dealers and artists was a network of people who they used for help in their business dealings. Some of these connections were direct such as those between dealers and government leaders, customers, art professors and landlords. Others were connected through intermediaries such as government leaders who were linked to galleries through their subordinates. Artists also had direct and indirect connections throughout the entire art industry. In examining the usage of *guanxi*, care must be taken not to assume it was used in an exaggerated way. Some galleries and artists used *guanxi* excessively whereas others used it much less frequently and in some cases tried to avoid using it at all.

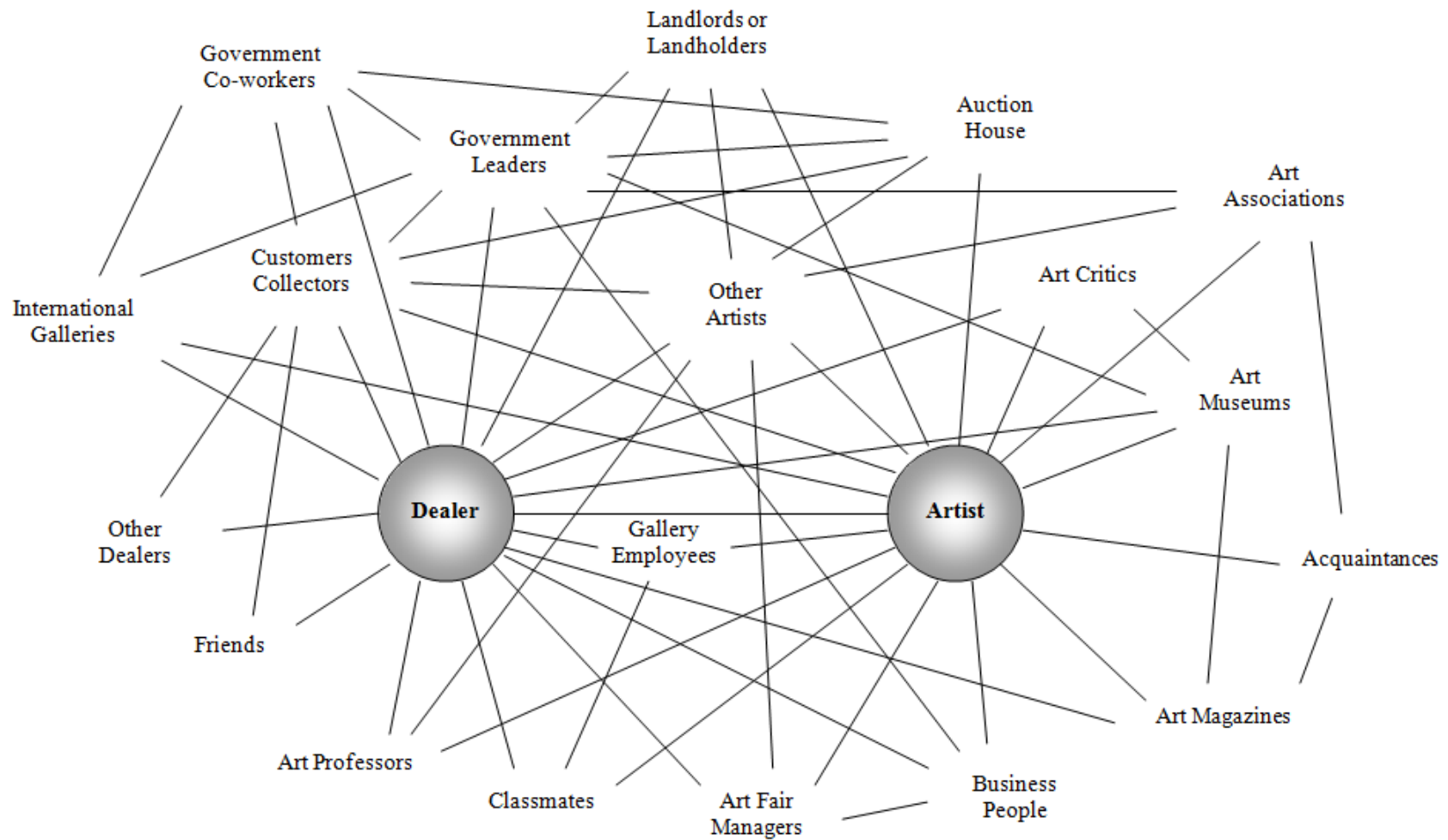


Figure 5.2 A Web of Connections: Guanxi Usage in the Art Industry (Author's Research)

## 5.4.2 Guanxi in the Art Industry Supply Chain

Table 5.3 The Usage of Guanxi in the Beijing Art Industry (Author's Research)

<b>Gallery Usage of <i>Guanxi</i></b>	<b>Artist Usage of <i>Guanxi</i></b>
Locating new artists through artists and others in the industry	Introducing customers or art dealers to other artists
Selecting artwork	Obtaining free or discounted exhibition space (State and private)
Selling artwork	Joining art associations
Sharing resources	Connecting to local governments
<i>La Guanxi</i> or bribing government and leaders	Promotion in mainly State-run media outlets
Connecting to local government	Winning awards at State-sponsored art competitions
Getting cheaper rent from landlords at 798	Gaining university art teaching appointments
Advertising and promotion	Free booth space at art expos
Establishing galleries	Obtaining good recommendations from art critics
Obtaining market information	Getting into Fine Art courses at university through the back door
Finding and retaining gallery personnel	Increasing reputation by association
Buying or leasing land from the government to build a gallery	Receiving resources from galleries
Auction houses gain good collection pieces from galleries	Getting cheaper rent from landlords
Discounts or prime booth space at art expos	Selling work directly through auction houses

Table 5.3 above shows how galleries and artists used *guanxi* to procure, promote and sell their art in descending order from the most frequently used to the least. *Guanxi* was most commonly used by galleries and artists to locate each other through intermediaries. This was followed by galleries' usage in selecting artists, sales and in sharing resources. Artists also used *guanxi* to secure exhibition space and join art associations as a promotional method to improve their reputations. The ensuing discussion examines the most important ways that galleries and artists used *guanxi* in the art industry supply chain.

#### **5.4.2.1 Demand for Art: The Gift Market**

*“There is a special phenomenon in China. It’s called the ‘painting gift culture’. Giving oil paintings, this is permitted in China” (Wang Qing, 2010, para.43).*

Artwork bought for the purpose of gift giving was referred to as the *gift market* or the *painting gift culture*. The paintings were usually given to *la guanxi*, resulting in obtaining a favour or as a bribe. This type of *guanxi* refers to an instrumental exchange with little *ganqing* involved. The government’s role in the gift market is examined first followed by the general public.

#### **5.4.2.2 The Role of the Government in Driving the Supply Chain**

Due to the sensitive nature of this topic it was difficult to measure the extent artwork was used to build *guanxi* with the government or how money was laundered through the purchase of art by government officials. It was frequently seen to drive sales particularly at Chinese New Year when it was customary to give gifts in order to *la guanxi*. A Songzhuang artist, Chen Pi explained that 50% of his work was sold to art dealers. The other 50% was sold to collectors and people wanting to gift art. In regards to the latter customers he remarked,

*“They have a purpose. This is a tradition in China. As soon as Spring Festival is near, Chinese New Year, ...then gifts will be given. About 90% of people need to give gifts to survive, ...That includes those who are called civil servants. They are even more likely to need to give gifts. ...If you want to be a cadre, want things to be a bit better, then you must give gifts” (2011, para.85).*

According to one respondent giving artwork to government officials was initially banned. However, after gifting money was made illegal, artwork and calligraphy pieces were once again permitted. Both galleries and artists explained that customers had one of four purchasing motives, one of which was to buy gifts, particularly for government leaders. A Chinese traditional artist, Lin Shan explained that he was able to identify which works had been purchased as gifts when they reached the auction market. He gave an example of his teacher whose paintings were sold for 100,000 RMB per *pingchi*<sup>4</sup>. However, sometimes his

---

<sup>4</sup> *Pingchi* (平方尺) is a term used for measuring Chinese traditional paintings. *Chi* is equal to 1/3 of a metre. *Ping* means square. Its full definition is 1/3<sup>rd</sup> of a square metre.

paintings were sold at auction for one tenth of the price. The purchaser would never have sold it at such a low reserve but the receiver, not knowing the value of the gift willingly sold it at that price.

Artwork was primarily given to government officials as bribes from colleagues who wanted a promotion or businesspeople trying to gain favours. Those wanting to buy land could gift an expensive painting as a bribe. The government official receiving it was then able to gain cash through selling it on the auction market. Galleries, artists and businesspeople used auction houses to their advantage for corrupt purposes. Ye Wen, the manager of a privately owned international gallery in Songzhuang reported that businesspeople would buy an artist's entire series of paintings. They would then auction one piece and buy it back at a price above its value. Due to the high recorded auction price other pieces could be used as gifts or bribes.

Zhang Chao, a sales manager in a gallery selling Chinese tradition paintings, also had two types of customers: collectors and those who bought them for gifts.

About the latter he explained,

*“Another kind [of customer] buys them to give to other people. ...he will often be a government official, government worker. He will buy a very good painting, ...he wants to establish a kind of guanxi with his superiors, caters to his tastes, then buys a painting in the style that his superior likes and then gives it to him”* (2010, para.33).

This type of painting gift culture involving business people and government officials was usually utilitarian and short-term. Schramm and Yaube (2005, pp. 186, 187) referred to it as the grey and black area. The grey area was in reference to instrumental and expressive features whereas the black was purely utilitarian. The examples between businesspeople and government officials usually belonged to the black area. When government officials gave to their superiors it possibly contained some elements of expressiveness. The former case was also referred to as rent seeking by Fan et al. (2012), and the latter as favour seeking.



### 5.4.2.3 Gift Giving in the General Population

Paintings were also used by the general population to gain favours. Ordinary folk liked giving calligraphy, even more so than traditional paintings. It was considered a better choice than money which was seen as vulgar. A traditional Chinese painter Guo Junshan explained where the paintings went after they were bought. “Who receives the gifts? There are too many people, ...maybe it’s a friend, or a supervisor, ...relatives, like for weddings, um, business, giving gifts, you expect money right? Giving calligraphy as gifts, giving artwork has become the fashion now” (2011, para.198). Not only did these paintings bought as gifts drive the production of art but they also ‘circulated as gifts’ in the gift market (see Figure 5.3 below). Once given to one person they would often be passed on to another also in return for a favour. In China it was common for gifts to be passed on. There was a joke about checking the date on food items, such as moon cakes<sup>5</sup> for Mid Autumn Festival, because no one knew how many people they had been given to previously.

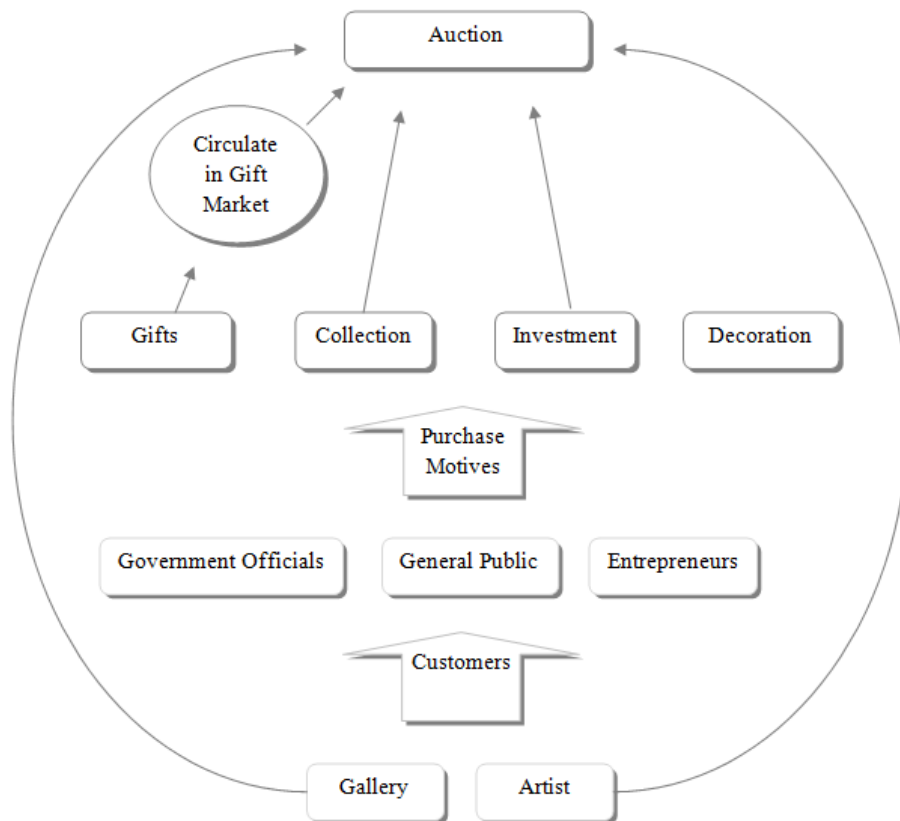


Figure 5.3 The Demand for Art: The Gift Market (Author’s Research)

<sup>5</sup> Moon cakes (月饼) were a type of pastry with a filling often made from red beans. They were frequently given as gifts at Mid Autumn Festival.

#### **5.4.2.4 Auction Market Peculiarities**

One peculiar aspect of the Chinese supply chain was the artist's direct access to the auction market (see Figure 5.3 above). In developed art markets there is a clear route from galleries, to customers through to the auction houses and this also forms the primary, secondary and tertiary markets (Campos & Barbosa, 2009). However, in China, artists often sold their work directly to the auction houses. This resulted in the creation of two primary markets, one at the gallery level and the second at the auction level. In addition both galleries and auction houses were competing for the same market share. Wu Min who sold the work of emerging artists at 798 related,

*“At the moment in China everyone is willing to go to the auction market to buy things. The ordinary phenomenon is that galleries are actually the primary market. Auctions are the secondary market. It should be that only what can't be bought in the gallery market can be bought in the auction houses, but at the moment people in the auction houses are rivals. ...Everything they do is equivalent to my primary market. Moreover at times the prices are not very high”* (2010, para.1886).

There were also multiple problems with the auction market including auction houses making records of sales that did not occur, not providing guarantees against forgeries, artists bidding on their own work to create non market-driven values and artists going through the back door to sell at reputable auction houses.

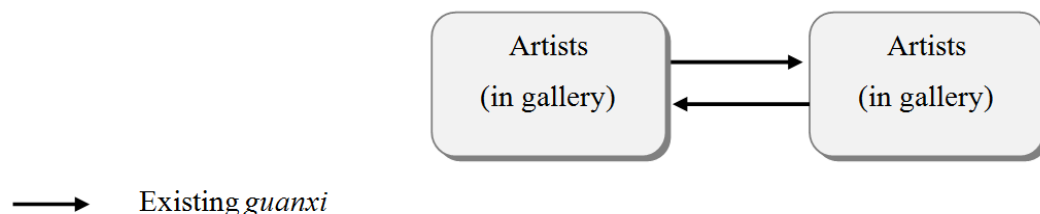
#### **5.4.2.5 Locating Supply: Galleries and Artists and the Guanxi Connection**

##### ***Family/Co-operative Galleries***

Family/co-op galleries were the smallest and the lowest earning of all gallery types. If a group of artists were forming a cooperative it was usually based on pre-existing *guanxi*. They often did not accept new artists and had a core group that exhibited together. The most common groups were artists from the same geographic region. They had often studied together and moved to Beijing to develop their careers. It was a frequent occurrence for people from the same hometown or region to work together or live in close proximity to each other. Previous research shows that this often occurs in other communities too. Hu (2008) found that in Beijing there was a 'Zhejiang village', a 'Xinjiang village' and a

‘Henan village’. These places were not villages but communities of people who originated from the aforementioned locations. The same also occurred in Orange County California where Mainland Chinese only associated with their own and Taiwanese with people from Taiwan (Avenarius, 2007).

An alternative type of co-op gallery was seen in the case of Zheng Jun who opened a gallery at 798 with a group of friends. Initially these artists were unacquainted even though they lived next to each other in a Northeast Beijing village. After the government decided to demolish that district the artists banded together, protested and with the help of other artists and critics were able to stop it from being destroyed. At that time the artists went through a strong bonding process. They then agreed to open a gallery which only those eight artists exhibited at. This model could be described as a closed model of supply (see Figure 5.4 below). It was based on prior *guanxi* and did not change over time.



**Figure 5.4 Locating Artists: The Closed Model of Supply (Author’s Research)**

In the family/co-op category there were also galleries that were run by a person who had another family member that was an artist. In these instances it was almost always the wife who ran the business and the husband who worked from his studio. When these galleries were first formed the main priority was to sell and exhibit the family member’s artwork. During the initial set up, these galleries relied on the artist’s direct *guanxi* connections of friends who lived in the local art district or who had been university classmates. Zhang Shuyi, a gallery owner whose husband painted traditional Chinese artwork explained,

*“My husband was an artist. ...Before the two of us had this gallery we had actually made a lot of friends who were all artists, including a lot of*

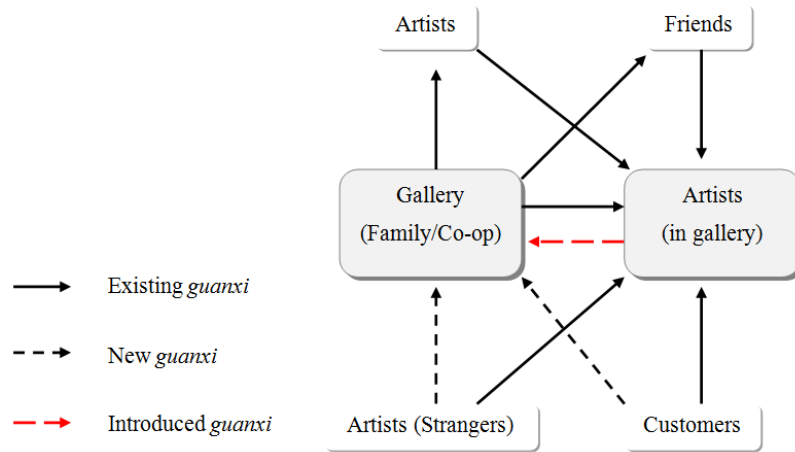
*classmates who were painters. ...So when I started this gallery, I also chose some of my friends who had pretty good artwork” (2010, para.77, 79).*

Family/co-op galleries were the only type that willingly accepted artists that walked in off the street providing the quality of work was of a certain standard. Like Zhang Shuyi, when the gallery opened her only resource was the friends she knew. Later she had a wider range of selectivity. However, those close friends which were selected first still took priority as, “...*you still have renqing there*” (Zhang Shuyi, 2010, para.93).

Nevertheless, throughout the startup, development and establishment phases, family/co-op galleries also located artists through *guanxi* intermediaries. Huang Lijuan who opened a gallery in Songzhuang illustrated this when she discussed locating new artists:

*“When my husband doesn’t have anything on he often goes about meeting up with friends. Then he looks at their artwork. Those that have a similar style to [my gallery], we are able to go and chose some of the artwork that can be included with mine. Then also some friends introduce some of their friends. ...So artists introduce their friends to you, and also some customers that do art also introduce their friends” (2010, para.23).*

This method of locating artists in all the family/co-op galleries could be described as a passive model of supply (see Figure 5.5 below). Locating artists to provide the gallery with artwork depended on existing *guanxi* or new relationships where the owner or employees did not need to leave the work premises to form them. These galleries had existing ties to artists and friends who introduced them to other artists that could supply the gallery when it first opened and as its operations continued. Then the gallery came into contact with customers and other artists due to its doors being open to the general public. These people made self-introductions to the gallery or introduced new artists, acting as a *guanxi* intermediary. At no stage in supplying the gallery with artwork did they need to actively find new artists themselves.



(NB: Introduced *guanxi* refers to the use of an intermediary to establish a new relationship)

**Figure 5.5 Locating Artists: The Passive Model of Supply (Author's Research)**

These findings showed similarities to other *guanxi* literature on supply chain management. Fu et al. (2006) found that entrepreneurial firms used different types of *guanxi* to supply their companies with personnel in different stages throughout the company's growth. Initially, they relied on relatives and then as the firm developed began to branch out to strangers to access advanced skills and once again employed friends and relatives at the final stages. This was reflected in the passive model of supply. Initially relatives and close friends were used to open the gallery and then new talent was accepted once the gallery had been operating for a time.

#### *Privately Owned Chinese Galleries*

Privately owned Chinese galleries used either the passive model of supply or combined it with their own efforts to locate artists. The galleries that used the passive model had their reasons for doing so. Wu Min, the owner of a medium sized gallery in 798, explained her difficulties in locating eight emerging artists for her opening exhibition,

*"I thought this is too tiring! I went to a number of different studios and what's more they weren't all in the same place. I thought that I can't get this tired. And also, ...the results weren't very good"* (2010, para.782).

After the first exhibition Wu Min changed her strategy due to the time it took her to personally locate the artists. She began to use the artists she had just become acquainted with as *guanxi* intermediaries to introduce her to other artists. Not only was time reduced but she found there were a number of benefits.

*“It was much more convenient for me when the artists found their own friends ... They understand their friends’ artwork even better [than me]. They think about who they want to do an exhibition with, they think this is the best [way]. ... They do the looking themselves, ... we plan the exhibition together, decide on the theme together, we find the artists together, so basically it’s always the artists that help me to complete [the exhibition]”* (2010, para.792).

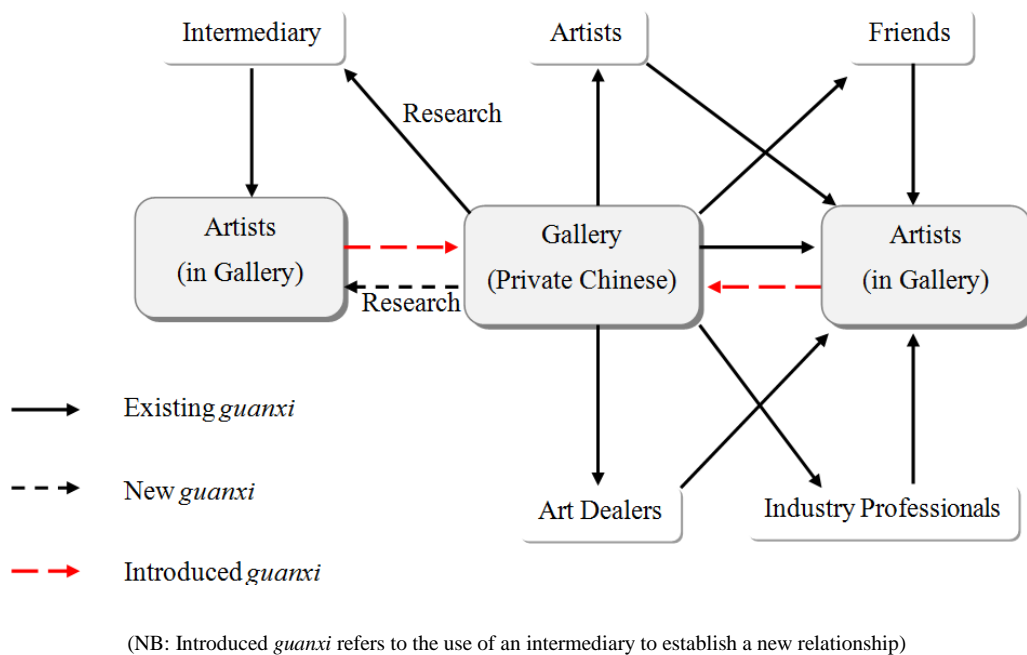
The artists took on some of the responsibilities that would normally be assigned to a gallery employee or manager. The artist Yu Hong explained how this took place,

*“It just so happens that a gallery is looking for a group of artists to do an exhibition. So he asks me to help him look for a group of people. So who do I find? I will find some people I am acquainted with. I won’t go looking for people I don’t know. People with good character, people that I have good *guanxi* with. I’ll ask them to do this together with me”* (2011, para.268).

Private galleries also relied on other sources to act as *guanxi* intermediaries including friends, acquaintances, other art dealers, relatives and Fine Art professors.

Private galleries also located artists through methods that did not involve *guanxi* including the internet, artists’ blogs, exhibitions, art fairs, visiting other galleries, university graduation exhibitions, magazines and newspapers. Jiang Xinhua explained, *“I will search the Internet. I often go to exhibitions and get to understand some artwork that I think is interesting. Then I will go and find that artist”* (2010, para.408). Even so, galleries that identified artists by themselves still preferred to make contact via an intermediary. They felt it was politer and the natural way of doing business.

In private Chinese galleries two models of supply were identified, the former passive model and a passive-active model (see Figure 5.6 below) which combined *guanxi* and *guanxi* intermediaries with active research to locate artists. In this model galleries actively searched for artists who they felt had strong artistic work that was of value. However, those privately owned galleries that actively searched for new artwork also allowed introductions to take place through artists, friends and other art dealers. Moreover, private Chinese galleries did not use artists who approached them directly. If a previously unknown artist approached the gallery most managers assumed that the artist's work was poor and he or she had been unable to find representation elsewhere.



**Figure 5.6 Locating Artists: The Passive-Active Model of Supply (Author's Research)**

### *Privately Owned International Galleries*

Of the three privately owned international galleries, two used the passive-active model of supply (see Figure 5.6). However, one gallery in 798 used what could be termed as a purely active model. Due to his success and high income it is worth taking note of the reasons why he pursued this strategy. Wang Qing had a core group of eight artists whom had all risen to fame through the efforts of his gallery. He selected these artists after months of research and chose them for the artistic

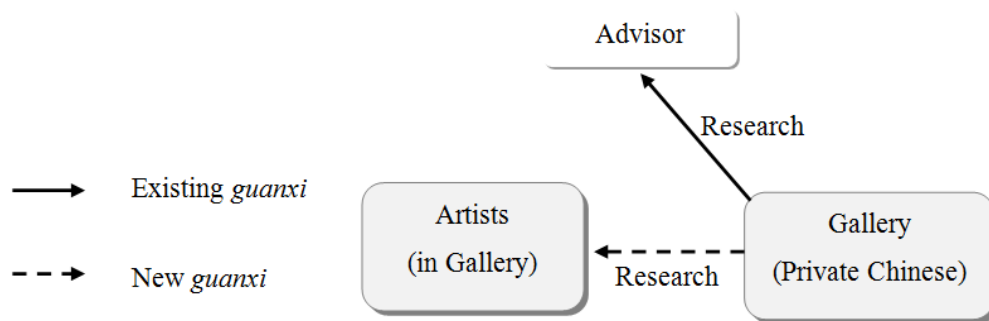
value of their work. He used people to gain second opinions but never to act as a *guanxi* intermediary when approaching the artists. He wanted to have complete control over the selection process. He explained that if he used a *guanxi* intermediary to locate artists he would feel a certain level of obligation to that person. He would owe them a *renqing*. He said,

*“The beginning of the problem is renqing. For example, one day you want an artist and you get him through the introduction of this teacher. [From] that [artist] you earn a lot of money, and are also very successful. Then you owe that person a renqing”* (2010, para.1654).

Some galleries also reported feeling obligation towards the *guanxi* intermediary due to *mianzi*. Jiang Xinhua also the owner of a gallery in 798 that used the passive-active approach commented, *“Chinese people have this mianzi. If you take me along to take a look then we both give each other mianzi. When it’s related to mianzi then it’s complicated. It’s not as good as you going directly [to the artist]”* (2010, para.400).

Even with the obligations and cultural nuances, very few galleries approached artists from a purely active model of obtaining artwork. Figure 5.7 below shows the active model of supply. Existing *guanxi* was used with the intention of gaining information and advice. The gallery made direct contact with the artist rather than going through intermediaries. One factor that contributed to this style may be due to the number of artists represented in the gallery. Wang Qing selected eight core artists to be represented indefinitely. Most other private galleries selected a large number of artists to ensure there were new exhibitions continuously on display. The cooperation with a larger number of artists may have resulted in the use of a passive model to make more efficient use of time.





**Figure 5.7 Locating Artists: The Active Model of Supply (Author's Research)**

### *Artists*

Artists differed from galleries in that their role in using *guanxi* intermediaries was active as opposed to passive. Galleries had control over the selection process whereas artists needed many alternatives before their work was sold. This came with the exception of top tier artists as galleries sought to build *guanxi* with them. As a result, artists were the most prolific, but not necessarily the most successful, users of *guanxi* intermediaries to sell their work. They were aware that building *guanxi* with gallery owners and artists might not secure sales. However, by building *guanxi* with many people it was assumed that there would be success. When talking about why he tried to build *guanxi* with many people the artist Su Xing explained,

*“So there are some things where you have to go through a kind of a bridge, a kind of guanxi, sometimes Chinese people drink alcohol. It’s like this so they can get to know each other while they are talking. ...He is interested in your artwork. ...I have paintings. He likes [them], so then [if] the conditions are right then there will be cooperation. Otherwise I would never be able to find that boss ...Sometimes you don’t know people at those exhibitions, they don’t let you participate, even if you paint well they still won’t let you participate. He believes in guanxi, it’s just that simple. In China it’s just like this, so sometimes I also take the initiative to go and get to know some people” (2011, para.920).*

There were a number of other reasons why artists preferred to use an intermediary to make contact with galleries. The first was recognition of their work. Most artists believed that if they contacted the gallery directly then the gallery would assume they had low quality artwork. In addition, some artists felt that it was a loss of *mianzi* to approach galleries on their own. It was also commented on that there was a lack of *xinren* towards the art dealer. Finally, it was also difficult to meet the decision maker in the selection process by directly visiting a gallery. For these reasons, artists tried to build *guanxi* actively in their communities.

The importance of building *guanxi* was a fundamental aspect of the artists' lives. They were the foundation of the supply chain and even galleries that did not build their own *guanxi* with artists were able to tap into an artist's *guanxi* network to supply their gallery. Wu Min, the owner of a gallery at 798, seldom went out with artists for meals (see Appendix P). However, her entire supply of artists was located through other artists. She remarked that this was a resource that she integrated into her business model. *"Artists help me by introducing me to a few artists. They also help their friends by introducing them to the art organisation. It's all mutual. It's a resource that must be integrated. Everyone knows that"* (2010, para.1194).

After interviewing the artist Du Shui it was found that he had exhibited at Wu Min's gallery in 798. After graduating he began painting diligently but found that he was unable to sell any work. After analysing the situation he realised,

*"Actually I had always believed that it was the paintings that were important. Then I began to realise that I must come into contact with some people, come into contact with some critics, come into contact with some galleries, build guanxi with them, eat meals, drink alcohol, have fun"* (2011, para.166).

#### **5.4.2.6 Galleries: More Guanxi Usage**

*Guanxi* was used during the start up phase, for supply, daily operations and sale of artwork in the gallery (see Figure 5.8 below). However, these situations were less frequent than the location of artists as identified previously. During the start up phase, galleries needed to set up the gallery either in a pre-existing building or a new one. At 798 galleries were able to rent factory buildings. In these instances

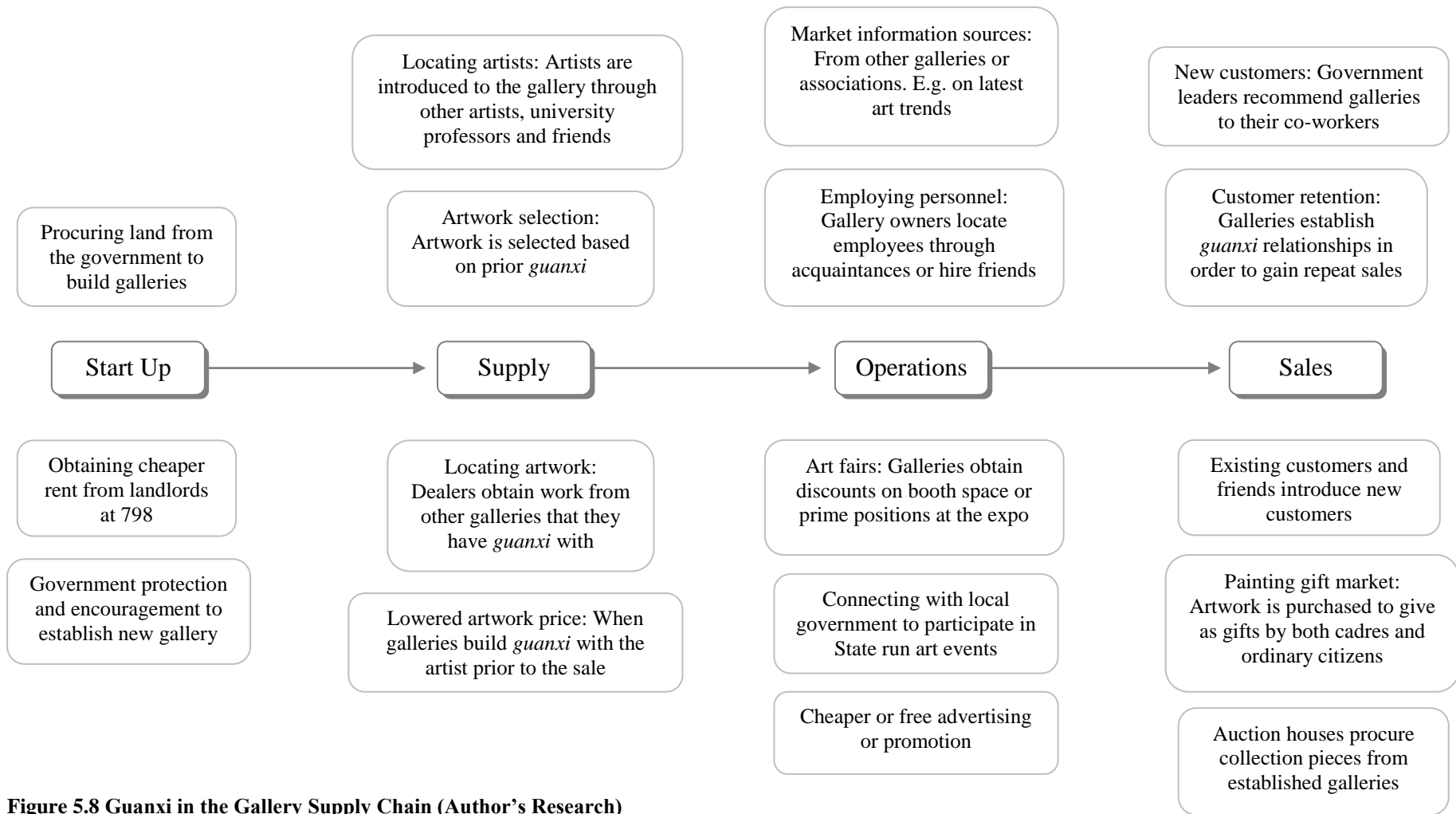


Figure 5.8 Guanxi in the Gallery Supply Chain (Author's Research)

dealers would try to build or maintain good *guanxi* with the government proprietors to lower the rent.

In Songzhuang, due to the strict land ownership regulations, land could only be leased from local government or villagers. During the initial stages of the research the local government leader at Songzhuang encouraged most galleries to lease land and build galleries. Ye Wen, a foreign gallery owner in Songzhuang, was permitted to build a gallery due to knowing a close friend of the government leader. Li Qiang and Liu Qi both had personal *guanxi* with that leader and so were also able to build their galleries. That leader also tried to ensure existing galleries were supported. However, recently there has been a change in leadership, ironically due to problems with the local government purchasing land from the villagers, so galleries and artists alike are unsure of the support they will receive from the current local government.

Aside from the models of art supply discussed previously, *guanxi* was used in two other ways to supply art. In Liulichang dealers sometimes worked with other galleries in locating artwork if a customer wanted it but they did not have it. Both the dealer and the gallery where the artwork had been located would halve the commission. Another use of *guanxi* was to build friendships with artists before purchasing work so as to procure it at a lower price. Li Qiang a gallery owner at Songzhuang explained his strategy,

*“We can certainly do things according to the rules, very regulated, by the marked price, this painting is 50,000 RMB, I must pay 50,000 RMB, but if you eat a meal [together] then it is 40,000 RMB, why wouldn't you eat a meal, right?”* (2010, para.21).

*Guanxi* was also used in many aspects of operating the gallery, saving both time and money. Gallery managers used their connections to hire employees, to obtain discounts on art fair booths or prime positions and as a source of market and professional information. For example, gallery owners would contact lawyers or accountants for information on contracts free of charge. Others would share information on emerging and promising artists. Some galleries were able to obtain free advertising in art magazines due to their *guanxi*. Galleries that had good relationships with the local government were also able to participate in State run

events. Finally, some galleries were able to increase sales based on their *guanxi*. This was the case for gaining new customers and retaining existing ones. Those with strong government connections would be recommended to cadres in their work unit. The sale of artwork to government officials was linked to selling work for the gift market and was closely linked to corruption, bribery and trying to *la guanxi*.

#### **5.4.2.7 Artists: More Guanxi Usage**

The three main areas where artists used *guanxi* were in promoting, exhibiting and selling their work (see Figure 5.9 below). The promotion of artwork took on Chinese characteristics as customers had different purchasing motives to those in the West. In Western countries art is bought for appreciation and investment. In China it is bought primarily for investment and then over time appreciation of the work begins to develop. Most Chinese customers had a lower appreciation of art as they had only been exposed to it in recent years. As a result they relied on cues to determine investment value such as the artist's involvement in art associations, awards from State competitions and promotion in art magazines or State television. To deal with this, artists used their *guanxi* to fulfil one or more of these criteria. Many artists who approached these organisations were denied acceptance. As a result they used *guanxi* intermediaries to bridge the gap or to go through the back door.

One of the most common methods artists used to exhibit work was at the annual art fairs. The price for a booth ranged from 6,000 to 20,000 RMB. Artists who had *guanxi* or were connected through an intermediary with the manager were able to gain discounts or free booth space. Artists were also able to exhibit artwork by forming cooperatives with artists whom they had consolidated *guanxi* with. Some built *guanxi* with the 798 proprietors in order to obtain empty factory space and if possible lower rent. They would then put on a temporary exhibition while the landlords found new permanent tenants for the site. State museums and galleries also selected artists they had good *guanxi* with. As a result some artists would *la guanxi* to ensure their acceptance into the exhibition.

Another peculiarity in many Chinese galleries was their tendency to rent wall space instead of earning money from commission. The higher the reputation of

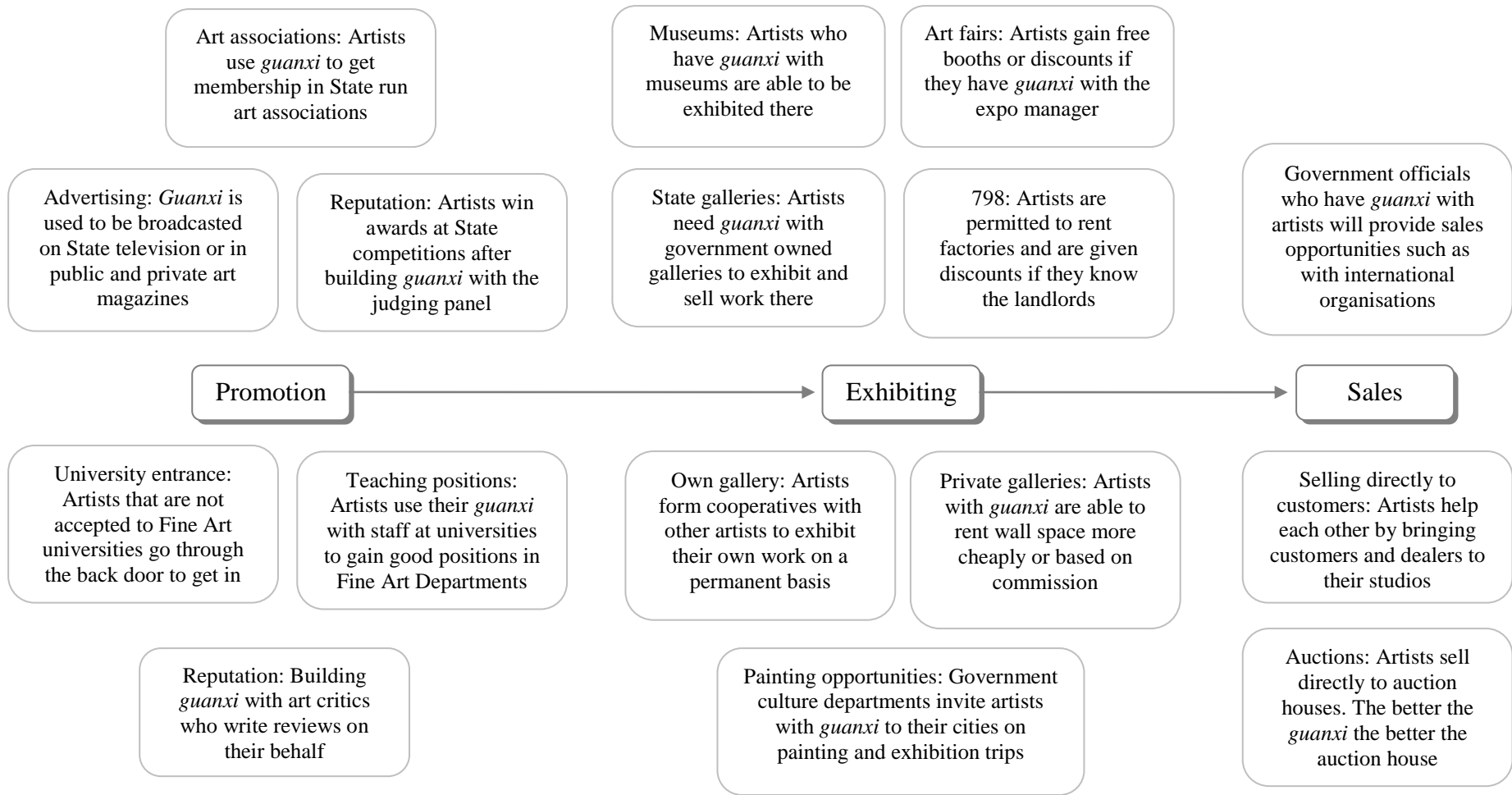


Figure 5.9 Guanxi in the Artist Supply Chain (Author's Research)

the gallery, the higher the rental price was. The price could be reduced if the artist was friends with or knew someone connected to the owner of the gallery. In the case of government owned galleries even renting space or selling on commission was sometimes impossible without *guanxi*. One artist who was too afraid to be interviewed explained how a worker from a very reputable government owned gallery in Liulichang wanted to exhibit his work there. However, when the worker called the gallery owner he was informed that there were too many artists wanting to exhibit so only those whom he knew could be accepted.

Another main area where artists employed *guanxi* was in the direct sale of their artwork. If a customer or art dealer had visited one artist, that artist would take them to look at his or her friends' studios. Government organisations would also locate artists for direct sales for themselves or international organisations. In these cases, friends would inform each other and a quick sale would be made.

## **5.5 Artist Selection**

### **5.5.1 Selection Based on Guanxi**

Locating artists did not necessarily lead to their selection. However, in many instances family/co-ops did select artists who had direct *guanxi* with them. Even so, they still selected artists that they felt had strong technical ability, were of a similar style to the gallery and whose work was likely to sell. Despite the family/co-op galleries' desire to keep the artwork up to certain standard they sometimes took pity on friends who had not been able to earn enough money. They would then try to sell work on their behalf. As discussed previously, artists' cooperatives with no family ties relied solely on existing *guanxi* to select artists.

### **5.5.2 Industrial Selection Criteria**

Privately owned Chinese and international galleries had industry and cultural criteria in the artist selection process. Firstly, galleries would make a judgement on the value of the artwork based on his or her self-expression. For some, it was that the artists provided a correct reflection of themselves or others in current society as opposed to art that reflected concepts from several decades ago. For others it was originality. If the artwork had been displayed elsewhere it was not selected due to the branding strategy of the gallery. By ensuring original work was on display for the first time, visitors knew that gallery exhibited the latest in

contemporary work. Another gallery also mentioned that the artwork should be an expression of the artist's feelings. In that way the clientele could be drawn to the painting.

Skills to express ideas were also considered a priority. *"No matter how great an idea or what kind of inspiration you have, you have to use good technique to support your inspiration, your idea, otherwise, you cannot make its sense come true. So, good painting technique comes first"* (Liu Yang, 2010, para.82). It was through technique and skill that the artist's self-expression was able to be fully understood by the customer. When galleries discussed technique and skills they referred to the artist's ability and his or her progression in terms of artistic style. For instance, an artist who continued to paint in the Socialist Realism style of the 1960s and 70s would not be selected for a contemporary gallery. If the artist did not have the skills to create high quality work then it could not be sold as a luxury product.

Galleries also took into consideration the background of the artist including their education level, previous exhibitions and what associations they belonged to. Some galleries, especially those selling traditional Chinese paintings placed a very high priority on the artist's education. Liu Qi remarked,

*"To be an artist, no matter how good or bad the artwork is, the first thing is that he must have reached a certain level of academic attainment including literature, music, aesthetics, philosophy. I think he should have attainments in all of these areas"* (2010, para.25).

Galleries did this firstly to assess the future potential of the artist. Secondly, Chinese customers were often unable to judge the quality of artwork and so used the artist's background information to identify which artists were talented or not. If an artist belonged to a State organised art association or was a professor of art at a university with an excellent reputation then customers were more likely to select them. This influenced gallery selection of artists.

Galleries also selected artists based on a balance between price and reputation. A gallery specialising in emerging artists would not take on a young graduate who was demanding a high price. Nor would a dealership specialising in established



artists sell artwork at a low price. The artist's reputation and experience was reflected in the pricing strategy. However, most artists conflicted with galleries on this point. The dealer was aware that both their time and the artist's would be wasted if the selection was not appropriate and the price too high. As one dealer commented, *"You could leave it here in this place for 10 years and it still wouldn't be sold"* (Zhang Shuyi, 2010, para.443).

Artwork was also selected based on its suitability to the gallery. The simplest category was whether or not the gallery sold traditional Chinese or contemporary artwork. Then there was a distinction of the medium such as photography, sculpture, oil painting, ink painting, installation art or a combination of mediums. Then within those two broad groups were finer definitions of what type of style the gallery was aimed at representing. In addition the gallery focussed on different areas such as emerging or established artists and the primary or secondary market.

The selection process was also affected by how the artists approached the gallery. Many artists entered the gallery with catalogues of their work, recommendation letters or even original pieces. But private galleries commented that although they were willing to look at the work, the chances of them selecting it were slim. When artists came self-recommended the gallery assumed that the quality of their work was poor and they were unable to sell it elsewhere. For this reason it was necessary for artists to be recommended by another person familiar to the gallery, a *guanxi* intermediary. Although the use of *guanxi* intermediaries was cultural, it remained an industrial selection criteria as galleries said their decision was based on the quality of the artist's work.

### **5.5.3 Relationship Building Selection Criteria**

The artist's personality played an important role in the selection process. Galleries often believed that if the artist's personality conflicted with their own then they would not be able to cooperate well together. When talking about selecting artists, Jiang Xinhua explained,

*"Maybe your artwork is very good, but as a person there is no way to communicate with you. It isn't really possibly for us to be together because of my personality and your personality. ...because if we kept going then*

*there would be some misunderstandings and then it would be terminated anyway” (2010, para.302).*

Galleries placed importance on personality was because it could enhance communication between both parties. The preferred personality characteristics differed widely across all the galleries. Some galleries chose artists because they related to that personality type. Take Liu Yang for example. He specialised solely in emerging contemporary artists due to his ability to relate to them. He said,

*“So we have mainly focussed on the contemporary, modern art, mainly from the younger generation. Because, the younger generation are so easy to communicate with, we have something in common. Because, you know, they are talented, promising, they’re quite hard working, they are very sensitive you know. They are very knowledgeable. Quite different from the older generation” (2010, para.22).*

He continued explaining that if he was able to find something in common with the artists then it was more likely that they would be able to become friends. This was not the case for all galleries some of which were able to represent artists from a broad spectrum of ages. In addition, some galleries were accustomed to introverted artists while others were not. Be that as it may, the common feature was communication. If the gallery could ascertain that the artist was likely to be a good communicator then they were willing to attempt cooperation.

Moral character (*renpin*) was also important. If a person’s moral character was questionable they did not want to cooperate due to the issue of trust. This assessment sometimes took place in discussions at the gallery, at the artist’s studio or when they were going out for a meal. If there was any uncertainty about the artist’s moral character the art dealer would decide not to act as his or her agent. Li Qiang commented,

*“You can pretty much figure out what your everyday personal character is like from what a person is like when they are drinking. I’m not going to represent you if you aren’t conscientious, don’t have an idea of brotherhood and loyalty. It just isn’t going to work” (2010, para.60).*

There were a number of different reasons why galleries paid careful attention to an artist's moral character and conduct. Huang Lijuan explained that good artwork was a reflection of the artist's inner ideas and morals. She also believed that the artist's morality was an imperative requirement for cooperation. She explained,

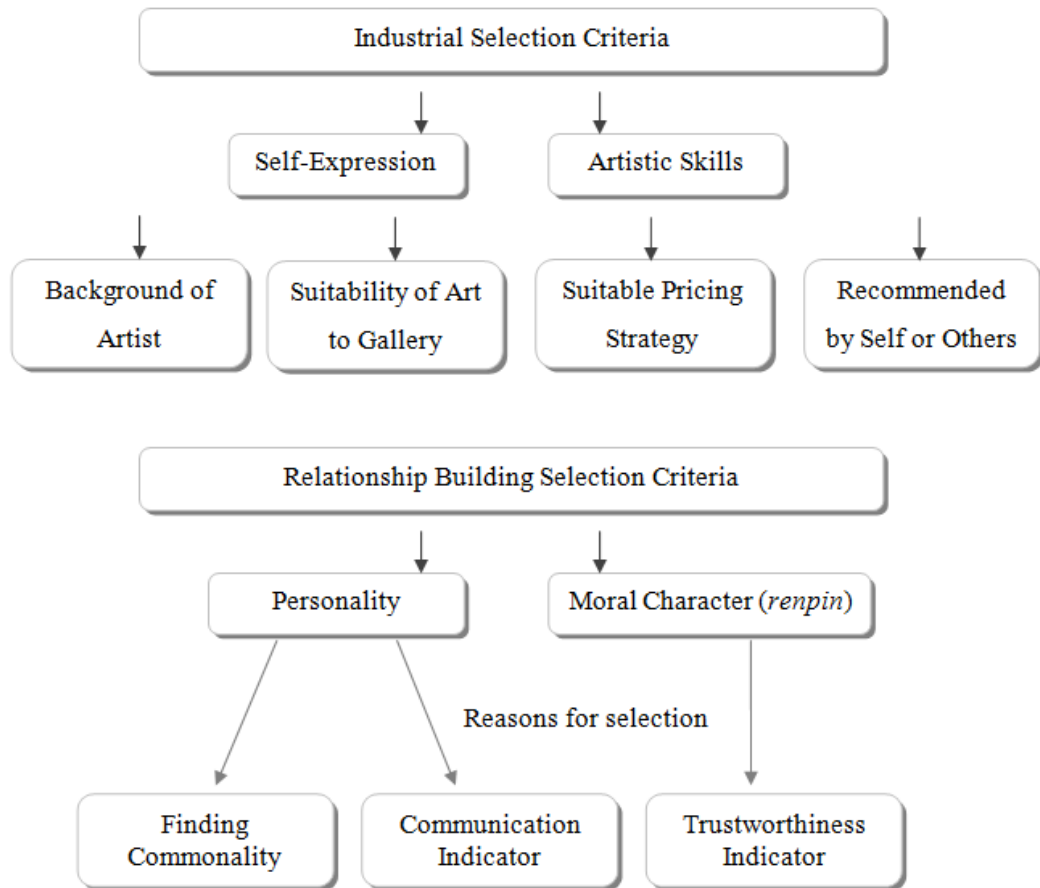
*“I think that I am unable to cooperate with him. I think morality is very important. There is no need to say you will be an artist [without it]. In one's personal conduct, morality comes first. This is what us Chinese think that in our personal conduct morality should come first. Second is painting. So doing business is also like this. So before when I did a different business it was also friendship guanxi. First is personal conduct, second is doing business. First become friends and then do business. I think that is the same with artists”* (2010, para.35).

In some instances the person's basic morality was the highest priority in the selection process. Art dealers were also mindful of whether or not artists were likely to follow gallery procedures or rules of business. Because the Chinese art market has only developed recently Chinese artists did not always follow or did not understand the unspoken rules that were followed in other countries. Tang Juan, the sales manager of a Japanese gallery found that Japanese artists had very simple *guanxi* relationships with them. Once an agent was representing them they did not try to sign with a second agent. In China this was not the case as most artists continued finding other avenues to sell their work after making a deal with one gallery.

#### **5.5.4 Final Artist Selection**

There were eight different selection criteria used by galleries to assess whether or not they would represent an artist (see Figure 5.10 below). Six of these were related to the art industry. Personality and moral character, however, were two criteria based on the artist rather than the artwork. On initial meetings between strangers the galleries assessed the artist's personality for two reasons: to find something in common and for an indication on whether or not they would be good communicators. Secondly, was for an indication of the artist's moral character. The participants said this was important as it showed whether or not the artist could be trusted. It was through these two features along with industry criteria that

determined whether or not galleries decided to initiate business relationships with the artists.



**Figure 5.10 Gallery Selection Criteria of Artists (Author’s Research)**

### 5.5.5 Reasons Artists did not Cooperate with Galleries

Some artists did not work with galleries but rather sold their work through *guanxi* networks or opened their own shops that coupled studios. This often happened because of pricing issues. The artist Chen Pi explained that he had previously cooperated with a number of different galleries but they had refused to increase the price of his artwork. He gave up cooperating with them and opened a gallery in cooperation with four other artists. He commented,

*“They wouldn’t increase the price so then I didn’t give [my artwork] to them, ...I could sell these paintings myself. When I was cooperating with galleries I only had enough money to eat, not enough money to go out for*

*a drink, not enough money for entertainment. I only had enough to eat and feel full, not enough money for anything else, didn't have money to make friends, you spend that and you are unable to make the rent. So, I didn't cooperate with them"* (2011, para.255).

A number of artists also stated that galleries in China operated more as art dealers rather than taking on the role of a gallery. When trying to sell an artist's work the business relationship was likely to be short-term and fitting in with the gallery's needs. They took work from artists for one off exhibitions and only paid them if the work sold. If the artwork did not sell then the relationship was terminated. In some instances the artwork was used for decorative purposes rather than for sales. This left artists feeling disappointed. The artist Zhou Xiangyi said, "*It's the same as doing it for free, the same as serving them. It's really wrong. Several times galleries have done things this way. The majority are all like this"* (2011, para.15). Some artists, as with Zhou Xiangyi, decided not to continue cooperating with galleries and sold their artwork through a network of friends or by opening shops that coupled as studios.

The most frequently cited reason artists chose not to cooperate with galleries was due to a lack of trust from being cheated out of artwork in the past. In China although the law protects those that have been swindled, enforcing that law is difficult. The artist Xiao Tieshan explained how his friend consigned a number of paintings to a gallery and was only paid for half of them. The gallery then refused to return the remaining paintings. The court ruled in the artist's favour but the culprit claimed not to have enough money to pay. In that case the court system had no way of enforcing payment. The artist followed the gallery owner for three years and was finally able to prove he had substantial capital and enough to repay him. After calling the police and taking the gallery to court again he was repaid. This situation was a common occurrence in Beijing's art industry and more often than not it was the artist that lost out.

## **5.6 Moving Towards a Guanxi Framework**

### **5.6.1 Liyi: The First Relationship Criterion**

The primary reason relationships existed between galleries and artists was because of *liyi*, profit. If artists were unable to earn money they would look elsewhere to

sell. If galleries were unable to sell an artist's work they likewise looked for alternatives. Song Xiaomei explained how she felt the relationship worked. *"The most important thing is the paintings. The boss will be grateful to me because the paintings sell. I'm also grateful to him because if he wasn't there I wouldn't have this money"* (2011, para.341). Galleries and artists both emphasised the importance of artwork and the ability to earn money through selling it. The artist An Ding described the reason an art dealer would initiate contact for the first time, *"The first time he looks at your artwork. He has a lot of confidence, and also really thinks that he can use your paintings to earn money. Under that kind of situation he invites you out to eat a meal"* (2011, para.285).

Some participants interviewed also explained that their entire relationships were based on *liyi*. There were a small number of private Chinese galleries that bought artwork from the artists first before selling it in their galleries. Zhang Chao, a sales manager in one of these galleries explained, *"If that artwork isn't welcomed, then there really isn't any possibility to keep on going...this is still according to the market. ...I definitely need to consider my own liyi"* (2010, para.573). Some artists also found that a number of their relationships were based on *liyi*. Du Shui, an artist who had an extensive *guanxi* network, did not build relationships with some customers who came directly to him. He explained that the relationship was purely financial and based on *liyi*. Their only dealings with each other were when the artwork was purchased.

There were also a number of family/co-op and private Chinese galleries that were willing to build friendships with the artists but also had contractual *guanxi* with them. The relationships were based on the contract first and the relationship second. Huang Lijuan explained that the artists complied with the contract and from that they were able to gain economic *liyi*. She believed that they cooperated well and *xinren* was established through *xinyong* – trust developed through creditworthiness. Yu Wei, a gallery dealer that valued banquets, gift giving and favours, also emphasised the importance placed on doing business as opposed to building relationships. He said,

*"Giving gifts, banquets, or help are all methods of creating friendship. After a long time, just like at the beginning stage, there will be a little bit*

*of friendship. Then, slowly the friendship will get better. By the consolidated stage probably I would help the other person's family, or whatever, it will be like this. But, when it is really business liyi, it will still be according to what's in the contract. This is another area. In business when it has developed to a certain level, there will be some friendship that does exist between both people. That friendship can spur on mutual help. In daily life, in qinggan, all different kinds of help. But business must always go back to business, business is still business. This business is still separated from guanxi. Maybe if you don't do business together this friendship will still exist" (2010, para.593).*

From Yu Wei's comments it could be seen that there was a separation of business from friendship and *guanxi* in business dealings. This priority was business *liyi*. Not only was *liyi* separated from *guanxi* but it also took priority over it. Some artists also explained that when there was *liyi* it was better to avoid *ganqing* in order to abide by the contract. It kept the relationship simple and was easy to abide by.

### **5.6.2 Building Guanxi: Banquets**

*"The food and drinking culture is considered a tradition of Chinese people. In general if there are some matters to be discussed, business negotiations, there will always be a feast to eat. Eating a meal is the best way to enhance ganqing" (Yu Wei, 2010, para.283).*

In the general operations of the gallery there were situations, not specifically designed for relationship building, when it was necessary to invite artists out for meals. These included after the opening of an artist's exhibition, if their work was selling well or after visiting an artist's studio to look at their artwork. The reasons for these situations were because they were the accepted conventions, they wanted to show appreciation to the artist for their work or simply because it was dinner time. Artists also took galleries out for many of the same reasons. When Lin Sen was asked why he took art dealers out for meals after they visited his studio he replied,

“I think that this is quite natural, ...because people must, ...they depend on food. When it gets to the right time you always have to eat, isn’t that so? It’s quite natural, it isn’t too purposeful” (2011, para.134).

**Table 5.4 Reasons Art Dealers and Artists Bought Each Other Meals (Author’s Research)**

<b>Reasons Art Dealers Shout Meals</b>	<b>Reasons Artists Shout Meals</b>
After an opening exhibition – a convention at 798	To show appreciation to the gallery for buying their work
When visiting an artist at their studio – because it’s time to eat or to continue discussions	When the dealer has visited their studio. No ulterior motive – it’s dinner time and the artist does not want to eat alone
To find something in common – for artists that like to eat out frequently	To communicate with the art dealer
To show appreciation to the artist if their work is selling well	When they have a birthday the artists sometimes invite gallery personnel
To get favourable treatment from the artist	To separate business from personal aspects
To have relaxed and uninhibited discussion	To ask the gallery for a favour. E.g. Gaining help joining art association
Listen to artists, make proposals and listen to suggestions	When they have moved to a new studio they have the housewarming party and invite the gallery personnel
To reach mutual understanding with the artist	To celebrate selling artwork
To build <i>ganqing</i> before and after buying artwork	To talk about subjects different to business – to separate <i>liyi</i> from the communication
For frequent communication. To develop mutual understanding	To give suggestions to the gallery – make proposals
Go out with artists for company.	Introduce other artist friends to the gallery
To maintain <i>guanxi</i>	To build <i>ganqing</i>
To make a request	To make suggestions to the gallery
To celebrate traditional festivals together. E.g. Chinese New Year	For festivals and celebrations such as the Chinese New Year – a way of building <i>ganqing</i>
Eat at home to reduce expenses, have unrestricted conversation and as an expression of sincerity	Eat at home to reduce expenses, have unrestricted conversation and as an expression of sincerity
Develop the friendship	



### 5.6.2.1 *Eating Meals: Relationship Initiation*

At the beginning stages of the relationship galleries invited artists out for meals to continue discussions with them. An artist from Songzhuang explained,

*“The main reason for having a meal with someone for the first time is because you haven’t said enough to each other. There may be many more things you want to talk about with them...If it’s possible, we can eat and talk at the same time”* (Xu Shanshou, 2011, para.199).

Moreover, by eating a meal at a restaurant instead of talking at the gallery all parties involved felt relaxed and uninhibited. *“The atmosphere for chatting is much more relaxed when eating something or having a drink together”* (Tang Juan, 2010, para.263). The gallery owner Liu Yang explained,

*“When people have dinner together or eat together they feel very relaxed. So maybe we can talk about some things besides art. Not only art. Maybe some things, some gossip, some jokes or whatever you want to talk about. No problem, just relax. It’s kind of like warming up the relationship with the artist”* (2010, para.536).

One result of this relaxed communication was the development of mutual understanding. Jiang Xinhua, the owner of a gallery in 798, felt that by eating with the artists she was able to get to know them better. She said,

*“When you go and eat a meal everyone is more relaxed. When the two of us speak, this is also a process of increasing mutual understanding. It isn’t to say that in order to eat a meal you go out and eat a meal. Rather it is so everyone has better mutual interaction”* (2010, para.354).

Eating meals with the artists also allowed the art dealers to find things they had in common. Those commonalities could be identified through the communication that took place. Liu Yang explained,

*“Artists think that you are easy to get along with. Think you have a good personality and are easy to talk to. And I think you have something in common with the artists. So, it’s easy for artists to accept you”* (2010, para.572).

This bonding was unable to take place if both people did not have anything in common or were unable to talk deeply to each other. As Fan Guowen explained, the relationship might not be able to develop even though both parties were well intended. *“He might be a good person and pays for your meal and has no evil intentions or wants to take advantage of you. However, we might not be very close or be sharing close thoughts”* (2011, para.780). An important aspect of developing the relationship was what occurred at the dinner table. Both parties needed to be able to share their personal thoughts with each other. If this happened then the relationship could develop.

In this process of communicating both galleries and dealers took into account *ganqing* and moral conduct. Su Xing explained that after eating a meal, *“...we will take into consideration this qinggan<sup>6</sup>, or that is to say, ganqing, or that is to say renqing, this indicates the guanxi between people, that is a kind of qing<sup>7</sup>, it will slowly start to increase”* (2011, para.250). Both dealers and artists also paid close attention to moral character. The artist Guo Junshan explained what happened when he went out to meals,

*“It increases a part of ganqing. Then during the interaction we have to look at other things, like if he’s a good guy, what his morality is like. If it’s all good then we can interact with him because Chinese don’t really care that much about the ganqing from one or two dinners”* (2011, para.610).

For him moral character was even more important than *ganqing*. Furthermore, his comments indicate that moral character is separate from *ganqing*.

Galleries also emphasised the importance of identifying an artist's moral character on their first meeting. This was particularly the case with galleries that wanted long term cooperation with artists. Wang Qing, a Taiwanese gallery owner explained that in Taiwan galleries respected each other by not selling work of artists that were already represented by other galleries. This was not the case in China so he had to identify whether or not the artist would leave if they were offered a better deal. He explained,

---

<sup>6</sup> *Qinggan* (情感) means ‘emotion’ or ‘affection’.

<sup>7</sup> *Qing* (情) means ‘feeling’

“Then we meet and I see if this person has *pinzhi*<sup>8</sup> or not, whether or not he can take the long road with me. If I see that it isn't ok then I don't need him. As soon as I see that this person could betray me, that this person is unstable, even if he can paint well but he's also messed up. I don't want him” (2010, para.433).

#### 5.6.2.2 *Drinking: Relationship Initiation*

The artist Song Bo invited me to accompany him to a meeting with the Seven Star landlords at 798. Song Bo was being introduced to them through a friend, another artist who had been lent a small studio by these landlords even though most artists had been forced to leave due to rising rents. Song Bo was hoping to secure a space in one of the factories for a temporary exhibition. If the meeting went well he might not only be able to secure exhibition space but the rent might also be reduced. According to Song Bo the landlords used to be the leaders of the electronics factory before it closed. Afterwards they were assigned the task of maintaining the buildings and were becoming exceedingly richer as they pocketed a large portion of the ever increasing rent.

The late lunch began by wrapping Chinese dumplings together. After sitting down for the meal a number of people were on their feet again to make the first toast to the oldest and longest serving of the landlords. After him toasts were also made to the younger two. There were a variety of different types of alcohol. Local Beijing beer, sweet dessert wine from one artist's hometown and Chinese *baijiu*<sup>9</sup>, the most potent of the three with more than 40% alcohol content. As the meal was eaten, the alcohol was consumed. People never drank on their own but rather with the entire group or with another person. As the afternoon wore away, the bottles emptied and the singing began. The landlords sang the odes of comradeship from their collectivist past and the artists joined in. As their faces got redder the drinking slowed and everyone went next door to a café to recuperate. Song Bo then invited the Seven Star landlords back to Songzhuang where another meal was eaten, more alcohol consumed and *guanxi* initiated.

---

<sup>8</sup> *Pinzhi* (品质) means: character; intrinsic quality; nature; disposition

<sup>9</sup> *Baijiu* (白酒) is a white liquor/spirit and is popular at banquets.



**Figure 5.11 The Seven Star Landlords: Empty Baijiu Bottle (Author's Research: Allott, 2011)**

Many galleries and almost all artists felt that drinking alcohol with a meal was an important aspect of Chinese culture. Some made the following types of comments, “Do you know why in China it’s called *jiuxi*<sup>10</sup>? It can only be called a banquet if there is alcohol” (Su Xing, 2011, para.926). “Us Chinese people when we get together we must always drink alcohol” (Chen Pi, 2011, para.351). “This is a special Chinese characteristic” (An Ding, 2011, para.329). Liu Qi, a gallery owner in Songzhuang, even linked drinking to Confucian culture. She said,

*“It was Master Confucius that said, ‘Isn’t it a great happiness, when there is a friend that comes from afar’. It’s something quite formal to have a drink when friends have come. It’s a good drinking culture. Warm-heartedness and hospitality are all attached to things like making a toast and drinking”* (2010, para.178).

<sup>10</sup> *Jiuxi* (酒席) means feast/banquet. The first character *jiu* (酒) means alcohol.

Many also felt that drinking alcohol at meals was a good method of getting to know someone. They explained that it made the other person feel comfortable, relaxed, happier, added to the fun, made people like each other and made them easier to communicate with. Most importantly, it made people feel closer to each other and developed their *ganqing*. Su Xing explained that when there was no alcohol everyone thought too carefully. But when there was something to drink, “...all are like brothers. All of a sudden you are a little more intimate, a little closer” (2011, para.928). Artists also felt that by drinking they were able to open up about their problems. There was no need to hide anything and ideas could be shared. Yu Wei explained that this was the reason *ganqing* was able to develop at the first meeting. He described,

*“At the beginning there won’t be any ganqing. The feast is totally about business and making the other person interested. Then, of course drinking and eating a meal can enhance your ganqing. Because after drinking probably you will speak a little more truthfully. That is, ‘spit out the truth after drinking wine’. After drinking alcohol one’s speech is somewhat more truthful. Can unload burdens, can remove disguises, don’t need to be so conservative”* (2010, para.287).

There seemed to be an importance with the separation of *liyi* and *ganqing* at these events. Lin Sen explained that when dealing with a gallery they had to negotiate the prices when buying and selling artwork. However, by eating out with them these aspects of business could be separated from their relationship. He commented,

*“But while eating a meal and drinking alcohol, [we] talk about things outside of business. Talk about life, ...some inner thoughts. Probably [we] will understand more about the other person’s situation. ...That is areas to do with qinggan exchange”* (2011, para.230).

Previous to this quote Lin Sen uses the term *liyi* for business. Here he has made a distinction between *liyi* and *ganqing*. The business was focussed on *liyi* whereas the meal, drinking, communicating and understanding the other person was the development of *ganqing*.

The relationships between art dealers and artists were primarily based on business. The fundamental aspect of this relationship was trying to gain the most financial benefit - *liyi*. The dealers wanted to purchase paintings for the lowest price. Conversely artists wanted higher sales prices. These negotiations were mitigated by eating of meals together. Eating and drinking created a relaxed atmosphere which in turn helped the artists and dealers to communicate. This then led to mutual understanding and the development of *ganqing*.

### **5.6.2.3 *Drinking: Avoidance***

Although galleries and artists felt that drinking was beneficial to increasing *ganqing* with new acquaintances, if artists pressured art dealers who did not want to drink then they risked losing cooperative opportunities with them. This was particularly the case with the majority of women art dealers who were interviewed. Jiang Xinhua remarked,

*“It can't be that because I drink a lot you are happy and so we can do things together. My personal values oppose this. If you have this value then we don't need to cooperate”* (2010, para.370).

Both art dealers and artists expressed the importance of limiting the amount that was drunk so that actions could be controlled. The sales manager Yu Wei explained,

*“If after drinking the other person's moral conduct and behaviour isn't that great, then you will think that it's not that good cooperating with this kind of a person. Personal character is very important”* (2010, para.295).

He explained that the reason not to cooperate with the other person was because their true character was shown after they became drunk. Artists would also try to avoid eating meals and drinking with other people who cursed or started fights after drinking. It was important to drink enough to be relaxed but not so much that one's actions could not be controlled.

### **5.6.2.4 *Eating Meals and Drinking: Development and Consolidation***

As the relationship developed it moved from a process of communication and mutual understanding to become a way of maintaining *guanxi*. Jin Mei, the sales manager of a 798 gallery, explained,

*“Right at the beginning when everyone is eating a meal together it increases understanding. This is very important. I think that it is a very good way of communicating. Then later on, if everyone is eating a meal together then it is a kind of method of maintaining guanxi....If you have become especially good friends then maybe you don’t need to eat many meals, certainly don’t need to eat meals often to maintain it. Then it becomes a private friendship, has this kind of friendship guanxi”* (2010, para.413).

From her explanation it could be seen that the type of *gaunxi* had changed. It was no longer business *guanxi* but rather friendship *guanxi*. Galleries that developed friendships with artists would call because they wanted to spend time with them rather than to get to know them. In addition, the number of times they met also decreased. This was particularly the case when galleries reached the consolidated stage.

At this point some galleries and artists also invited each other to their homes to eat. They felt it was more relaxed, uninhibited, personal, sincere and most importantly for artists, it reduced expenses. Yu Wei the sales manager of a gallery in Liulichang, also mentioned that by inviting someone to his home for a meal it showed them that they were not an outsider. Xu Shanshou explained how inviting people to his home led to uninhibited conversation.

*“We can talk about anything. Things that can be said, things that cannot be said – everything can be discussed. There is no one else around, and our interaction is very solid. Sometimes [we] mock things, sometimes [we] talk about more normal things, and sometimes [we] discuss policy directions. Views on anything can be exchanged, not just about art. That’s good. In a restaurant you can be heard by everyone and sometimes arguments can occur when people disagree with you”* (2011, para.223).

As artists were able to trust art dealers more, galleries took on the role of listener and advisor. Wang Qing commented, *“Sometimes I listen to them. They make some good proposals, then we chat, chat, chat, and I listen to them”* (2010, para.2999).

As the relationship continued dealers and artists would invite each other to festivals and celebrations which in turn led to the continued increase of *ganqing*. An Ding explained, “*For example, I celebrate the Chinese New Year, then I will get together with a few people that I have pretty good guanxi with, drink some alcohol, this is also an exchange of ganqing*” (2011, para.407). Liu Qi also commented, “*Sure, [we] will drink together even more. After becoming even better acquainted ...and after a while it will make our ganqing a bit deeper. So there is no doubt that we will all drink together fairly often*” (2010, para.182). This continued exchange led to a consolidated relationship. Zhang Shuyi commented, “*So, this ganqing draws you closer together, then, slowly guanxi becomes consolidated. Consolidates this ganqing*” (2010, para.229).

#### **5.6.2.5 Paying for the Meal**

Of the twenty galleries interviewed, sixteen ate meals with artists. Only one paid for every meal (see Appendix P). Zhang Shuyi, a family/co-op gallery felt that by paying for the meals she was able to extend her friendship as opposed to *liyi guanxi*. It was a form of *renqing*. She explained,

*“As long as we can get paid from it, we are both able to build good guanxi, very happily, I think, spending this money is worth it. Right, that’s certainly not to say, one must have some kind of liyi guanxi or some such thing. Because this, this is an explanation of China’s renqing. That is, most people probably still feel that it is, this, youqing<sup>11</sup> is still a bit more important”* (2010, para.189).

There were specific reasons why galleries and artists paid for each others' meals. It was always the person who extended the invitation that paid. At the initiation stage, the person seeking or wanting to continue cooperation paid. As the relationship developed art dealers and artists invited each other out as a method of thanking the other party. The one saying thank you was the one who paid the bill. Artists thanked galleries if the work had sold well and when they had put on an important exhibition. Galleries also invited artists out for meals if their work had sold well.

---

<sup>11</sup> *Youqing* (友情) means ‘friendship’. It combines two characters. The first *you* (友) means friend. The second *qing* (情) means feeling.



During the initiation stage of the relationship paying for meals reciprocally was important in developing *guanxi*. If one person shouted the meal and the other did not repay then it was likely that the relationship would not develop. Xu Zhong explained his situation with another artist who had been interviewed, Xu Shanshou. There were a number of times Xu Zhong had paid for Xu Shanshou's meals but he had never reciprocated. Xu Shanshou did not enjoy drinking alcohol or eating in restaurants which may have been cause for his actions. In any case, he was not invited out again.

As the relationship became more friendship orientated both galleries and artists would mutually shout each other meals. The French and American artists Maxime Dupont and Jane Armstrong found that on their arrival to China the galleries always paid for their meals. As time passed they firmly insisted on paying. Chinese artists also began taking turns paying for meals as the relationship developed. This was often the case when an art dealer went to the artist's studio to look at his or her artwork. The artist would then proceed to take them out for a meal. When galleries hosted events they were also responsible for paying for the meal and would not let others do so.

In all instances of eating out together it was necessary for one person to pay the entire bill rather than splitting it. Paying for meals was based on the concept of *renqing*. Du Shui explained, "*Because as far as China is concerned, I think this is a kind of traditional code of conduct, renqing dealings are all like this, basically it's like this, you pay for me, I pay for you*" (2011, para.414). If this tradition was not upheld and people decided to split the bill it could damage the relationship.

*"Sometimes when everyone splits that bill it can actually harm ganqing, because no one is able to accept it. ...If I can pay the bill, I don't need you to pay the bill. If it is too much and everyone pays their own bill then everyone will feel uncomfortable. It's not like in the West"* (Wu Min, 2010, para.360)

It was also important for people to appear generous in paying the bill to show respect for the other person. At times it even appeared as if they were fighting. Li Zheng explained, "*It always happens that one or two people fight to pay the entire bill. In Chinese people's minds this is considered to be generous*" (2011, para.432).

Some artists even enjoyed it. Xu Shanshou remarked that when he eats a meal both sides will try to pay for a long time. This he commented was “...a matter of mutual respect. ...This is a form of mutual respect” (2011, para.191). People that only pretended to pay the bill and never paid were not respected. Some artists also refused to continue associating with people who did not pay the bill.

However, the times people needed to pay could become unbalanced if one person felt they owed the other. Jin Mei explained,

*“If a person whose status is much higher than mine, he helped me with something he thinks is small, but as far as I am concerned it was a really big help. So then I need to repay him a lot of times. ...this is a return, a kind of circulation of guanxi. But I think that it is definitely not equal. For example, this person helped me out, then I must probably shout him a meal five times, ten times, whenever he is around I must shout him a meal”* (2010, para.479).

Her explanation showed that eating meals could be used to bring balance to the relationship by repaying the other person for what they had done. To do this it was necessary for her to pay a number of times before the relationship reached equilibrium again.

The rules for paying were not always fixed and at times were flexible if the other person was going through financial difficulties. This occurred at the maintenance stage of *guanxi* when galleries and artists reciprocally paid for each others' meals. It was usually the artists who faced financial difficulties and if the gallery or friend was aware of this they usually paid the bill. Everyone understood that an artist earned money through regular sales and there were times when nothing was purchased. Participants all showed sympathy for people going through these difficulties. As long as they paid when they had money then the relationship would not be damaged.

When participants were asked whether or not being shouted meals created the feeling of obligation they all said it did not. A number of galleries explained that obligation occurred in more instrumental relationships in industries where people were trying to *la guanxi*. Both parties viewed each other as having equal status.

Wu Min explained, *“I don’t have any obligation at all to invite artists out for meals. Because we have equal guanxi. It isn’t the guanxi where I need to use you”* (2010, para.364). Artists and dealers explained that inviting each other out for meals produced *ganqing* which created the desire to do something for another person. This was different to the feeling of obligation.

In saying that, due to the principles of *renqing* many participants felt they owed the other person if they did not repay a meal. The repayment for being shouted a meal could be reciprocating the meal, giving a gift or doing a favour. Guo Junshan explained the difficulties he felt with this,

*“Guo Junshan: Going Dutch, yes, going Dutch. As a matter of fact, every country has outstanding aspects. I think going Dutch is a brilliant idea!*

*Interviewer: Why do you think it’s good?*

*Guo Junshan: Why? Because then it won’t cause any burdens and mental stress. You see, if you buy me a dinner I’ll always remind myself that I owe you one, right? Like if I buy you dinner, you must feel like that, it’s a trouble for me, right? Somehow it causes a bit of pressure, mentally”* (2011, para.612-614).

Su Xing explained this feeling of owing the other person if they shouted him a meal in the context of *renqing*. He said,

*“I feel that that is called renqing, right. I owe him, this is a kind of qing, I owe his qing, because he shouted me a meal. He shouted me a meal so then isn’t that owing him a kind of renqing? We call it renqing, I owe him. Or that is to say last time I promised to have a meal with you and I still haven’t shouted you. Then it is owing you a kind of renqing”* (2011, para.264).

#### **5.6.2.6 The Connection between Banquets and Favours**

Not only did galleries and artists drink together at the initiation and development stage to build *ganqing* but also to ask each other for help. Su Xing explained,

*“You give him some good alcohol to drink. Before handling a matter or when you must make a request to someone, then you go out for a meal, eat*

*well, while at the table, after you have drunk a lot, “Brother, I’ll help you deal well with this issue. Don’t worry. No worries. I’ll get it done for you tomorrow”. Ha, after drinking together he’ll do it for you tomorrow. When you haven’t drunk alcohol no one will do anything for you”* (2011, para.924).

A number of galleries and artists stated that they would first go out for meals to approach each other with an issue. Galleries invited artists out for meals to offer them painting jobs or to receive favourable pricing on artwork. Artists also took art dealers out for meals to ensure continued cooperation.

This act of eating meals together, asking for a favour, making money continued on in a cyclical fashion from the initiation to the developmental stages of *guanxi*. In regards to his relationship with artists, the owner of a large gallery in Songzhuang commented,

*“We go out eating and drinking. Then usually the following day he will come to your place to drop off some paintings, then [I] sell them, then pay him the money, the better I sell them then the better the friendship, then this will continue like a circle”* (Li Qiang, 2010, para.70).

Firstly, the act of eating a meal together enabled the gallery owner to take the artists’ paintings. Then as the business processes took place the friendship developed as *liyi* was provided to both parties.

The desire to help increased due to the deepening of *ganqing* which was developed through eating and drinking together. Liu Qi remarked that when eating meals with artists she was more likely to help them because her *ganqing* felt deeper. She explained, *“At that time it feels like it isn’t only because of liyi. It’s because ganqing is so deep and the friendship is so close. Then it will basically be like, “ok, not a problem”, and try everything to make it possible”* (2010, para.234). Her comment ‘not only *liyi*’ indicates that it is always there. The difference was that after eating and drinking together *ganqing* and friendship developed. Liu Qi also explained that at the beginning of the relationship she would carefully consider whether to help the other person or not. As the

relationship progressed she did not need to think about that, rather she would do all she could to help.

Both galleries and artists were aware of the business benefits that could be obtained if they built friendships through eating meals. Li Qiang who invited artists out for meals to build *ganqing* explained,

*“Business guanxi can be handled individually, but if you like this person and you two become friends, the painting price you buy from him is going to be lower than business guanxi you know. So eventually, if his artwork is really good, then we will become friends. Because this is business management. The lower the price you buy in, the better profit you get at the point of sale”* (2010, para.66).

Artists were not oblivious to the financial gains made through building friendships. Fan Guowen stated, *“Essentially, they're hoping for a small discount. For example, they might want to pay 1,500 RMB for a painting that costs 2,000 RMB”* (2011, para.466). Both the gallery and the artist were aware that if they went out for a meal and discussed the price then a discount could be given. On the other hand, Fan Guowen continued to explain that if the gallery appeared stingy or too calculating then he would not give them a discount. He commented,

*“Sometimes, I meet someone who is very calculating and they take me out for a meal. They might spend a little on the meal, but they hope to take advantage of me and get more of my paintings for less. That's not realistic; he wants a big return on a small investment, taking advantage of me”* (2011, para.583).

What is interesting here is that Fan Guowen referred to the act of taking him out for a meal as an investment. However, this investment was not a financial one. Rather by eating a meal with another person it provided the opportunity to build *ganqing*. This investment was intangible but was created through the tangible method of eating out together.

#### ***5.6.2.7 The Connection between Banquets and Xinren***

When participants were asked whether or not eating meals created *xinren* many explained that it did not, rather it provided them with time to communicate and

get a sense for whether the other person would harm them or not. “*Going out to eat a meal is only a process of communication, it is only for mutual help, and for your sense of xinren*” (Chen Pi, 2011, para.625). Chen Pi also explained how this ‘sense of *xinren*’ was gained through eating meals with the other person:

*“After we have gotten to know each other, we gain a sense of xinren, that is you xinren me, I xinren you. You look to see what kind of person I am, ... everyone evaluates each other, ...then you came to xinren him. Xinren that he is a person that you can have contact with”* (2011, para.437).

This sense of *xinren* that was developed through eating meals was also referred to as intuition. When Su Xing was asked whether or not eating meals created *xinren* he said it did not. He explained that what existed was a type of *ganqing* and *guanxi* but not necessarily *xinren*. The feelings he had for the other person provided him with the intuition he needed to decide whether or not to trust them for the first time. To describe how he felt, Su Xing provided an example of a friend who wanted to borrow money from him for the first time. He explained,

*“I often eat meals together with him. After eating meals for one or two years then one day he comes to me to borrow some money. Then I will rely on a kind of intuition because he has never borrowed money from me before. So how am I able to xinren him? So then I have to rely on my intuition from before, that kind of qinggan from often eating meals together, right, a feeling”* (2011, para.789).

If *ganqing* did not exist then they were not willing to take the risk in trusting the other person.

#### **5.6.2.8 Banquets: Importance as Guanxi Develops**

All galleries and artists that used banquets as a method of developing *guanxi* felt that it was most important at the initiation or the development stages. At the beginning both sides were unsure exactly what the other wanted. They were cautious and trying to figure each other out. Eating meals provided both parties with the opportunity to make assessments on whether or not the other was likely to harm them in the future. Both people got to know each other and that led to them being able to help each other later on.

Many participants commented that eating meals at the initial stages was an important method of starting the relationship. It did not necessarily create a long term relationship but it offered the possibility of doing so. The artist An Ding commented that when dealers invited him out, “...*he definitely has a purpose. He wants to maintain cooperative guanxi*” (2011, para.285). Fan Guowen also explained,

*“A meal at a restaurant or a small gift is a way to start building guanxi. Over time, I’ll begin to xinren and have more confidence in this person. It might take one year, two years or three years to build friendship guanxi. Then I will feel that the person will never cheat me and the relationship becomes one of xinren. It could have an effect on some areas such as business. Then there might be more leeway”* (2011, para.383).

Some art dealers and artists felt that the second stage was the most important as it consolidated *guanxi* through prolonged contact. Six art dealers did not take artists out in the first stage but they did in the second. Once they had decided cooperation was certain then they started to take them out for meals. Like the previous artists mentioned, Yu Wei also felt that eating out at the initial stages helped create successful cooperation. Then during the development phase friendship and *ganqing* could develop. He explained why,

*“In fact the development stage is really the most important. ...Because at the beginning, the start-up phase, ...the purpose is quite obvious, the dealings are tentative. Then, after that it is more like two people have found the same road to walk on. At the [start-up] it is like you haven’t found the same road to walk. Then, when it is the development stage, you have found that road, then you start to walk shoulder to shoulder. That time is really important. If during that period of time, the way forward is very smooth, then the period afterwards goes on completely without a hitch”* (2010, para.465).

Eating meals at the initiation and development stages allowed the art dealer or the artist to approach each other with issues or matters that needed to be handled. However, as the relationship moved to the consolidated stage, the need to invite

each other out for meals began to decrease in importance. Zhang Shuyi explained why:

*“Actually, China’s renqing, at the beginning you think you need to eat and drink and so on, but once this process has become consolidated, after your guanxi has become consolidated, this eating and drinking becomes totally unimportant. A lot of things you just need to make a phone call, or meet, say a couple of sentences. Then this thing can be resolved. ...That is to say, if you both have xinren, guanxi has become consolidated, everyone has xinren. I have decided that you are my friend, ...Whenever you have some kind of situation you can come and find me. It’s all ok. This is the reason why China focuses so much on renqing guanxi. That is to say, if you both have xinren. Guanxi has really consolidated, everyone all has xinren”* (2010, para.209).

Due to both parties understanding each other it was only necessary to occasionally eat out together. Li Qiang also invited artists out for meals at the first and second stages of the relationship but by the consolidated stage he explained that his *ganqing* with the artists was already deep and so when he needed something from them it was not necessary to eat out together. He commented,

*“We get together and have some drinks. Our ganqing will become deeper. We do that for another year or year and a half to stabilise ganqing. Then we don’t need to get together that often, just make a call, he knows that we are both mutual, just make a phone call. It’s easy”* (2010, para.78).

They still went out for meals together but not so frequently. *Ganqing* was deep and both parties mutually understood each other. Wang Qing, who flew from Taiwan to Mainland China every month and a half for a number of years so he could meet and talk with his artists, also explained that those types of situations no longer occurred. A strong working relationship already existed and so they did not need to do much to maintain it.

#### **5.6.2.9 Banquets: Views on its Unimportance**

Some gallery managers and owners expressed dissatisfaction with the need to eat out with artists. Tang Juan remarked, *“In society going through these procedures*



*to get something done, sometimes, ah, it's so troublesome!"* (2010, para.499). Jiang Xinhua who had worked abroad and had many friends who had returned from overseas also felt that the method of eating meals was not needed to build relationships. She said, *"It isn't like, if we eat a meal together our guanxi will be close and then we can cooperate together"* (2010, para.334).

A number of galleries explained that eating meals with artists was not important. What was important was their cooperation in business operations. Hu Yao, who at times ate meals with artists, explained that if artists invited her for meals or vice versa it made no difference to her business dealings with them. She would still buy paintings from them to sell in her gallery. Huang Lijuan, who had a background in law and ensured all of her artists signed contracts with her, explained,

*"As far as I am concerned going out for meals isn't important. If a meal isn't eaten this matter can still be talked over properly. Work can still be done well. I don't really agree with the idea that you are able to become good friends by eating and drinking together every day, then you can get any artwork [you want]. It isn't like this. Because in my gallery I am cooperating with artists, also cooperating with customers, so there are only a small handful of artists that are able to be friends with the gallery. The same as family. In most cases it is this kind of cooperative guanxi. Drinking or not drinking is really a small thing. A lot of things can be solved the same without drinking alcohol. Guanxi can be handled just as well. As far as the gallery is concerned I must also realise my economic benefits. Artists must also see their own individual value realised. It should be coproduced with the gallery. Eating meals and drinking aren't the most important things. It isn't like that. Sometimes drinking alcohol and eating a meal might be a medium that plays a definite role. It has a certain lubricating [effect] but it isn't the key"* (2010, para.109).

One artist, Lin Sen, also explained that the most important thing was getting what he wanted and the gallery getting what they wanted. For him, eating meals was an ordinary activity that happened in life and was not important in developing relationships with galleries. Wu Min also pointed out that the primary objective of

building relationships with artists was to provide them with what they needed – the sale and promotion of their work.

*“Everyone hopes everything is done well. Going out for meals, that isn’t necessarily what artists want. I also understand what they want, ...They want their artwork to be recognized early on. Then their artwork can be sold sooner. It can be sold at an ideal price. If it can reach this [price] it’s even better. [They] can do even better exhibitions. This is what everyone wants. It is what their requirements are”* (2010, para.1158).

With the exception of one private international gallery, all galleries that thought eating meals was not important were either private Chinese or family/co-op (see Appendix P). In addition, they were either low or medium earners. Of all the galleries that refused to take artists out for meals all were private Chinese. The family/co-op galleries that did not think it was important were still willing to take artists out for meals in the first, second and third stages. Private Chinese galleries that thought it was not important but went out with artists took a relaxed approach to the relationship. Liu Yang commented, *“It depends on the feeling you have towards the artist. If you like him, you can invite him. If you don’t like him, you don’t do it”* (2010, para.580). Liu Yang also explained that his relationships with artists never reached the consolidated stage.

The galleries that thought eating out with artists was important were an equal mix between private international, private Chinese and family/co-op galleries. However, with the exception of one high earning gallery, all the high earners placed importance on eating meals with artists. They invited artists out for meals at every stage of the relationship and also let artists pay for meals. In addition, Tang Juan, the sales manager at a high earning private international gallery who said it was not important, still took artists out for meals at the second and third stage of the relationship. The galleries and artists also mutually paid for meals.

### **5.6.3 Building Guanxi: Gift Giving**

#### ***5.6.3.1 Gift Giving: Relationship Initiation***

Reciprocal gift giving did not occur at the beginning of the relationship and if gifts were given it happened more frequently when the artist was the giver than

the gallery. The absence of reciprocal giving at the beginning stages was because the relationship was still classified as business not friendship *guanxi*. A gift might be given but one was not expected in return. Yu Wei explained,

*“When you’re just beginning to get to know someone it is only one side that gives. After cooperation takes place and the cooperation results in profits, when there are mutual benefits, after then and only then will reciprocal exchange of some gifts occur”* (2010, para.219).

Not having established long term cooperation was one reason why some galleries would not give any gifts in the first stage but would as time passed. Some felt that by giving gifts it was showing too much commitment to the artist. Liu Yang explained,

*“The first time we meet we don’t exchange gifts at all you know because we don’t know each other very well. It takes time. You need a strategy, step by step. You have to know the artist, know his artwork. You gradually begin this kind of a relationship. Then you can fully trust him. He can fully trust you. You know, you have to, you can’t show that you are being too hasty, or rushed ...You can’t give him everything at the first meeting”* (2010, para.382).

Some artists also thought that gifts should only be given when their *guanxi* with galleries was developing or being maintained. Zhou Xiangyi explained, *“All those that are just acquainted don’t have this kind of guanxi. ...In the beginning when he first comes, I just have ordinary contact, don’t necessarily buy anything”* (2011, para.710). Likewise, some galleries also reported that artists did not give them gifts at the beginning of the relationship. Wu Min believed that what artists wanted was simple cooperation and the highest price for their paintings. She said,

*“[They] don’t give gifts, it’s just pure cooperation...just working together...very simple. I think pleasant cooperation is very important. They also want it to be like this.”* (2010, para.1076).

**Table 5.5 Types of Gifts Galleries Gave Artists (Author's Research)**

Gift Type	Purpose for Giving Gift	Instrumental	Stage 1	Stage 2	Stage 3
Fruit, food or drink	When visiting an artist's studio for the first time		_____		
Cigarettes, fruit, flowers	When visiting an artist for the first time. Politeness		_____		
Catalogues and magazines	To provide inspiration for the artists		_____		
Cigarettes and alcohol	Give to the artists to initiate the relationship.		_____		
Cigarettes and liquor	To the artist when buying their work for the first time		_____		
Wine, cigarettes, tea, collection	Start <i>guanxi</i> with artist. To show respect, make happy		_____		
Moon cakes, zongzi	When visiting an artist for the first time. Politeness		_____		
Gallery books pamphlets	To introduce the gallery to the artist.		_____		
Books of published works	Given by organisation that wants to do an exhibition		_____		
Tea (leaves in a tin)	Given when artists put on an exhibition			_____	
Money in a red envelope	Because it's a Chinese tradition at weddings			_____	
Home appliances, necessities	For birthdays or special exhibitions			_____	
Paintings, crafts, calligraphy, arts	Given to the artist at Chinese New Year			_____	
Practical gifts	Given to an artist's elderly parents as a sign of respect			_____	
Cigarettes and alcohol	Given to artists at Chinese New Year and festivals			_____	
Artist's catalogue or book	After an exhibition so they can give to other friends			_____	
Artist preferences E.g. cigarettes	To enhance <i>liyi</i> in the form of cooperation			_____	
Ink stone, paper, ink	Items that cater to the artist's preferences			_____	
Brushes, paper, ink, stone, liquor	At Spring Festival. To maintain cooperative <i>guanxi</i>			_____	

Alcohol from duty free	Given as an expression of one's feelings	_____
Gifts from abroad	Typical action in China. Builds <i>ganqing</i>	_____
Local products	To build friendship and <i>ganqing</i>	_____
All expenses paid trip	Given to the artists so they can do scenic paintings	_____

All of the galleries that gave gifts at the initiation stage belonged to the family/co-op category except for one private international gallery (see Appendix Q). As can be seen in Table 5.5 above, gifts such as fruit, food, drink, cigarettes, wine, tea leaves and flowers were given to artists when visiting them at their studios for the first time. These gifts were something that could be given to any type of person. Season specific gifts such as moon cakes<sup>12</sup> for Mid Autumn festival and zongzi<sup>13</sup> for Dragon Boat Festival were also given when visiting for the first time. These family/co-op galleries felt that giving a gift to the artist demonstrated politeness. It also showed the artist that the gallery was sincere in its desire to cooperate with them. Liu Qi explained, “*I bring some gifts to start harmonious guanxi. This present is only something to let the other person know you respect him. To make him feel happy*” (2010, para.9).

Gifts were also occasionally given when private Chinese galleries bought artwork directly rather than on consignment for the first time. There were only two instances where galleries were the givers and in both cases the gifts were cigarettes and alcohol. Artists on the other hand were more likely to give an additional painting if the gallery had bought a lot or had spent a lot of money. In addition, they sometimes gave gifts like calligraphy and ink or oil paintings (see Table 5.6 below).

**Table 5.6 Types of Gifts Artists Gave Galleries (Author's Research)**

Gift Type	Purpose for Giving Gift	Instrumental	Stage 1	Stage 2	Stage 3
Calligraphy, paintings	Give to customers to bring <i>guanxi</i> closer together		_____		

<sup>12</sup> Moon cakes (月饼) are a pastry usually containing a filling made from red beans.

<sup>13</sup> Zongzi (粽子) are stuffed glutinous rice wrapped in bamboo or reed leaves.

Noted artist's calligraphy	To become friends with the person it was given to	_____
Calligraphy by artist	To show friendship at the beginning of the relationship	_____
Sketches	To galleries for hosting a trip. Build <i>guanxi</i> & <i>ganqing</i>	_____
Calligraphy, ink painting	To friends and customers, closer <i>guanxi</i> , show sincerity	_____
Fruit, calligraphy	To older customers to make <i>guanxi</i> closer, show sincerity	_____
Painting	Thank customer for his sincerity. Appreciation	_____
Painting	Thank dealer and hope for continued cooperation	_____
Painting	To the gallery for hosting a good exhibition	_____
Painting	Given after the exhibition. Payment for help	_____
Painting	Given to art fair leader in order to rent a booth for free	_____
Cash	Give 10 to 20 % of sale to thank for referring customers	_____
Paintings	To continue receiving help from cooperating gallery	_____
Paintings	Birthday present to gallery owner. Gallery sells more.	_____
Painting	As an expression of <i>ganqing</i> to the dealer	_____
Painting	To customer to maintain long-term <i>guanxi</i> .	_____
Painting	To thank for hosting an exhibition for the artist	_____
Painting	To show gratitude for finding customers and sales	_____
Oil paintings	To important customers to increase <i>guanxi</i>	_____
Small piece of artwork	At Spring Festival. To maintain cooperative <i>guanxi</i>	_____
Sketches and paintings	To galleries who have hosted an all expenses painting trip	_____

Flowers	To friend for hosting exhibition. Give face, thank	
Clothing	To gallery employees. Special to their hometown	
Hometown specialities	To gallery employees when attending their exhibition	
Hometown specialities	From home. Desire help and show gratefulness	
Small gift	Thank the gallery for putting on an exhibition for them	
Practical gifts	Expression of kindness due to galleries lack of items	
Apples	For Mid-Autumn Festival.	
Money or paintings	Repayment to the gallery for helping the artist earn money	
Moon cakes	Given at Mid Autumn Festival. Show of goodwill	
Cigarettes and wine	Given at the Chinese New Year. Show of goodwill	
Money in a red envelope	To close friends or important people at their wedding	
Tea from Fujian	Given as a gift as an expression of his feelings	
Painting	Given because of good <i>guanxi</i> . Show of goodwill	
Screen print or woodblock	Give to galleries as a display of respect and friendship	
Cake and gifts	To the gallery after an exhibition to thank them	
Stone seals, paintings	Give to the gallery to help them <i>la guanxi</i>	
Money in a red envelope	To manager of government exhibition so can participate	
Tobacco or alcohol	To influence judges at government run competition	
Jade accessories	To influence judges at government run competition	
Money inside a small gift	In order to join an art association	

Small paintings	To build a little <i>ganqing</i> , to show desire for friendship	_____	
Painting	To official who hosted trip. To thank, express <i>ganqing</i>	_____	
Cigarettes and coffee	To art fair managers in order to get free or cheaper booths	_____	_____
Painting	To art fair manager to thank for free or discounted booth	_____	_____
Paintings	To government officials for paying for painting trips	_____	_____

Artists explained that this was a way of showing appreciation, sincerity, friendship, *ganqing* and it helped to bring their *guanxi* closer together. Fan Guowen explained, “*I’ll give them a few paintings for free, and that’s how I build guanxi*” (2011, para.418). Yu Wei remarked that gifts were given, “*...to make guanxi even firmer. This is the most basic thing to do*” (2010, 327). Xu Shanshou explained how it showed his sincerity,

*“This is a very good way of expressing my sincerity. If you just use words people take it to different extents. But if you use words to express it and use concrete actions as well to reinforce it, perhaps people take it more fully”* (2011, para.163).

Gifts not only showed the artists sincerity but gratefulness to the customer for his or hers. The artist Feng Ye also remarked, “*I had a painting that I gave to him just to say thanks for his sincerity*” (2011, para.118). And Yu Wei explained “*To mutually thank [each other]. That is to say, thank the other person for helping me*” (2010, para.327). Liu Qi also remarked that gift giving was able to take the place of eating a meal together if the other person did not have time.

There were only three other instances where galleries gave artists gifts at the initiation stage of the relationship. Two were private Chinese and one was a private international gallery. These galleries gave artists books, magazines or publications. Liu Yang gave artists catalogues to inspire them and help them to improve their artwork. Tang Juan gave them books and catalogues that contained information about her gallery, as a way of introducing her gallery to the artists.



Her gallery was Japanese and she explained that Japanese artists paid more attention to gift etiquette than the Chinese. To not give gifts would be seen as impolite. Due to the code of conduct the gallery implemented Chinese artists also received gifts. Finally, the artist Zhou Xiangyi also reported that galleries gave him the left over publications from exhibitions where his sculptures had been on display. However, as there were never any sales via this method he stopped cooperating with those galleries.

Artists also gave galleries gifts (see Table 5.6 above). Small pieces of calligraphy or paintings were given to indicate the desire for friendship. Artists did not always expect the friendship to be returned but they were showing their openness to cooperate. Feng Ye who gave a new acquaintance a piece of calligraphy remarked, *“The reason I gave it to him was that I thought he was a person worthwhile making friends with”* (2011, para.1051). When Xu Shanshou was taken on free trips by art organisations and government officials he would give the manager some paintings. By giving paintings, *“They are elated, and I am also happy. This is a type of interaction, a kind of ganqing, a joining of friendship”* (2011, para.227). Although a sign of friendship was being extended, artists knew it may not be returned. Guo Junshan explained that the gift did not need to be returned but rather continued interaction would be enough to carry the relationship forward. He remarked, *“You give a present in the following way, like you give him a piece of calligraphy or a painting. But if he doesn’t come back then it’s going to end here”* (2011, para.573).

#### ***Gift Giving: Absence of Long-Term Cooperation and Guanxi***

Artists also gave gifts instrumentally to those they had only just become acquainted with. These were not for long term cooperation and when the giving of gifts ended so too did the relationship. Some artists gave gifts of money inside red envelopes to exhibition managers to ensure their artwork was accepted. However, after the exhibition ended and the red envelopes stopped being given the cooperation also ended. Artists also gave gifts of cigarettes, alcohol and jade to judges of State art competitions and associations. More expensive gifts were given, for example, a gift with money hidden inside, if the artist wanted to win the competition.

Gift giving on its own was not enough to secure long term *guanxi*. If the other person's character or actions were deemed inappropriate then giving gifts had no effect. Liu Qi gave an example of an artist from the Northeast of China,

*“There is an artist from the Northeast. Sometimes we don't like Northeasterners that much. Like many of those kinds of people, like Northeasterners, what comes out of his mouth sounds very pleasant, but what he actually does isn't much at all. Just like this, in the very beginning in order to start guanxi, he definitely gave some gifts and the like. But later I gradually found that this artist was kind of indifferent, a very indifferent person. Lots of artists don't do things the way he did. Everybody felt uncomfortable and then things became rough”* (2010, para.566).

### ***Complete Avoidance of Gift Giving***

The smaller private Chinese galleries that bought work directly from artists and then sold it on to customers all commented that there was no need to give gifts to the artists at any stage of the relationship. Wang Bo, Yu Hao and Zhang Chao all made the following types of comments: *“Why do I need to? I've bought their paintings. Isn't that enough?”* (Yu Hao, 2010, para.23). They felt the artist's only priority was to earn money and for the gallery to buy as much as they could. They did not want gifts. The artist Du Shui also explained that with some customers, including galleries, there was no giving of gifts as the relationship was based purely on *liyi* not friendship. If he gave a small gift or they brought one for him it was not of importance because they had *liyi guanxi* not friendship *guanxi*.

In addition to this, the galleries felt that it was not necessary to develop *guanxi* with the artists because there were many other artists who could supply them with the same type of artwork. If the price was not right the gallery could purchase from another artist due to the excess of supply. All of these galleries sold traditional Chinese paintings in Liulichang. Zhang Chao explained,

*“I don't give anything because if you think about it there are quite a lot of artists that can be called on. So, if I don't think much of this person then I can go and look at the next one. ...If you don't have what I want I can still consider other people. I don't need to go through this kind of gift exchange to establish guanxi. Then the artists will also be like this. ...It's not*

*necessary for me to insist that guanxi is established with you” (2010, para.273).*

Yu Hao explained that this was different to other industries where there was intense competition among buyers for the same or a small number of suppliers. In those situations the buyer might give the supplier a large gift in order to secure distribution rights.

These comments contrasted with Yu Wei, who also sold traditional Chinese paintings at Liulichang but had a core set of artists that he continued to sell. He explained that the person who was most in need of the cooperation was the most likely to give gifts. He felt that he needed the artists more than they needed him. He explained,

*“After all, in the end it is still business guanxi. The person seeking the cooperation relies on the artist to earn money. ...if he doesn't have the artist then he is unable to earn money. He relies on him in this area. ...gifts are often given by the person seeking cooperation” (2010, para.423).*

Of the high earning galleries there was only one that did not give and receive gifts with the artists. Wang Qing explained that he did not do this because he felt it was possible to take advantage of the artists. Many art dealers wanted to establish *guanxi* with them but he believed it was not sincere. If the artist liked antiques art dealers would buy old items for them. 3,000 to 5,000 RMB might be spent on that gift. Then when the art dealer bought artwork, the artist would reduce the price, for example, from 50,000 to 20,000 RMB. In regards to this he said,

*“You think it's good. It's no good at all. ...I have never wanted artists to give me things. I have never asked. Sometimes people say, I will do an exhibition. Give me three paintings. Why should I do that? When talking about the requirements I have never needed that. ...I do an exhibition. A big exhibition and spend a lot of money. I don't need the artists to give [paintings] to me. Completely don't need that. All you have to do is paint the paintings well. You have nothing to be sorry for and everything will be good with me” (2010, para.1005).*

### 5.6.3.2 *Gift Giving: Developing Guanxi*

#### *Chinese Festivals and Celebrations*

As the relationship developed the most opportune time for giving gifts was at festivals and celebrations. For Chinese New Year, typical gifts that galleries gave included cigarettes, alcohol, arts and crafts, paintings or decorations. Other galleries gave more specialised gifts such as ink, paper, paint brushes and stone inkwells. For weddings galleries gave artists red envelopes containing money. Gifts were also given on other celebrations like Mid Autumn Festival, artists' birthdays and the 100 day celebration of an artist's child.

Gifts were given on these occasions as an indication of friendship, continued cooperation and the desire to develop *guanxi*. Some galleries felt that by the development stage their *guanxi* with the artists had become close. Zhang Shuyi explained why giving gifts showed her friendship towards the artists:

*“When you've reached the second stage of giving gifts, then it's not the same. That is, you are very good friends. We approve of each other. Also want to give some gifts that are kind of from the heart. Celebrate the Chinese New Year, celebrate festivals, this kind of thing”* (2010, para.297).

As *guanxi* was developing, artists also gave galleries gifts for Chinese celebrations and festivals. These gifts were very similar to what galleries gave on these occasions: moon cakes and apples for Mid Autumn Festival and cigarettes, alcohol and small paintings for Chinese New Year. Artists also gave money to gallery owners or important artists on their weddings. The amount given was dependent on the closeness of the relationship or on how important the artist felt that person was to them. Artists gave these gifts to galleries they felt they had good *guanxi* with as a sign of goodwill. Paintings were seen to be very suitable gifts as the reason the gallery had been interested in them in the first place was because of their artwork.

#### *Desire for Continued Cooperation*

Galleries also gave gifts to artists as the relationship developed as a way of indicating their desire for continued cooperation. As well as the traditional celebratory presents, other gifts such as tea leaves or published books of the artists'

work were given. These were in turn passed onto the artist's friends and acquaintances. Other art dealers like Liu Qi also tried to find out what the preferences of the artist were. If artists mentioned that they liked something, she would make a mental note of it and gift it to them the following time they met. She explained that the gifts improved *liyi* which in turn improved cooperation.

Artists were more likely to give galleries gifts to show that they wanted continued cooperation. Wu Min a gallery owner at 798 explained that after cooperation had taken place artists would start to give her small gifts such as specialties from their hometown. Although these were not expensive they were still an indication of a hope that the gallery would continue to help them in the future. Wu Min remarked, “*Needless to say I do give them gifts. They give me gifts too, but in general it’s them that give me gifts. They all hope that I can help them*” (2010, para.170). At a later point in her interview she also mentioned that artists also gave her paintings for the same reason. They all hoped to receive her help.

This giving of gifts in exchange for help was connected to *renqing*. Through the giving of gifts *ganqing* increased and if a favour was needed at a future point the gallery might be able to provide it. If not, it could be left there as a resource. In discussing with an artist the gift giving that took place in Li Qiang’s gallery, Wang Meizhen, who also exhibited artwork there explained,

*“If you give him something, maybe a print, it’s nothing too expensive. Then afterwards, ganqing is slowly being fostered. If you need to use it then you can. If you don’t need to you can just leave it there. This is the way that Chinese people deal with an area of renji guanxi. Most of the time exchange ganqing”* (2011, para.49).

This was in reference to Songzhuang’s top tier artists giving Li Qiang gifts of prints. The favours asked of Li Qiang could have been for numerous reason from cooperation through to personal as his father was a government official.

### ***Appreciation and Friendship***

Artists also gave gifts as a way of showing their gratefulness to galleries and other people in the industry for their help. Small gifts were given such as calligraphy or paintings if the help had been important to the artist. When galleries or friends

referred customers to the artists in Songzhuang there was an unspoken rule that ten to twenty percent commission would be given to the helper. Sometimes the helper did not accept the commission. In these instances the artist gave them one or more of their better paintings. Both the giving of money or paintings was used to thank the other person for their help.

In another situation, the artist Du Shui described a time when he had gained help from a friend by becoming acquainted with a gallery owner resulting in him being able to hold an exhibition. He felt that it was necessary to give that friend a gift, otherwise he would have received the favour in an undeserving manner. It was a matter of personal conduct. It did not matter what stage their *guanxi* was at. It was still necessary to give a gift. He explained, “*It doesn’t matter whether you know each other or not, whether you are well acquainted or not it must be done like this. ...If you are to handle a matter then you must use this kind of method*” (2011, para.454).

Gifts were also given as an indication of friendship as *guanxi* developed. Guo Wen, a struggling art dealer with a gallery at 798 mentioned that artists gave him gifts if they noticed that he needed something around the place. He explained that it was not the type of gift giving that occurred when people were trying to *la guanxi*. The gifts were not expensive and were “*...an expression of kindness, a kind of friendship*” (2010, para.1163).

#### *Desire to Avoid Gift Giving*

Some galleries expressed a desire not to give gifts on these celebrations and festivals but they continued to do so because it was a tradition in China and “*...all Chinese people do it*” (Liu Yang, 2010, para.427). Jiang Xinhua described how she felt,

*“You still have to do it because it’s a tradition in China. You can’t avoid it. If you go to a friend’s wedding you must give a red envelope. When you get married you also hope that everyone will give you a red envelope in the same way. ...This is a custom, a tradition”* (2010, para.388).

Even though Jiang Xinhua gave gifts to artists on traditional celebrations she explained that giving practical help was more important. Helping the artist to sell

or promote their work was more meaningful. However, she still gave gifts on those celebrations because other people thought it was important.

### **5.6.3.3 Gift Giving: Consolidated Guanxi**

If an art dealer's and artist's *guanxi* reached the consolidated level and they continued to give gifts it was likely to be mutual or reciprocal. Take Yu Wei for instance. He would buy things that catered to the artist's tastes such as professional art supplies. Brushes, paper, ink and ink stone were always popular gifts. In addition Yu Wei would extend his gift giving to the artist's family, like to the artist's wife and child. He explained that when he had consolidated *guanxi* he gave gifts according to *lishangwanglai*, which also included reciprocal giving. For him it was part of a process, *"If development slowly takes place and you think that there is good mutual development of business. Only after both people are receiving mutual benefits will the mutual exchange of gifts occur"* (2010, para.218). Later on in his discussions Yu Wei again mentioned that artists gave him gifts because he had helped them earn money. He explained,

*"After establishing a certain kind of guanxi, it will develop into the situation where gifts are exchanged. Then, it's just like what I said, I help you to earn money, then you give me something. There is the possibility that it's money, it could also possibly be a painting"* (2010, para.323).

At this stage galleries also gave artists gifts to maintain the relationship even if cooperation was not currently taking place. The relationship had already developed but the gallery was not willing to let it go. An Ding described how a gallery had cooperated with him in the past but was currently unable to do so.

*"Two years ago he was selling my artwork but now the market isn't that good. Although he isn't selling my work, he still isn't willing to give up on this kind of guanxi. Then he uses this method of giving gifts to come and see me, to keep in contact"* (2010, para.221).

At the same time, some galleries took a more casual approach to gift giving at the consolidated stage of the relationship. Zhang Shuyi who paid careful attention to giving gifts at Chinese festivals during the development stage did not once *guanxi* was consolidated. She commented,

*“I probably wouldn’t bother when it’s reached the point of consolidated guanxi. That is, you have already established really good guanxi. Afterwards, it probably doesn’t really matter. If it comes to mind then I give [a gift], if it doesn’t come to mind then I won’t give it. Sometimes we just eat a meal, if there’s no time then we won’t eat”* (2010, para.273).

### ***Sign of Appreciation***

At the consolidated stage artists also gave gifts to galleries as a sign of respect and appreciation for all the work that had been done for them. The artist was aware of the outcomes of the gallery's efforts and some had become successful or even famous. In those cases the artists sometimes gave gifts of screen prints, woodblock prints or paintings. Other less expensive gifts included food specialities and clothing from the artists’ home regions. Tang Juan explained that after an exhibition the artists often bought an expensive cake to share with the gallery. She said,

*“We can all enjoy it and share his happiness. He also expresses his thanks. That is after the opening exhibition. The opening exhibition was very successful. So in order to express his gratefulness to everyone, to so many people who worked so hard for his exhibition. [He] will give them gifts. That is the third stage, consolidated stage”* (2010, para.215).

Art dealers that received gifts from artists after their exhibition all said they knew it was to express thankfulness for all they had done.

### ***5.6.3.4 Gift Giving: Importance as Guanxi Develops***

Galleries and artists both felt that gift giving influenced *guanxi* development the most in the initiation and development stages. The majority of the family/co-op galleries felt that the initiation stage was the most important for giving gifts. Starting up a new conversation could be awkward but bringing a gift was a way to break the ice. Yu Wei explained,

*“At the beginning stage then the best way, the simplest most effective method of contact is to give a little gift, because, when becoming acquainted with someone if you directly strike up a conversation it feels*



*very stiff. If you bring along some small gifts when getting to know someone, the effects will be a bit better” (2010, para.337).*

Moreover all family/co-op galleries felt that once *ganqing* had developed gift giving was not so important. Good friends would be able to understand if they were busy as long as they treated the other person sincerely. Liu Qi explained, *“Once becoming good friends there isn’t really much need to consider this issue. ...things can be any way you prefer them to be. It’s like this for me” (2010, para.100).* Zhang Shuyi also explained that once the relationship was at the consolidated stage then, *“When it comes to mind you can do it like this. If you forget then it doesn’t matter. But one still has to do things from the heart. But you just get so busy you forget. Friends won’t hold that against you” (2010, para.287).*

One artist even commented that when she had a strong friendship with another person she felt it was not necessary to give gifts at all providing she was a reliable person to her friends. She quoted the Chinese proverb, *The friendship of gentlemen is as pure as water (2011, para.707)* in reference to trying to avoid *liyi* in relationships with close friends. She equated giving gifts with *liyi*. Others explained that when *guanxi* was consolidated avoiding gift giving would not affect business but it was still better to give than not to. *“But if you were to give, then that is better than not giving. ...you can establish even deeper xinren guanxi. That is to say, giving gifts is still better than not giving them” (2010, para.435).*

#### **5.6.3.5 Gift Giving: Obligation and Ganqing**

##### ***Obligation versus Ganqing***

Galleries did not try to create a feeling of obligation with the artists. Rather they were willing to give them small gifts as an indication of friendship. The foundation of the relationship was still classified as business *guanxi* so they felt the obligation to give did not exist. The gifts were small, usually edible and nothing that could create a sense of obligation. When Liu Yang was asked if he felt obligated he said, *“You know, it’s just as a friend. Nothing about business, nothing commercial. I don’t want to give them any pressure. That’s unfair, uncomfortable” (2010, para.479).* Galleries felt that if they wanted to give they could, if they did not want to then they did not have to.

Artists also did not feel obligation towards galleries that had given them gifts. An Ding explained that galleries only gave him small gifts so he did not feel pressured to give anything large in return. However, if artists did reciprocate then it was better for the relationship. Yu Wei said, *“It can only make the guanxi of both parties even better. But not giving gifts is ok. That is to say this mutual giving of gifts can’t be counted as obligation. So it should also be counted as willingness”* (2010, para.427). An Ding explained that giving gifts established *guanxi*, to communicate *ganqing*. This custom differed greatly to the foreign galleries he dealt with. He remarked,

*“It seems as though this area of ganqing is somewhat less with foreign galleries. They look at it as work, a kind of cooperative work between us. It is a work guanxi. We very seldom eat a meal together, do anything together, nothing at all. Domestic galleries really pay attention to having good guanxi, eating and drinking together, giving you gifts, it’s a habit in China”* (2011, para.265).

### ***Reciprocity***

Even though respondents all said that they did not feel obligated to mutually give and receive gifts, reciprocation was seen as a necessary aspect of good personal conduct. The reciprocation of gifts did not necessarily need to be a gift. Guo Junshan explained,

*“People often give me a gift. I really appreciate it. Then I’ll give them one of my paintings in return, in exchange with them. It depends on the gift. Or I can buy them dinner. There are a lot of ways. It doesn’t have to be a gift in return”* (2011, para.600).

To not give anything in return was seen as impolite and the artist would feel embarrassed particularly when two people had consolidated *guanxi*. Su Xing described the time a friend gave him a number of gifts for Mid Autumn Festival including foreign cigarettes, dried fish and an expensive type of honey. In return he gave his friend a small traditional painting, famous Beijing moon cakes and two ceramic bottles he had painted. He was afraid of appearing impolite.

### *Ganqing*

Of the galleries and artists interviewed it was the latter that was most likely to give gifts as a way of building friendship and *ganqing*. Even so, if art dealers had been abroad they would bring back local produce from that country or alcohol from the duty free store. They also gave artists local products or specialities from different Chinese regions they had visited. Artists explained that these small gifts did develop *ganqing* as they were touched by the art dealer's thoughtfulness. Lin Sen, an artist who received gifts from domestic and international galleries that visited him explained,

*"I think that gifts are a kind of an expression of the heart. I think that giving a gift is the same as saying that I, mm, a kind of feeling, it is an expression of feelings. For example, they go overseas, he also brings back a bottle of alcohol to give you to drink. ...You see, feelings, that is, when you have good guanxi this kind of thing will happen"* (2011, para.187).

Artists on the other hand used a variety of gift giving methods to create this *ganqing*. Lin Sen always brought back specialty tea from his hometown and gave it to the galleries he had good *guanxi* with. The artist Guo Junshan gifted people who helped him sell artwork with small paintings, even though it was not necessary, because he cared about *ganqing* and wanted to maintain long-term *guanxi*.

This process of giving gifts was referred to as an exchange of *ganqing*. In relation to giving money at weddings Su Xing remarked, "*Chinese guanxi, you know that guanxi, don't you have to exchange ganqing? It can only be made better if you exchange ganqing. Otherwise where does your guanxi come from? How will your guanxi come together?"*" (2011, para.549). His comments showed a direct link between developing *guanxi* through *ganqing*. Moreover it was through the tangible exchange of gifts, in this instance exchanging money at a wedding, that the intangible feature of *ganqing* existed. "Exchange of *ganqing*" was a reference to the money that was given at the wedding.

The artist Du Shui also explained that the gift was in itself *ganqing*. When describing the types of gifts that customers and collectors gave him he said, "*What is this little gift equivalent to? It might be a lighter, he might come with a gift that*

*is a local specialty, a big gift, like this, very small, very small, it is ganqing*” (2011, para.320). He did not say that it represented *ganqing* or that it built *ganqing*. Rather he used the wording *it is ganqing*. At a later point in the same interview he explained that his friendship was contained within the gift which was able to be transferred into *ganqing*. This was also the case for small gifts. He explained, “*It must increase ganqing, because this is friendship. My friendship towards you is contained within the [cigarette] lighter that I gave you, because of it ganqing is still able to increase*” (2011, para.460). The gift in itself had an intangible meaning.

This concept was originally discussed by early anthropologist Mauss, when examining the concept of *hau* in gift giving among Maori people. He remarked, “*The hau contains part of the giver. The giver goes with the gift. It follows the person until the gift is returned*” (1990, p. 11). Gift giving between galleries and artists was not so formally bound as gift giving in other areas of society. However, the concept of the feeling of the giver being contained within the gift may still apply. This may be the reason that a tangible gift was able to develop *ganqing* which was an intangible feature. The feeling of the giver was transferred through the gift which resulted in the feeling also increasing in the other person.

### ***Negative Effects of Inappropriate Giving***

Gift giving could have adverse effects on *ganqing* if given inappropriately. Among the private galleries that did not give gifts, Zhang Chao commented that if a gift was given unexpectedly when he was already acquainted with an artist then it would make him feel uncomfortable. Jin Mei explained that this was because the artist would suspect the gallery of having an ulterior motive. She commented, “*In China if people aren't celebrating some Memorial Day and then inexplicably I give you a gift, he will be nervous. This includes with personal guanxi. He thinks, what are you doing giving me a gift? Then he won't understand this logic*” (2010, para.499). In that type of situation the artist would think about the return that was expected in the future. The increase of *ganqing* would be minimal, reduced due to the anticipation of what needed to be done in the future.

The reason *ganqing* did not increase so much was because of the existence of perceived *liyi* that entered into the relationship when gifts were given with an

ulterior motive. Zheng Jun, from a family/co-op, and his wife Jin Hua discussed this issue. When Zheng Jun mentioned that his *ganqing* increased through gift giving his wife interrupted:

*“Jin Hua: If a person gives me a gift and its purpose is extremely clear then our guanxi won't become good because of this.*

*Zheng Jun: Because just now I was talking about giving him gifts under circumstances where there wasn't any obvious liyi.*

*Jin Hua: I'll give an example, originally everyone in this gallery all knew each other. So some people because everyone's guanxi is that they know each other, so then some people will ask me to do something for them. They need to go and see the doctor so they invite me out for a meal or give me something. Zhang Wei also gave me something. I don't think that things are good with [me and] him because of this. That we get on even better, that I have taken another step forward with him. It isn't like this. I would rather he came and said a few words to me than gave me something”* (2010, para.1601-1605).

It was necessary for gift giving to appear natural and without intent. If it was not then *guanxi* could be damaged. Chen Pi explained that often when eating a meal he and his friends would share cigarettes. He would not forcibly give his friends a packet. Rather he would wait until a friend had run out then would pass some over. If he did it without intent his friends could accept it. If it was deliberate they could not. He explained,

*“I will give it to him, without intent. This isn't deliberate giving. If you do it deliberately ...If we do it like that then our guanxi will get all messed up. There's no need to go and do things deliberately. Moreover, it should be natural”* (2011, para.645).

#### **5.6.3.6 Giving as a Transaction**

A widespread phenomenon with most galleries in China was that they expected artists to give them expensive paintings in exchange for the help they had given them in putting on an exhibition. Jin Mei, the sales manager of a gallery in 798 explained,

*“This is because when we are cooperating well we discuss things clearly. For example, if we want one piece of artwork to be left behind or something. So that is to say, this is counted as something that has been properly discussed. This could also be counted as a gift” (2010, para.497).*

However, often artists did not know a gallery’s ability prior to the first exhibition. If the artist gifted artwork and no sales were made they stood to lose. One artist reported that a gallery asked him for three paintings with a total value of 60,000 RMB. These galleries also charged a minimum of 50% in commission if other paintings were sold. The French artist Maxime Dupont was surprised by this convention when he first arrived in China. If discussions took place prior to the exhibition he would only agree to gift artwork if the exhibition was well organized. If he was not approached until after the exhibition he refused to gift artwork and would not cooperate with them again.

Wang Meizhen explained that this phenomenon began in 2008. Up until 2007 there was a boom in the contemporary art market and many artists were signed on by galleries. After the economic crisis hit they were no longer making a profit. In order to survive curators asked for paintings to be given before exhibitions took place. In that way, if they did not sell any paintings they could still earn money from the remaining artwork that had been given. Artists also explained that financially strong galleries did not adopt this habit but still relied on the quality of artwork to make a profit.

Artwork exchanged for free exhibition space also occurred frequently at art fairs with the manager. Sometimes the manager told artists they wanted paintings prior to the fair and if they did not artists voluntarily gave them to him or her. The artist Xu Zhong explained how an art fair manager had given him a free booth without prior discussion on giving gifts. In return Xu Zhong gave him one painting, two boxes of cigarettes (worth 1,000 RMB) and coffee (worth 1,000 RMB). The cigarettes and coffee had been given to Xu Zhong by his niece so the cost for him was low. Xu Zhong explained that if these gifts were not given he would lose this opportunity in the future as the manager would give free booths to someone else. He explained this was *renqing*. Another artist commented that by creating this type of exchange with a new art fair manager, *“He gets some benefits. I can also*

get some benefits. Everyone gets some benefits. Then we become friends. Isn't that right?" (Su Xing, 2011, para.519). This differed from the curator's exchange of paintings for exhibition space as there was *renqing* – the presence of utility and sentiment.

## 5.6.4 Building Guanxi: The Giving of Help

### 5.6.4.1 Methods of Help

From discussions it could be seen that galleries gave more help to artists than artists did for them. Artists on the other hand helped fellow artists out in numerous ways (see Table 5.7 below).

**Table 5.7 Types of Help Given by Galleries and Artists (Author's Research)**

Galleries Helping Artists		Artists Helping Artists	
Selling Artwork	Customer base; Finding new customers; Financial ability; Buying directly from artist	Recommend Other Artists	To curators organising an exhibition; To galleries looking for new artists; Art dealers visiting Songzhuang; To collectors visiting Songzhuang
Promoting Artwork	Lowering commission; Introducing collectors; Increase value of paintings; Understanding artistic style	Resources	Giving art supplies; Sharing art supplies that were not available to buy; Introduce to art association leaders
Housing	Providing residencies for overseas artists; Loaning money for rent; Rent studios on behalf of domestic artists; Encouraging artists to buy a house after buying their artwork	Housing	Successful artists rented studios cheaply to friends; Notifying friends of cheap housing when it became available; Repairing damages to housing
Financial Assistance	Loaning money until artwork has sold; Buying artwork directly – not waiting to sell it; Providing art supplies to produce work	Financial	Buying artwork from struggling artist; Selling artwork; Inviting friends for meals who did not have enough to eat; Loaning money to friends;
Advice	Market advice on how to improve artwork; Sharing ideas; Recommend joining art associations;	Information	Sharing ideas on art techniques; On how to sell artwork; Joining art associations; Procedures on gaining

	Advice on how to sell artwork to make the most money; Emotional advice		temporary resident permits; On how to run a business
Career Opportunity	Help artists to go abroad; Suggest exhibitions;	Promotion	Recommending other artists by word of mouth;
Daily Life	Learning to drive; Chauffeur artists without a car; Look after artist's children	Daily Life	Warm clothes for winter; Helping look after children; Organise weddings; Finding blind dates; Helping friends move house

### *Selling and Promoting Artwork*

The most common way galleries provided help to artists was through the sale and promotion of artwork. From the artists' point of view, if galleries sold their work then they were able to focus on their art rather than finding buyers. Galleries had resources that they did not have such as financing, a strong customer base and central locations that benefitted sales. Some galleries, like Liu Qi's, were even willing to introduce their *guanxi* networks to the artists to help them sell their work. Liu Qi explained that by doing this she was able to produce *liyi* for the artists through getting to know customers. Galleries were also able to help artists through the promotion of their work. They could focus more specifically on one artist by introducing them to more customers and adjusting the pricing by lowering their own commission. They also helped them access other promotional exhibitions outside of the scope of the gallery's operations.

In general, whatever was of help to the artists also helped the gallery to earn money. One 798 gallery owner explained that when he sold work it was like a repayment (*huibao*) for all the work that had been done in the exhibition. Guo Wen made the following remark about a solo exhibition he put a lot of time and effort into, "I gave him this kind of help. Mm, looking back on it now, this kind of help had a repayment (*huibao*), because two paintings were sold" (2010, para.1399). However, as this type of help was based on mutual benefit, *liyi*, some galleries felt it was not a pure type of help.

The possibility of the relationship developing was reliant on the gallery's ability to sell the artist's work. Huang Lijuan explained that before sales she had ordinary



*guanxi* with the artists. If she sold their work their *guanxi* became closer. Even so, she was unable to control this process as it was the customer that selected the work. If they did not buy it then her *guanxi* with the artist would remain the same as it had before she tried to sell their work. For her, selling the artist's work was the most important method she used of maintaining *guanxi* with them. She commented, "*The most important thing is that you help them sell paintings. ... every artist is like this, he is like this with every gallery and with every cooperation*" (2010, para.89).

### *Other Forms of Assistance*

Although most Chinese galleries did not directly provide living accommodation for artists some were able to help financially. Of all the interviews there were only four cases where full accommodation was provided by the galleries. One was as part of a residency program, another for an admired artist who could not afford accommodation and two were to support young emerging artists. Three out of the four cases were private international galleries. Tang Juan explained,

*"Like some young artists, when it's at the earliest stages, mm, conditions are quite tough, maybe, ah, they don't have a place to live, or, don't have a studio. The gallery will provide the money and rent a studio to give to the artists. Even when times are difficult, provide some living expenses"* (2010, para.73).

The most common method of assistance was loaning money to the artist. This came in the form of interest free loans that were paid off after the artist's work had sold. The galleries viewed this as an investment in the artist. Most galleries that did this trusted the artist and felt that there was mutual understanding and good *guanxi* between them. Galleries also gave artists advice and encouragement on market trends and on how the artists could improve their art. In order to help with the artist's career galleries would also tell them what could be done to promote them further such as joining what type of art association. Galleries also acted as a sounding board for artists' emotional or personal problems. However, this was most likely to occur once *guanxi* was well established. In addition, for galleries that were financially unstable giving advice and encouragement was their only method of help outside of selling the artist's work.

Galleries also tried to provide the types of help that would be beneficial to the artists' long term careers. Sometimes there were opportunities for the artists to work abroad. In these cases galleries would help them go through the procedures to get visas. They felt that these opportunities provided a good creative platform for the artists. Some also helped artists gain entrance to further study including a PhD in Fine Arts. In other cases art organisations offered artists all expenses paid trips where they were able to paint from life. At the end of the trip there was often an exhibition.

Help was also given to artists in areas of their daily life. In one instance a gallery helped an artist without a driver's license attend driving school. Another artist's family was chauffeured by the gallery when they came into town. Huang Lijuan and Yu Wei also helped a number of artists deal with family problems when they had the ability to do so. If their children needed looking after Huang Lijuan would help them out until the problems were solved. She would also give them items that could be used in everyday life. She commented about artists' ability to solve problems, "*A lot of artists might be very talented at creative painting, but they are quite poor at dealing with a lot of trivial matters in life*" (2010, para.75). Ye Wen also cleaned the house of one artist who had mental health problems.

### *Avoiding Help*

There were a number of private Chinese galleries that did not help artists aside from purchasing their artwork. These were the galleries that did not give gifts or eat meals with the artists. Hu Yao explained that the only help she gave to artists was buying their paintings. She would purchase their paintings first and then sell them in her gallery. It was a simple exchange of money for paintings. She explained that by buying their paintings they were being looked after. So, she did not need to do anything else.

### *5.6.4.2 Help: Importance as Guanxi Develops*

During the initiation period of the relationship some galleries explained that the only help they were able to offer the artists was business related as they had not reached a period of mutual understanding. Paintings could be sold, recommendations made to customers and exhibitions held. After a period of time the gallery could then offer other types of help that were more personal in nature.

Huang Lijuan explained, “[We] go through a period of getting to know each other. After everyone has become mutually acquainted, maybe under circumstances where he will xinren me, then I will probably give him some help” (2010, para.111). She explained that prior to that the artists only discussed their good points with her. Without their vulnerability she was unable to help them.

However, others explained it was not so much having a stage of importance but rather the method of asking for a favour was different as the relationship progressed. At the beginning stages artists felt too embarrassed to ask the gallery directly for help. To deal with this they would arrange to eat a meal with the gallery owner or go and talk to him or her face to face. Zhang Shuyi explained how this changed as the relationship progressed, “Then consolidated *guanxi* ...there is probably a lot more trouble saved. You can just give me a phone call, tell me however much you need and I will probably loan it to you” (2010, para.331). However, she also felt that there were limitations to how many people she could help. Zhang Shuyi would immediately help those with friendship *guanxi* but took time to consider the case of those she was less intimate with.

The reason help was more readily given at the consolidated stage was because the proportion of *ganqing* to *liyi* was more than at the initiation and development period of *guanxi*. Like Zhang Shuyi, Liu Qi also carefully considered the costs associated with helping someone she did not have consolidated *guanxi* with. If the relationship did become consolidated she would do everything in her power to help that person. The most important reason for this was because of their *ganqing*. Liu Qi commented,

*“At that time it feels like it’s not only because of Liyi. It’s because ganqing is so deep and the friendship is so close. Then it will basically be like “Okay, not a problem” and I will try every possible means to make it all ok. Certainly, as to something very difficult, it is still understandable if the other side can’t do it simply because it’s something that can’t be done. If it can be done, I will definitely do it. At that time it is not the same as at the beginning. In the beginning even if you can do it, you will still think whether to do it for him or not”* (2010, para.234).

Even though the relationships between galleries and artists was based on *liyi*, all galleries said that if mutual help was given then it would increase *ganqing*. Xia Jun explained that even though his relationships with artists contained *liyi* he would welcome their help. He remarked, “*Of course I would be very happy. Then our cooperation would also be happier. The cooperation afterwards would also be a bit smoother. The mutual ganqing between both of us would be somewhat deeper*” (2010, para.267).

When galleries discussed how they offered other types of help they explained that it mostly occurred when their *guanxi* was developing or already consolidated. When Jin Mei talked about how sometimes the gallery owner gave financial assistance to artists, she clarified that this only happened once they had strong friendship *guanxi*. Others also mentioned that this only happened when there was *xinren*. At the consolidated stage the demands could be higher as long as there was mutual benefit for all. The favours asked for at the earlier stages were smaller and easy to accomplish.

Although help was more readily given at the consolidated stage, if it was provided when *guanxi* was developing it could help consolidate it. Yu Wei explained, “*It would definitely make it stronger. ... This will definitely become stronger. Anyhow when there are even more dealings it will become more intimate*” (2010, para.437). Wang Qing also used the provision of help to artists as a way of building *ganqing* at the earlier stages of the relationship. At that time the artists did not have anything. They were poor and so his help was much more meaningful than when they were successful. He remarked, “*When there is the most adversity, when they don't have anything at all, build your ganqing*” (2010, para.565).

#### ***Giving Help and its Connection to Xinren***

Mutual assistance developed *xinren* and also occurred because of its existence. If two people mutually helped each other then the feeling of *xinren* occurred more quickly. Yu Wei commented, “*If among friends there is mutual help then the feeling of xinren will be established a bit quicker*” (2010, para.539). If people were able to provide mutual help then it improved the *xinren* in business *guanxi* as it was an indication of moral character.

Galleries found that they were only able to help artists at a personal level after they had *xinren*. At that point artists exposed their vulnerabilities which helped the gallery to identify what area of help was needed. On having consolidated *guanxi* and *xinren* Zhang Shuyi remarked,

*“That is to say, if you both have xinren. Guanxi is really consolidated, everyone all has xinren, whenever you have some kind of matter you can come any time and find me, it’s all ok. This is the reason why China focuses so much on renqing guanxi”* (2010, para.215).

The gallery owner Wang Qing explained that for him mutual help was the most important way of building trust with the artists. Through it he had been able to secure the exclusive cooperation with a core group of eight artists even though larger galleries were entering the market and trying to secure contracts with them. In the early 1990s Wang Qing had selected eight artists whom he felt had great potential, sold his four houses in Taiwan and put all of his money into supporting them. Two or three years into their cooperation the largest Taiwanese gallery also wanted to sign contracts with five or Six of Wang Qing’s best. The artists decided to wait until Wang Qing came to China to discuss the matter with him.

He explained to the artists that as the large gallery was buying so many different artists’ works, even though the immediate financial gains were higher it did not mean the gallery would cooperate with them indefinitely. In addition, the person they were dealing with in China was not the owner of the gallery but rather a middleman. They did not have *ganqing* with the owner and so he would be able to turn them down anytime he pleased. Wang Qing then continued to give these artists examples of Taiwanese companies that came in with a lot of money, signed contracts and then when costs were not covered they withdrew. The contract did not have any meaning. Or, they would sign a contract for three years and then at the end of that period the gallery would not resign the contract with them. The artists decided to stay with Wang Qing and not sell their work to the Taiwanese gallery. Some of their friends did sign contracts with the Taiwanese gallery and like Wang Qing predicted their contracts were not renewed.

### *Giving Help, Renqing and Reciprocity*

If mutual help was seen as important for building *ganqing* and *xinren* then what type of help did artists give galleries? From the examples of types of help given it could be seen that galleries gave artists help and artists gave artists help but there was very little evidence of artists giving galleries help. The only direct help that artists gave galleries was introducing other artists to them and gifting artwork that they could use to *la guanxi*. When galleries had pre-existing *guanxi* with the artist, that relationship displayed characteristics of mutual help. These types were particularly evident in the family/co-op type of gallery, or in the closed or passive model of supply as was discussed earlier. People in these types of relationships already followed the *renqing* principles.

Due to following the *renqing* principles between friends, galleries felt obligated to help artists as friends due to their pre-existing *guanxi*. This created the feeling of obligation to help them. Zhang Shuyi, a family/co-op gallery, represented many artists who were friends of hers and her husband who was also an artist. As a result, when they asked for help she sometimes did not want to provide it but felt she had to. She commented, “*Sometimes I would really like to refuse, but, if there is renqing, I also want to help him give it a try. But if there isn’t this kind of renqing, possibly in this kind of situation I would directly refuse*” (2010, para.449).

The husband and wife Zheng Jun and Jin Hua who ran a cooperative gallery with other artists also felt to obliged to follow the principles of *renqing* and mutual help. Jin Hua explained,

*“Anyway, when cooperating with artists, for example he probably helped me before, so whatever problem he has I will also help him. If he has a problem then you must. If you don’t help him then you yourself will feel embarrassed, have this responsibility and obligation”* (2010, para.1669).

Most of the family/co-op galleries expressed the same type of obligation to all artists they cooperated with if they had pre-existing *guanxi*.

Running the gallery based on *renqing* also had negative effects on gallery operations. Galleries felt forced to assist artists whom they had close *guanxi* with even if the price was too high or the paintings of a lower quality. Nie et al. (2011)

also found that associated benefits with *guanxi* were reduced as the relationship became closer. Performance was damaged due to costs in delays, sustaining and over-embeddedness. In the galleries' cases it was not due to the development of *guanxi* after the relationship was initiated but rather the strength of it before business was conducted. Galleries were forced to abide by the *renqing* principle resulting in lower competitiveness due to poorer quality work or pricing that was too high.

Among galleries that did not have prior relationships the reciprocal responsibilities were different for both parties. Wang Qing explained that artists had a responsibility towards their artwork and he had the responsibility of supporting them. He described his expectations of the artists using the Chinese proverb *wish iron could turn into steel at once*, which means to set a high demand on somebody in the hope that he will improve. He had very high expectations of their artwork and likewise he reciprocated with high levels of support. He explained,

*"I also invest into the artists, like supporting them. That is to say, everyone is quite mutual. ...If you are not earnest why should I be obliged to you? Do you still help a bad child? ...If you are responsible to your art then I will be responsible for you. It should be like this, and then everyone is able to encourage each other. This is how things should be done. It should be called mutual support. (2010, para.3080).*

Others also discussed how important the artist's work was in helping their gallery develop. Tang Juan explained that the artists did not give her much direct help but their artwork and exhibitions could. She said, *"Of course, when they hold a very good exhibition, it gives the gallery a very good reputation, its effects can have an international influence"* (2010, para.331). Huang Lijuan also felt that the artists helped the reputation of her gallery when their artwork was of a high standard. She said, *"The artist's greatest help to me is exhibiting his exquisite artwork here. ... This is the greatest help. He takes his excellent work and puts it here with me. ...I am also very thankful to them, for their xinren in me"* (2010, para.115).

However, many galleries believed they provided more help than was returned. As a result they felt that the artist owed the gallery. In regards to the reciprocal principles of *renqing* Jin Mei explained,

*“If I help someone do an art exhibition this is an extremely large renqing, it’s very big, then something small cannot be used to make an exchange, then supposing it is like this, they will feel that there will be a certain difference in status”* (2010, para.473).

Jin Mei also explained that due to the number of artists in China it was difficult to secure exhibition space. There was too much competition. Therefore, putting on an exhibition was providing the artist with a favour. It is interesting to note that Wang Qing felt galleries and artists had mutual responsibilities and he also did not accept gifts of paintings from artists. Jin Mei’s gallery on the other hand did. Other galleries and artists also mentioned that it was the smaller, financially limited galleries that asked artists to give gifts in exchange for exhibitions. Due to their own limitations in making a profit, putting on an exhibition for artists was perceived as a greater sacrifice.

#### *Level of Importance between Banquets, Gifts and Favours*

Favours were considered more important than banquets and gifts in establishing reciprocity. Eating meals and giving gifts were seen as a method of opening up communication. Even so, it was not always necessary to talk over an issue at the dinner table. If on the other hand practical help was given it would make the other person feel as though it was necessary to return that help. In other words it was more important to develop reciprocity in the area of mutual help. According to Yu Wei, at the early stages of the relationship receiving help created the need to reciprocate. At the later stages one person may help more than the other as the relationship would be based on *ganqing* instead of the need to reciprocate. Yu Wei explained,

*“At the beginning stages mutual help seems to have more obligation. But as guanxi develops and after it has consolidated the ganqing between friends speeds up in development. Ganqing will be even better. At the very beginning other people’s mutual help will make you feel as though it is necessary to reciprocate or something. But later on, I think among friends*



*they won't say so much. That is, if I help you a bit more then it isn't really anything at all. If I help you a little less then it doesn't matter. After all people's ability is different"* (2010, para.447).

Artists also felt that help was the most important factor in solidifying their *guanxi*. Take the artist An Ding for instance. He felt that what made his *guanxi* with galleries increase the most was when they provided him with opportunities that greatly benefited him. He gave an example of a gallery getting his information published in a book called the *Beijing Art Guide* which was distributed in the most important State owned book stores throughout China. People that were not familiar with Songzhuang but were interested in buying art read this book and through it were able to locate artists. An Ding explained that this type of help was of huge benefit to promoting him as an artist. He remarked, "*So in this kind of situation, guanxi is able to be maintained for a long time. ... In business it's a kind of mutual help*" (2011, para.457).

### **5.6.5 Mianzi**

Although there are two terms for face in Chinese it was *mianzi* rather than *lian* that was used by participants to describe how cooperation was affected. *Mianzi* was described as having dignity whereas losing *mianzi* was the harm of that dignity. In discussions a word that kept appearing to describe *mianzi* was 'respect'. Galleries felt that when artists gave them *mianzi* it was a sign of respect, politeness and modesty. Artists likewise felt that the giving of *mianzi* was also a demonstration of that respect. Many galleries and artists downplayed the importance of *mianzi*. Even though a foreigner Maxime Dupont commented, "*It's a legend, I mean the mianzi and the face things. ... When you want to walk with someone, respect him*" (2011, para.888). Others made the following comments:

*"Actually it shows respect to other people"* (Liu Yang, 2010, para.978). *"We are very sensitive to people's feelings. You know, we don't need to work at it"* (Jane Armstrong, 2011, para.749). *"You have to respect each other and not fight with one another"* (Fan Guowen, 2011, para.766). *"No matter what, I have to respect the artist, um, because my job is to respect artists and make them feel that they have Mianzi wherever it is"* (Liu Qi, 2010, para.813). *"Relatively respectful"* (Zhang Shuyi, 2010, para.409). *"Losing mianzi means not respecting me,*

*because when I don't have any malice, or when I treat you sincerely, then that shows that you are not respecting me"* (Yang Shan, 2011, para.215).

Galleries and artists both commented that the importance of giving and saving *mianzi* was dependent on the individual they were dealing with. Galleries explained that some artists were more sensitive than others and had higher self-esteem and therefore more care needed to be taken to give them *mianzi*. Even so, this did not apply to all artists. The artist Lin Sen commented, "*The guanxi between every person is different, everyone's personality isn't the same. Take me for example, I don't really care*" (2011, para.424). On the other hand, some galleries explained that they themselves were afraid of losing *mianzi*. Yu Wei commented,

*"I really care about mianzi. I really care about what other people think of me. For example, when I should give a gift, and I haven't given a gift, I'm really afraid that other people will say I am stingy, say that I don't understand how to deal with people (renqingshigu)"* (2010, para.615).

It appeared as though the actions of *renqing* in *guanxi* relationships between galleries and artists were based on *mianzi* as opposed to *lian*. In Bedford's (2011) analysis of working *guanxi* he proposed that trust in *lian* was built by abiding by the repayment of favours in *renqing*. Although one aspect of trust was moral character, it was not referred to as being related to *renqing* but rather *pinzhi*<sup>14</sup> or *renpin* in business cooperation. It is most likely that these two terms were more closely connected to *lian* than the exchange of favours was. When respondents explained why they repaid favours or meals they generally used the word *mianzi* in their answers. Most explained that if they did not they would lose *mianzi*. When asked this question, Luo Hongwei provided an example of a situation where his friend had asked him for help in letting off firecrackers after a new building's foundations had been laid. He had promised to drive this man and his friends there. He said,

*"If I don't go then it's not right of me, no good. This is losing mianzi. This doesn't have any connection to lian. This is an issue to do with mianzi.*

---

<sup>14</sup> *Pinzhi* (品质) means: character, intrinsic quality, nature, disposition. *Renpin* (人品) means: moral standing, moral quality, character.

*This is something on the outside, doesn't have anything to do with our inner being. This is to do with outer actions” (2011, para.83).*

Luo Hongwei also explained that in the evening his friend would shout everyone a meal to thank them for their help. He explained that once again this was *mianzi*. If he did not he would lose *mianzi*. On the other hand, if someone's actions were seen to be wrong then it would be a matter of *lian*.

The two words were difficult for respondents to distinguish between but it was concluded that *mianzi* was an outer action related to behaviour whereas *lian* was inner and related to moral character. When people swore at each other it was the person's *lian* that was referred to not *mianzi*. Xia Ri explained,

*“If he doesn't have lian then its saying that his moral character is really terrible. If his moral character is bad then he doesn't have any lian.*

*Mianzi should be counted as a kind of behaviour...something that's on the outside. Lian is on the inside and includes your moral character, whether you are good or bad, whether your inherent being is good or bad” (2011, para.56).*

Lin Shan explained that if someone borrowed money and did not repay it long after he had promised to and avoided the person who lent him the money then this would be an issue of *lian*.

#### **5.6.5.1 Giving Mianzi**

##### ***Giving Others Mianzi***

Galleries gave *mianzi* in more ways than artists did to them (see Table 5.8).

Artists had a reputation of being a sensitive group of people and even they admitted that they needed more *mianzi* than other groups in society. The artist Lin Sen explained, *“Artists are a group of people that create culture. Groups of people that are involved in culture really need mianzi. They think that mianzi is something that has financial value” (2011, para.410).* Galleries were aware that artists desired *mianzi* and so they were willing to give it.

**Table 5.8 Different Methods of Giving Mianzi (Author's Research)**

<b>Methods Galleries Gave <i>Mianzi</i></b>	<b>Methods Artists Gave <i>Mianzi</i></b>
Show respect to the artist by giving them artistic responsibility. E.g. Give them full control of designing catalogue for their solo exhibitions	Show respect for the gallery in words. E.g. An artist newly introduced by the gallery's artist already knows its areas of influence and importance
Gallery introduces the artist to another person and praises their artistic ability; presents artist as the best in front of others	Artist pours the first glass of alcohol for the gallery owner. Gives <i>mianzi</i> if it's in front of other younger artists
Praise the artist's work	Make a toast to the other person – shows respect, politeness and modesty
When eating meals together saying good things about the artist	Believe in the ability of the gallery to make decisions on pricing etc. Trust their judgement
Dressing formally for an artist's opening exhibition	Praise the ability and direction of the gallery in front of dealer's friends
Listening carefully to artists in front of other people	
Respecting the artist's feelings	
Offering to buy the artist's work at a higher price	
Calling in on the artist when there are Chinese celebrations and festivals. Giving them gifts appropriate to the festival	
Attending other exhibitions where the artist was being exhibited	
Encourage artists with very high self esteems	
Telling artists they are the best	
When artists bring their friends for exhibitions the gallery personnel give them an enthusiastic and warm reception	
Paying the bill for the artist when eating a meal together	
Praise the artist's artwork in front of the customer and increase the speed of sale	
Recommend artist's work to be exhibited in special exhibitions. In front of a third person the artist has <i>mianzi</i>	
Drinking all the alcohol in the glass to make the other person happy	

From the examples shown in Table 5.8 above it is evident that there were two methods of giving *mianzi*. The first was to do with one's words and the second with one's actions. Galleries were able to give artists *mianzi* by praising them at meals, in their galleries or on special exhibitions. When two people cooperating together were talking by themselves there was no *mianzi* given. It always occurred when there was another person present.

“Actually, this *mianzi* issue, it is often only when there is a third party involved. Because when you are with the person you’re cooperating with, it’s really nothing at all. Most of the time *mianzi* is expressed when there’s a third person there” (Yu Wei, 2010, para.597).

When *mianzi* was given it was not always truthful. Artists and galleries both explained that they stretched the truth at times to give *mianzi*. When introducing an art dealer to their friends some artists would say the artwork they represented was popular and selling well when it was not. In another case one gallery owner praised an artist for a terrible meal in order to give them *mianzi*. Whether galleries and artists spoke truthfully or not they all agreed that other people should not be criticised or put down especially in front of other people. If nothing good could be said it was better to say nothing at all.

Galleries and artists also gave each other *mianzi* through their actions. These included: giving the artist exhibition planning responsibilities, dressing formally for exhibitions and important events, paying higher prices for artwork, giving gifts, paying for meals and following traditional drinking etiquette. Although both galleries and artists stated that *mianzi* did not have much of an effect on the aforementioned banquets, gift giving and favours, following certain etiquette did. Galleries explained that when artists poured their alcohol first before others it was a sign of respect. In addition, initiating a toast with them also gave them *mianzi*. On the other hand, artists commented that when galleries drank with them, paid for their meals and gave them gifts on Chinese festivals and celebrations they too were afforded *mianzi*.

Although not all galleries accompanied artists in drinking alcohol, those that did often expressed difficulty in needing to drink a large quantity in order to give the other person *mianzi*. In general, people did not drink on their own or as they pleased. It always occurred with another person or a group of people. One person would always make a toast to the other person. If agreed upon, both people did not drink the entire glass at once. However, if the term *ganbei* (bottoms up) was uttered then it was necessary for both people to drink the entire contents of the glass. Thus, *mianzi* was given to the other person. Xia Jun explained the difficulties he faced when drinking with artists,

*“When I’m with my artists, in order to express something to me he wants me to ‘ganbei’ (bottoms up) and drink the alcohol. I must give him mianzi. Even if I feel it’s painful I still have to drink. So then, bottoms up. After drinking all the alcohol I might feel as though I want to die, but in order to give him mianzi, to not let him look bad. Not let him lose mianzi. That is to say, I drink, harm myself in order to make the other person feel happy”* (2010, para.609).

Both galleries and artists said the giving of *mianzi* did not have much of an effect on their cooperation. However, when artists were praised by those around them it was encouraging, resulting in them wanting to work harder. Guo Junshan commented,

*“It can puff up my confidence. When people get together to drink tea, chat, eat and they mention your name, saying, “This guy paints very well”, that gives you mianzi. It gives you encouragement too. Then after this you’ll feel appreciated and proud of the praise people have given you so then you’ll work even harder towards your own goal, direction and to fulfil your own value”* (2011, para.513).

### ***Giving Self Mianzi***

Many artists discussed how they were able to give themselves *mianzi* which in turn provided them with financial and social benefits. They did this by increasing the appearance of their own success by paying for meals, associating with people of higher status (E.g. famous artists), increasing their *guanxi* networks, buying luxury cars, wearing nice watches, building expensive studios and flaunting their cash. When asked why Chinese people did this Gao Chao commented,

*“It’s in Chinese people’s bones to do this kind of flaunting, to buy a car, must buy a nice car, house, must live in a villa, whatever it is it must be good, then he feels like he’s really something to look at”* (2011, para.147).

The type of *mianzi* that occurred through flaunting material possessions was due to a comparison of self against others in society and in one’s circle of acquaintances. In Songzhuang there were top tier artists and critics that many wanted to associate with but were unable to due to their lack of artistic and

financial success. Li Qiang, who associated with those top tier artists and critics, explained that this was because of *mianzi*. Unless artists were able to give themselves *mianzi* by driving expensive cars and selling their paintings for high prices then they would never be able to associate together on that level. He remarked,

*“You can’t get into their circle unless you have the same living standards as them, you sell your paintings for one million per piece like they do. If you sell your paintings for one hundred thousand per piece you can never get in. Everyone drives [cars], but the difference is what kind of car you drive. The living standard is different. It’s hard for you to live it unless you really become someone like them you know”* (2010, para.158).

Because of this phenomenon artists would act in ways that were disproportionate to their ability. For example, paying for expensive meals or giving gifts beyond their means in order to get into that top tier circle. Su Xing explained how he had recently been invited to a famous artist’s wedding with whom he had only become a recent acquaintance. He gave the famous artist more money as a wedding gift than he would for a close friend. He used a Chinese saying *to make one’s face swell by slapping it in order to look imposing*, to describe his actions. He had to give more than was normally necessary to look more important than he really was to be accepted by the famous artist.

Su Xing explained that the reason he did this was to increase his reputation in the eyes of others which would bring benefit to him in the future when selling his artwork. If he had an exhibition he would then be able to invite that famous artist along. When others saw him there they would think that he was also successful. As a result, those who were less successful than him would also start inviting him out for meals and giving him gifts that he did not need to reciprocate. This is what Yan (2002) referred to as asymmetrical giving in a description of villagers giving gifts to cadres, an action that reinforced differentiated social classes. However, although in this instance the gift was not returned, the artists were able to improve their own social status through recognition by other people which in turn led to higher profit.

Song Bo also reported a similar situation where artists gave themselves *mianzi* resulting in increased painting sales. Some sold everything they had and used the money to build a nice studio and buy an expensive car. Customers would buy their artwork because they looked successful when in actual fact they were not. Another artist in Songzhuang also borrowed several hundred thousand RMB and put it in the boot of his car. When he picked up customers he would put their belongings in the boot so they could see the money. They also thought he was successful and based their purchasing decisions on his evident wealth.

### 5.6.5.2 *Loosing Mianzi: The Effects on Cooperation*

**Table 5.9 Methods of Losing Mianzi (Author’s Research)**

<b>Ways Galleries Made Artists Lose <i>Mianzi</i></b>	<b>Ways Artists Made Galleries Lose <i>Mianzi</i></b>
Criticising artwork (most galleries refrained from doing this)	Speaking disrespectfully in front of other people
Criticising the artist’s educational background (most galleries refrain from doing this)	Speaking badly of friends (and they hear about it later)
Not showing respect in front of others	Not fulfilling responsibilities – presenting a bad job to the customer
Bargaining too hard for a lower price in front of other people	Make fun of someone in front of other people
Telling other people that an artist’s work is no good (and still keep buying it themselves)	Not attending friend’s exhibitions
Cooperating with someone another artist recommended when that artist did not want cooperation to occur with them	When drinking alcohol not making a toast to people older than themselves
Talking about the artist’s bad points in front of other people	Giving gifts of high value in front of other people. E.g. money
Talk about the artist not earning money from not selling artwork	Artist says the price of artwork is wrong in front of the customer and the art dealer

Although the giving of *mianzi* was not seen as a major contributing factor to the success in cooperation between galleries and artists, the loss of it did have negative effects. Loss of *mianzi* usually occurred in the opposite way to how it was given. It involved speaking negatively of someone or disrespectful actions in the presence of others. When asked about the effects of loosing *mianzi*, Guo Junshan quoted the Chinese proverb, *Face is as important to man as the bark is to the tree* (2011, para.475). Some galleries refused to cooperate with artists who were likely to make them lose *mianzi* and would screen them out before cooperation took place. Liu Yang remarked, “*We are very careful in choosing*



*artists. I try to avoid these kinds of embarrassing situations. It never happens”* (2010, para.996).

Table 5.9 above shows some of the examples galleries and artists gave of losing *mianzi*. Once again, it was disrespectful speech or actions in front of another person that caused them to lose *mianzi*. If there were only two people involved generally *mianzi* was not lost. This situation could be seen in the purchase of artwork. If the art dealer’s price was too low when purchasing an artist’s work, the artist would generally not lose *mianzi*. He or she was simply able to refuse the sale. Conversely, *mianzi* was lost was when the art dealer haggled over a low price in front of a third party.

When *mianzi* was lost many galleries and artists tried to smooth things over and continued on with cooperation. When asked whether or not losing *mianzi* would destroy his *guanxi* with artists Li Qiang remarked, “*Well, maybe at the beginning. But in China there’s no such thing as friends forever or enemies forever. That means it’s impossible for us to be unfriendly forever. It changes over time*” (2010, para.168). Liu Qi described a situation when she was at a banquet and an artist made her lose *mianzi*. He was talking to the group while she was proposing a toast to a cadre next to her. The artist felt he had lost *mianzi* because she was not listening and yelled at her. As a result she also lost *mianzi*. To give it back she apologised to him in front of the group. Although she felt it affected their *guanxi* she had to deal with it because of future cooperation. She said, “*But when you consider the future liyi, you need to put mianzi aside for the moment. This is what is meant by ‘One step back makes the sea broader and the sky higher’, being magnanimous*” (2010, para.821). This was perceived as tolerance, open-mindedness and understanding. The artist Xu Shanshou also commented,

*“You can’t change your opinion of a person just because of one sentence. ...You should consider the direction of your relationship with this person as a whole; is it going downwards, is it staying the same, or is it going upwards? ...Another thing is understanding. ...Understanding comes at a price. ... If you did something wrong, I will try to understand you”* (2011, para.335).

There were, however, instances where galleries and artists reported the desire to end cooperation due to the effects of losing *mianzi*. Lin Sen commented, “*If someone loses mianzi, they will definitely be annoyed at you. Then naturally your guanxi will sour*” (2011, para.462). Feng Ye, who recently opened her own gallery, asked another artist to do a painting for one of her customers. He did not finish on time and the customer was not satisfied when he saw it. She had to redo the painting for him. What made her the angriest was that he laughed at her for paying him so much in front of another person. She commented, “*We are still friends but I would use him less in the future. You know, I wouldn’t xinren him as much as I did previously*” (2011, para.799). She also commented about this friend, “*Next time if I needed him, I would think very carefully and never go by ganqing again*” (2011, para.923).

**Table 5.10 Methods of Keeping or Protecting Mianzi (Author’s Research)**

<b>How Galleries Kept or Protected Artists’ Mianzi</b>	<b>How Artists Kept or Protected Galleries’ Mianzi</b>
Say that contact will be kept but it is not	Do not criticise or say negative things in front of other people
Make business decisions that are not logical due to friendship <i>guanxi</i> . E.g. Not lowering artwork’s price even though it is known it will not sell for that price	Say they will do something and then do not do it. Do not refuse directly (less so than Japanese)
Do not directly refuse to sell the artist’s work. Will tell the artist that they will think about it	Not to say any negative words to a person in front of others
For more sensitive artists the gallery will follow specific etiquette on festive and formal occasions	When going out for a meal to dress appropriately
Do not talk about giving paintings in exchange for a free booth at the art fair due to their mutual friend introducing them (in this case the artist will give paintings without being asked)	When giving commission to the gallery it will not be done in front of the customer or other people. Money will be handed over privately
Allow all parties to mutually agree on a matter. If it is not mutually agreed on then the cooperation or action will not take place	Only offer criticism to close friends not acquaintances (and same as above – never in front of other people)
Not force the artist to reduce their pricing – the gallery might want to but rather exhibits it and it usually does not sell	
Not saying anything when an artist ignores agreements. E.g. agree to hang two paintings but he brings more	

### 5.6.5.3 *Keeping Each Other's Mianzi*

Although many galleries and artists did not purposefully give each other *mianzi*, they did try to ensure it was not harmed. Table 5.10 above shows the different ways they tried to do this. They both made a concerted effort not to criticise each other in front of another person and in some instances did not say anything negative at all. Promises were made but not fulfilled like agreeing to keep in contact or saying something would be done and it was not. Business decisions were also adjusted in order to adapt to the artist's *mianzi*. For more sensitive artists, galleries would follow proper etiquette in giving gifts and drinking alcohol together at a meal. Gifts were usually given in private so as not to embarrass the person receiving the gift.

Galleries found that saving the artist's *mianzi* could hinder business decisions. This was the case for procuring, exhibiting and selling work. Feng Ye recently opened a gallery in Songzhuang where she sold her husband's and other artist's work. Her husband who was also an artist paid the artists directly before it was sold in their gallery. Feng Ye explained how her husband saved the *mianzi* of those artists. "*My husband sometimes likes to save their mianzi. No matter what their paintings are like he pays them the money. If the painting aren't good enough he just brings it back and fixes it up himself*" (2011, para.935).

If galleries had good *guanxi* with an artist then sometimes they did not want to force the artist into action because of their *mianzi*. Zhang Shuyi allowed close friends to exhibit work at a price higher than what was acceptable to keep their *mianzi* from being harmed. When the artwork did not sell she simply returned it although she felt it wasted time and exhibition space. The gallery owner Wu Min also ensured all matters were mutually agreed upon with the artists to ensure she did not hurt them. She explained that decisions not agreed upon could be dealt with at a later point in time.

Galleries also avoided openly critiquing an artist's work. Many commented that they could always find something good to say about the artwork and if not they would not say anything at all. The artist Luo Si explained that this kind of honesty could only happen with one's closest friends and never in front of other people. He said,

*“You can’t say that his paintings are no good. Friends often respond in this way otherwise it would affect their guanxi. I could critique the defects with a very close friend but I would keep my mouth shut with those who aren’t. If it was a new business friend, would you point it out or not? I would avoid commenting on a friend’s shortcomings in front of any outsiders and only limit it to when it is just me and my friend, no one else”* (2011, para.1809).

It should be noted that these galleries were low to medium earners. Higher earning galleries often reported giving advice to artists on how they were able to improve their artwork and in so doing were able to maintain a higher quality product.

## **5.6.6 Xinren**

### **5.6.6.1 Defining Xinren and Xinyong**

*Xinren* translated into English means trust. It was described as being a feeling and the idea of believing in another person. It was seen as the movement of belief from one person to another. Like *Xinyong* it was based on honesty. *Xinyong* on the other hand was described as credibility. It was a person’s reputation as to whether or not he or she could be trusted. People described it as the ability to keep promises which in turn led to other people being able to *xinren* them. Jiang Xinhua described *xinyong* as the accumulation of *xinren*. Moreover, the existence of *xinyong* stimulated the ability to *xinren* the following time. She explained,

*“I think that xinyong indicates that you don’t have an accumulation of xinren with me yet. ...I xinren you to go and do this thing, if you do it well then here I have your xinyong, it exists here with me, the next time I have something that needs doing it will be no problem”* (2010, para.512).

### **5.6.6.2 Distrust**

None of the participants said they had *xinren* for someone they were unacquainted with. Furthermore, they distrusted them. Zhou Xiangyi explained how he and many others felt about this matter,

*“This is the starting point. If I leave the doors of my house and go into society, go to an art gallery, go anywhere, first of all I have a point of view. I have no xinren for all people. ...If there is a person who wants to speak*

*with me I immediately increase vigilance, trouble. Basically I will have already determined that this person does not have any good intentions. ...I make a psychological defence. ...Basically it's like this, that in my life and environment I first make the decision that all people are able to harm me, they aren't good, all people want to take something from you. So you can't establish guanxi with a person easily"* (2011, para.1285).

Participants also compared their lack of trust to the attitude of Westerners they had come in contact with. They felt that Westerners had *xinren* until a person did something wrong. In China there was no *xinren* until a person could show that they were good. This concept is related to the idea of disposition to trust (Cook et al., 2005; Geller, 1971; Rotter, 1971, Rotter, 1980). It would appear that respondents held a low disposition to trust. This also follows with other research where it was found that Chinese managers had lower levels of trust than managers from other countries (Bjorkman & Kock, 1995; Rao et al., 2005).

This distrust was particularly evident when there were regional differences between people. Tian Hongjiang was unwilling to take his paintings to a city he had never been to for fear that the people he was dealing with would harm him. Liu Qi, a Beijing local, had distrust for all people from the North East. Lin Sen, a Southerner, also distrusted people from the North of China. People in Shanghai did not like anyone else from outside their city. Luo Si, an artist who had a gallery in Shanghai, found that this distrust made doing business difficult. In regards to the people from Shanghai he said, *"They thought that I came from the countryside. I couldn't seem to do anything for them. It seemed as though they didn't xinren. So, it was very difficult for me to sell paintings in Shanghai"* (2011, para.88).

All artists commented that they would not *xinren* an art dealer they had met for the first time. The following comments were reiterated participants: *"I don't just accept anybody. I am very cautious"* (Fan Guowen, 2011, para.625); *"I don't xinren anyone straight away"* (Yang Shan, 2011, para.588); *"There aren't that many people that I can xinren that much"* (Feng Ye, 2011, para.935); *"Most of them I don't really xinren. Because Chinese people's understanding of xinren is not that simple. It's not that easy to xinren a person"* (Zhou Xiangyi, 2011, para.1425). As a result of this distrust artists were hesitant to agree to cooperate

even when the opportunities were many. Artists would never let a gallery take their paintings away without having first paid in full or organising a security such as a loan by a third party. In addition, if they did not *xinren* a gallery they would not sign contracts with them.

Galleries did not so much express distrust for artists they had only just met but rather for those they were already cooperating with. Liu Yang commented, *“I will use this word average trust rather than fully trust, totally trust or mostly trust. I think it’s average (2010, para.1170). Li Qiang also remarked, “For me, I must say that I xinren no one, especially artists. ...I can’t totally xinren anyone except for my own parents” (2010, para.199). Jin Mei, who was describing an artist she cooperated well with remarked, “Speaking from a personal point of view, I think it’s really hard to say I completely xinren him” (2010, para.671). Xia Jun explained why he felt it was difficult to xinren others in the art industry,*

*“Among Chinese the sense of xinren is really poor. Because in China, there are too many people working in this industry, in addition there are a lot of swindlers. There aren’t many who can really make you xinren them. ...Because I don’t know where you came from. I don’t know what you are involved in. Are you a swindler? Or when will you try to cheat me? There are so many cheats in China so it’s best to take care” (2010, para.355).*

### **5.6.6.3 The Effectiveness of Intermediaries**

When participants were asked whether or not using an intermediary helped them increase their *xinren* in a stranger, some said it did whereas others said it was beneficial but they still relied on their own intuition. Of the more positive comments Liu Yang said, *“You can get an objective point of view from a friend. ...I like to listen to my friend’s advice. I like to listen to their judgement. That’s why I make friends with them. It’s kind of useful” (2010, para.1144). Huang Lijuan also commented, “It probably increases my level of xinren in him” (2010, para.139).*

Zhou Xiangyi also explained that he liked to listen to what his friends had to say about a new acquaintance they were introducing. However, he would still hold a position of distrust about that person before they cooperated. Guo Junshan also

explained, “*Recommendations from others is only step one. ...After interaction, knowing that this person really does have xinyu and xinyong, he keeps his promises and doesn't lie, is practical, then naturally we will become close friends*” (2011, para.447). Jin Mei also explained that from the intermediary she could know whether or not the other person was reliable (*kexin*) but she still relied on her own intuition to make a judgement on her own feelings of *xinren*.

#### **5.6.6.4 The Guanxi Paradox**

##### ***Existence of Guanxi, Absence of Xinren***

Having *guanxi* did not mean there was *xinren*, but, there had to be *guanxi* for *xinren* to develop. Participants remarked that they had *guanxi* with some people but there was still a lack of *xinren*. Zhou Xiangyi remarked, “*Good guanxi doesn't necessarily represent xinren. My guanxi is only good with you because there is enhui (favour and kindness) between us*” (2011, para.1407). Jin Mei also explained that when she had *ganqing* with a person she did not necessarily *xinren* them. She said, “*...your ganqing with him is very deep, but there are some things, ...you don't xinren him in some things, or you won't talk with him about them, still don't necessarily xinren him*” (2010, para.681). Note here Jin Mei did say ‘some things’. It is quite probable that there were some areas of *xinren* not total absence of *xinren* as will be discussed further on compartmentalisation.

Art dealers explained that they had good *guanxi* with some artists and even ate meals together but they would never cooperate with them as they were known not to abide by business principles. As a result, they spent time together, enjoyed looking at their artwork but never cooperated. Feng Ye, whose trust in an artist had been broken, retained the friendship but *xinren* had been lost. She explained, “[*We are*] *still friends. But I would use him less in the future. You know, I wouldn't xinren [him] as much as before*” (2011, para.799).

##### ***Existence of Guanxi, Xinren Develops***

Having *guanxi* enabled people to develop *xinren* as they were willing to take a risk due to the relationship that existed. Jiang Xinhua explained, “*This xinren still goes through a process. There is no way that xinren can be produced if you don't have guanxi. How could you xinren the first time?*” (2010, para.490). This was also connected to the *ganqing* that had been produced in *guanxi*. Jin Mei

commented, “*When I xinren you, that is something that starts off from ganqing*” (2010, para.639). Without *guanxi* it was impossible for artists to take a risk with the art dealer. Xiao Tieshan explained that when an art dealer came to his studio for the first time he would refuse cooperation because they did not have any *guanxi*. He remarked,

*“If I don’t have guanxi with that person then I definitely won’t xinren him...How can I xinren him? I don’t even know his surname. I don’t know anything about him. What does he want to do? How much ability does he have?...He likes that painting of mine. Can I believe him? I definitely won’t xinren him”* (2011, para.673).

#### **5.6.6.5 Intuition**

##### ***The First Step to Xinren: Intuition***

Participants were asked whether or not *xinren* was based on their intuition/feeling or rational cognitive thinking. The overwhelming initial response by both galleries and artists was intuition.

*“I think it’s based on my feeling”* (Liu Yang, 2010, para.1192).

*“Xinren is a kind of feeling that someone has towards something, towards this person, towards that person”* (Zhou Xiangyi, 2011, para.1443).

*“Most of the time in order to xinren a person I also depend on my intuition. I feel that my intuition is quite accurate”* (Feng Ye, 2011, para.979).

*“Intuition! I’m totally irrational, really! Where does rationality come from? I just depend on my intuition”* (Yang Shan, 2011, para.628).

*“I feel that it isn’t a rational approach, it is your own perception”* (Huang Lijuan, 2010, para.143).

*“As for my customers it is all by intuition. Among those customers there are many who take my paintings first without yet paying. I would judge by intuition”* (Feng Ye, 2011, para.901).

This idea of intuition was connected to the *guanxi* paradox where it was necessary to first have *guanxi* before trust could be created. When there was *guanxi*,



*ganqing* also developed which in turn led to intuition on whether or not a risk could be taken to *xinren* the other person. Su Xing explained this process on how he took the first step to *xinren* another person,

*“When eating meals together sometimes you *xinren* and sometimes you don’t. ...That is only to say there is a kind of *ganqing* that exists. For example, I often eat meals together with someone. After eating out for one or two years then one day he comes to me and wants to borrow some money. So how am I able to *xinren* him? So then I have to rely on my intuition from before, that kind of *qinggan* from often eating meals together, a feeling”* (2011, para.789).

Jiang Xinhua also explained that when she cooperated with artists for the first time if she felt there was *ganqing* she had less worries about the risks involved. She said, *“The best method is that you feel your *ganqing* is quite good. Then you try to understand a bit more, and then do business”* (2010, para.502). This understanding came through trying to assess the other person’s moral character as was discussed earlier on banqueting. Song Xiaomei explained this process,

*“If the paintings are good then you will chat. Moral character isn’t something that can be seen straight away. It takes time. For example, eat some meals, spend a couple of months together, drink some tea, communicate, get to know the other person’s inner world, understand. Then looking at this person’s moral character. Will this person do things well? Look at all different areas. So moral character isn’t something that you can see all at once. This person might be good to other people but not necessarily to you. Maybe your personalities aren’t a good match. If they’re suitable everyone feels comfortable”* (2010, para.551).

### ***Weighing the Risk***

The act of *xinren* was also seen as putting oneself at risk. If two people were unacquainted or had not known each other for long the first action was seen as risky. The artist Wu Qiang explained that the act of *xinren* was a reliance that the other person would have a sense of responsibility and respect towards him. However, as far as he was concerned that was a risk that he had to take. He commented,

*“Xinren carries with it some danger, including me talking with you today. Maybe I’ll say some things that shouldn’t be said but I have to rely on you to have a sense of responsibility. ...So as far as I am concerned this xinren is a kind of danger”* (Wu Qiang, 2011, para.582).

He continued to explain how he had sold work to a French gallery. On their first cooperation the gallery ordered some paintings but had not yet paid any money or left a deposit. Wu Qiang considered the situation and sent the paintings. For him this was a great risk. However, the gallery paid after the paintings arrived. Now after cooperating numerous times together he feels he has *xinren* in the gallery.

#### ***The Second Step to Xinren: Cognitive Behaviour***

After deeper questioning it was found that galleries based their decisions firstly on intuition and then as the relationship developed, on rational thinking. Jiang Xinhua clarified, *“Probably your first feeling is pretty good. Then secondly, you do some things and then xinren is produced between you. Then you continue to do some things that produce some xinren. Maybe it’s really easy to xinren, it’s just like this”* (2010, para.480). The rational aspect of *xinren* came from observing the behaviour as cooperation took place. Liu Qi also explained that from her intuition she would gain a sense of honesty about the other person. Then she examined the person rationally as to whether they kept their word. So, the development of *xinren* could be divided into two parts: intuition at the initiation of the relationship and cognitive observance of the other person’s behaviour as it progressed.

#### ***5.6.6.6 Compartmentalisation of Xinren***

Both galleries and artists compartmentalised *xinren*. No one could say they completely came to *xinren* another person (with the exception of family members). Rather they would *xinren* an area about them such as their character, personality or ability. Having *xinren* in one area did not mean it existed in another. When asked to provide an example of an artist for whom he had *xinren*, Liu Yang commented, *“I trust my own judgement. ...Maybe, actually in this area I xinren him. Maybe in another area I xinren somebody else and not this artist”* (2010, para.1182). With an artist whom she had good cooperation with Jin Mei also struggled to express complete *xinren*. She explained, *“But if it’s from the aspect of cooperation, dealing with him several times, I can xinren, I can continue with this*

*cooperation, but complete xinren, within Chinese thinking that's really difficult...this word carries with it a very strong meaning"* (2010, para.675).

Artists also explained that they had *xinren* for a person in one area and not another. Xu Zhong provided an example of his closest friend, a university classmate from the same hometown. He could *xinren* him in areas of personal help such as taking him to the hospital in an emergency or helping him move house. However, because his friend was in the same industry, Xu Zhong did not *xinren* him in areas related to earning money. He was afraid his competitive advantage would be taken from him. This compartmentalisation of *xinren* was closely connected to a person's ability. A person could prove him or herself in one area but still not in another. Su Xing explained,

*"I tell you, in China there is never complete xinren, you know, xinren only points to doing something. Whether or not there is xinren is whether or not you can believe in his ability. ...For example, this person is always punctual, so I believe him. Tomorrow when I want to go to a certain place to do something I will xinren that tomorrow he will certainly go"* (2011, para.735).

#### **5.6.6.7 Xinren as an Ability**

##### ***Galleries' Xinren in Artists' Ability***

When galleries were asked to provide examples of artists they had *xinren* for almost all commented on areas of the artist's ability. One difficulty that galleries faced when cooperating long-term with an artist was selling or purchasing artwork that was continuously at a high standard. Sometimes the artist had a few paintings that were excellent at the beginning. The gallery then signed a contract to purchase an agreed number of paintings. However, as the year passed the quality of artwork decreased. As a result the gallery lost *xinren* in the artist's artwork. In expressing his opinions on whether or not he had *xinren* for an artist he had put on a solo exhibition for Guo Wen commented, *"On the basis of what he has already done I can't establish absolute xinren"* (2010, para.1191).

It was possible for galleries to develop *xinren* towards artists because of their ability in the area of their artwork. This belief in the artist's potential allowed

galleries to cooperate with those they had distant *guanxi* with. These decisions were based purely on the quality of the artwork. Tang Juan also explained how there was a small group of artists with her gallery that she had good *xinren guanxi* with. She was able to give them a task, a deadline and a theme and she knew they would produce good results every time. She remarked, *“This is a kind of xinren, because it is xinren in their creativity, a xinren in their professional competence”* (2010, para.675).

### *Artists’ Xinren in Galleries’ Ability*

The *xinren* artists had in galleries was based on their ability to sell and promote their work effectively. In Beijing many artists held exhibitions at galleries where no paintings were sold and in addition they often had to give paintings to the curator. Maxime Dupont found that when he held exhibitions with some galleries they had a core set of customers that they were able to sell to. Others did not. It was the former who were able to build *xinren* with the artists. Galleries were also aware of this. Wu Min explained that artists did not believe what she said but rather the results in selling their work. *“If you can’t sell artwork then you don’t have any use here. I diligently sell their work, then they will xinren. People believe the reality. They won’t believe the things you say”* (2010, para.1412). Xia Jun also remarked that artists were able to *xinren* him, *“[When I] am able to get them even more liyi. This is the best way to establish xinyong. As long as I am able to make money for them, then he will really xinren me”* (2010, para.721). Liu Yang also commented,

*“We do our best to show his works in different kinds of ways, with different kinds of galleries in China and out of China. So we do our best to show their work to different clients in different areas. So when we do these things artists xinren that you have the ability to promote him or her, you are [a] suitable [gallery] for his artwork inside and outside of China”* (2010, para.1216).

Wang Qing also explained that when he first selected his core group of artists he did everything he could to let them *xinren* him. He did this by letting them see what he was doing for them. He commented, *“Today, now, if we don’t have a profit then it doesn’t matter, we still have a future, still have a dream. But if what*

*is in front of your eyes is always bad what future dream do you have?"* (2010, para.3414). When their artwork was not selling well, he told them it was good and bought more of their paintings himself. When he went to art fairs abroad he showed them pictures of their paintings on display. He painted a positive picture until the paintings started to sell well.

When galleries signed contracts with artists it did not result in them having *xinren* in the gallery's ability to sell their work. Galleries frequently terminated contracts and told the artists they had breached the contract due to their low quality work. Due to the subjective nature of artwork this was difficult to prove. In addition the termination of contracts increased during 2008 and 2009 when the economic crisis hit. The majority of Chinese contemporary art customers were Westerners and so many galleries at 798 faced financial difficulties during that period. Although contracts were signed most artists explained it did not have any meaning to them. Even though artists did not look at contracts favourably some galleries did. Huang Lijuan and Yu Wei both implemented contractual systems and found they did not have problems with the artists provided they were still able to sell their work.

#### **5.6.6.8 *Xinren and Moral Character***

Both galleries and artists explained that *xinren* was divided into two parts. One was *xinren* in the other person's abilities. The second was *xinren* in his or her moral character and personality. When galleries were deciding who to cooperate with the second factor was also important. Wu Min commented, "*I choose cooperative partners, long-term cooperative partnerships. I will choose those with good personal character whose artwork is also good*" (2010, para.1398). Jiang Xinhua also commented, "*You xinren his creation, you xinren his artwork, you xinren his moral conduct*" (2010, para.478). This could also influence how galleries promoted the artist. When galleries had *xinren* for both the artist's ability and good moral conduct they reported a stronger willingness to promote and recommend their artwork to others.

The artist Xu Shanshou also explained that for him *xinren* was divided into two categories. One was based on the knowledge of another person's ability. The second was based on the understanding of his character. He explained,

*“Another issue is a person’s character. If through interaction with the person you get a sense of his character, that he’s of good character, then even if he does something wrong, I need to be tolerant and understanding. And I should ask him to do it again, and not to worry as I understand him. This is a form of xinren”* (2011, para.379).

In relation to moral character the words honesty and sincerity were often repeated. Fan Guowen commented, *“Having the same standards, the same moral compass, being honest and sincere. If both parties share all of these, then there will definitely be xinren. Honesty makes the relationship work better”* (2011, para.509). Sincerity also enabled *xinren* to increase in the other person. Liu Qi explained that Sincerity was most important in how two people spoke together. She said,

*“In term of sincerity ...while I am very sincere and say all sorts of my thoughts from the depths of my heart to you, you sincerely put all your attention in to what I’m talking about, this is ‘cheng<sup>15</sup>’. As to the ‘xin<sup>16</sup>’, it is very, very important. It is just because you xinren me, so you come to me; I xinren you, so I talk with you. ‘Chengxin’ is something very, very important”* (2010, para.138).

Liu Qi’s explanation shows how *xinren* was two directional in the dyadic relationship. Sincerity was an expression of the *xinren* in the other person. Due to this it enabled the other person’s *xinren* to also increase. One person’s *xinren* increased the other person’s. Other people also mentioned this concept. Feng Ye remarked, *“If you can raise the level of xinren for other people, the degree of xinren in you would also increase”* (2011, para.975). Jiang Xinhua also remarked, *“So xinren is: you give me however much, then I will give you that amount. It’s a kind of process, it isn’t one-sided”* (2010, para.484). One of the methods of displaying that *xinren* to the other person was through sincerity.

### ***Moral Character: Testing Through Cooperation***

The cognitive observance of moral behaviour went through a period of testing by both business partners as they cooperated together. If the cooperation was successful then *xinyong* was established. Slowly, they felt *xinren*. It was not

---

<sup>15</sup> *Cheng* (诚信) means: sincere; honest; earnest; candid; cordial.

<sup>16</sup> *Xin* (信) means: trustworthy; faithful.

always intentional testing but some respondents explained that as time passed they were able to identify the true credibility of the other person. Fan Guowen commented, *“Over time, I'll begin trusting this person more and have more confidence. It might take one year, two years or three years”* (2011, para.383). An Ding also explained,

*“This is not a reliance on intuition rather it's going through time of testing. For example, an artist and gallery cooperate. They still goes through a period of testing, really decide whether they are really worth your xinren, only then will there be dealings”* (2011, para.587).

In regards to this Jin Mei quoted the Chinese saying, *a long distance tests a horse's endurance, and time reveals a person's real character*. She explained that this meant when dealing with people in the same industry she was only able to know their true character after time, after they had done many things together. She said, *“Under circumstances where many things happen, only then will you know what kind of person this person is, so with xinren guanxi, and in many different areas, I think they are all like this”* (2010, para.721). Zhang Shuyi explained, *“Working together is also very important. ...Only after working together with him will I know what this artist's character is like”* (2010, para.505). Jiang Xinhua explained that this *xinren* in cooperation was due to the artist's reliability. She explained, *“You xinren him because in your cooperation together everything is kexin (reliable)”* (2010, para.480).

This period of testing was most important for galleries who relied on the loyalty of a small number of artists for long term cooperation. Wang Qing, a gallery owner who initially started selling the work of a small number of artists believed that the quality of the artist's paintings was his first priority and then moral character the second. This was determined over time by a period of testing. For new artists he would buy their artwork at a lower price and wait and see what they would do. If another gallery came with a higher offer and they took it then that would be the end of the relationship. If they did not sell their work to anyone else then cooperation would continue. He explained,

*“I will explain what I have prepared for him and let him see how many older artists have been walking down this road together with me. If he says*

*he's willing then I will test him. I find that there are a lot of people that try to find him but he doesn't give them any [paintings]. None of them can be touched, they are unable to take them from him. When they can't take them then they come to me to buy the paintings. Then I know this child"* (2010, para.195).

Wang Qing explained that from that point on he started to use the auction houses to slowly push the price up of those paintings. The testing did not stop there but he continued to test the new artist's until he was certain of his loyalty.

#### **5.6.6.9 The Xinren Guanxi/Ganqing Connection**

Participants all felt that as *xinren* increased so too did *ganqing*. Likewise, when *xinren* decreased so too did *ganqing*. Tang Juan explained,

*"Once xinren is lost, ganqing will probably also be affected, or there won't be any. For example, say we had quite good guanxi. Then I say I will do such and such, then all along I don't go and do it, ...So, after a long time, or after a number of times, this kind of xinren guanxi will probably be lost, [we] won't have it. Then, ganqing would also probably be affected, [we] also wouldn't have it"* (2010, para.627).

An Ding also remarked, *"As far as xinren is concerned, only when there's xinren can both people's ganqing become closer"* (2011, para.581). In addition, as *ganqing* developed through constant association, *xinren* also increased. Zhang Shuyi explained, *"But for people with deep ganqing you must feel xinren for him, from within your heart you feel you must xinren him"* (Zhang Shuyi, 2010, para.725). It was the addition of *ganqing* to the relationship that was able to solidify *xinren*. Jin Mei explained that in this Chinese social environment it was difficult to fully *xinren* another person. To do so it took time, emotions (*ganqing*), finances and interpersonal association *"...only then will you know whether or not this person is really worth your xinren"* (2010, para.665).

## **5.7 Conclusion**

After examining participants' definitions of *guanxi* and related concepts the usage of *guanxi* in the art industry was investigated. The most widespread method of *guanxi* usage was when galleries located artists and vice versa. It was found that



there were four approaches used by galleries to supply artwork: the closed model of supply; the passive model of supply; the passive-active model of supply; and the active model of supply. The closed and passive models of supply enabled galleries to locate artists quickly and efficiently but also locked them into relationships due to *ganqing*. Galleries using the active model of supply took much longer to locate artists but ensured the quality of artwork was high before they were committed to the business relationship. As well as locating artists, *guanxi* was used to set up the gallery, supply competitively priced work, in daily operations and sales. Artists also used *guanxi* to promote, exhibit and sell their work.

Galleries used eight selection criteria to choose artists. Six of these were industrial and two were relational. Moral character and personality were both factors that galleries felt indicated trustworthiness and an ability to communicate. The foundation of the relationship between galleries and artists was mutual profit. Both wanted to earn money from each other. A number of galleries did not build any relationships with the artists and based their association on pure financial exchange. Some galleries signed contracts with artists and built a relationship from there. Finally, there were galleries that did not have contracts but rather verbal agreements and built strong relationships with their artists.

One of the primary methods of initiating *guanxi* was through eating meals and drinking together. Both artists and dealers were able to relax, it enhanced their mutual understanding and commonalities were found which all led to *ganqing*. In addition to this, galleries also tried to identify what the moral character of the artist was like. Eating meals was most important in initiating the relationship and then as *ganqing* developed. By the third stage the need to eat out decreased. The obligation to reciprocate did not occur at the initiation stage and became strongest at the development stage. Eating meals did not directly create trust. Rather it provided the location to communicate, develop intuition about each other which created a sense of trust and an avenue to ask for or provide help.

Giving gifts were seen as less important than banqueting but still played an important role in increasing *ganqing* at the development stage. Only the person initiating the relationship gave the gift and reciprocal giving did not occur until

the development stage. It indicated a desire for continued cooperation and to show appreciation and friendship. At the consolidated stage gift giving decreased as both parties had already developed strong *ganqing* and had mutual understanding. Artists were more likely to give galleries gifts than the other way around to thank them and to build *ganqing* if future cooperation was needed. Galleries that bought cheaply from artists and shifted quickly between suppliers all felt there was no need to give gifts to artists.

The primary form of gallery assistance was through selling and promoting artists' work. The ability for both parties to help each other make money was fundamental to the relationship. Other forms of help were not usually given until the consolidated stage of the relationship. At that point galleries and artists had established mutual understanding and were willing to ask and give help. It was possible for help to be given at the earlier stages of the relationship but galleries would consider the situation more carefully. At the consolidated stage the gallery would help if they had the ability to do so due to the increase in *ganqing*. Giving help was strongly connected to *xinren*. It was given because *xinren* existed and in turn it helped it to increase.

The abundance of the *renqing* principle was found to be based on *mianzi* rather than *lian*. The act of giving *mianzi* was not seen to have a direct effect on improving cooperation. It did result in certain protocol being followed. Causing another person to lose *mianzi* had a greater effect on the relationship. In most cases galleries and artists tried to ensure continued cooperation. However, it did have a dampening effect on *guanxi*. This could result in ended cooperation if the conflict had been serious. For this reason galleries did their best to save the artists' *mianzi*. This had some negative effects on their operations including the quality of work procured, pricing strategies and the inability to critique the artist's poorer works.

It was found that galleries and artists not only had a low disposition to trust but rather a disposition to distrust. Due to this it was necessary to build *guanxi* for trust to develop. At the same time, having *guanxi* did not mean there was trust but rather it provided the intuition needed to develop the feeling of trust. Before the act of cooperation took place the artist would also weigh up the risks involved with cooperating with the gallery. As cooperation ensued rational trust developed.

There was affective trust before the cooperation and cognitive trust developed during the act of cooperation. This trust developed through a period of testing. Galleries and artists both showed that trust was compartmentalised into belief in the other person's ability and secondly in the area of their moral character. Galleries and artists were able to express their trust through honesty and sincerity. Its development was dyadic in that as trust developed in one person it also increased in the other.

## **Chapter 6 Discussion**

### **6.1 Introduction: Moving Towards a Guanxi-Trust Framework**

From the findings it can be seen that in business partnerships there were some unique features to how relationships between galleries and artists developed due to *guanxi*. There were two types of *guanxi* use displayed in this study. Firstly, the direct use of *guanxi* as favours as has been frequently discussed in other research. The process of how *guanxi* develops between galleries and artists is then examined in light of previous theoretical models. Its connection to trust is also analysed to create the ‘*guanxi*-trust model’ in developing business partnerships. Finally, the ‘*guanxi*-trust model’ is examined in terms of how it was of benefit to galleries and artists and may be of benefit to partnerships in similar types of industries in China.

### **6.2 The Use of Guanxi as a Favour: A Competitive Advantage?**

There were both benefits and costs associated with using *guanxi* in the operations of galleries in Beijing’s art industry. Although it was not in the scope of this research to measure whether the benefits outweighed the costs the following discussion provides some insights for issues that may need to be considered.

#### **6.2.1 The Issue of Ethical Practice**

In investigating *guanxi* usage as a favour in the art industry the issue of corruption and ethics was unavoidable. Fan (2002) raised this pertinent issue by questioning whether or not *guanxi* practice with the government should be considered a competitive advantage or corruption. Fan explained that there needs to be a differentiation in the literature on business to business (B2B) *guanxi* and business to government (B2G) *guanxi*. Many academics have portrayed B2G *guanxi* as a competitive advantage when in actual fact it has been used to circumvent the law. Dunfee and Warren (2001) also pointed out that the areas of *guanxi* use that are corrupt are usually in connection with the government, are beneficial to a few people only, take from what is rightfully another person’s and is not supported by the norms of society. For this reason, the discussion of using *guanxi* as a favour has been divided into two parts, firstly, with the government and secondly between private businesses or individuals.

### 6.2.1.1 *The Painting Gift Culture*

The *painting gift culture* was the gifting of paintings to another individual to *la guanxi*. Government officials, businesspeople and ordinary folk were involved in this practice. However, it was the businesspeople and government officials that were able to bring the highest revenue to galleries due to their willingness to pay the top dollar for works of art. Businesspeople bought these paintings to bribe government officials. Government officials bought them to curry favour with their superiors. As discussed earlier, the method of bribery was purely utilitarian and currying favour was a mix of instrumentality and sentiment, or what Schramm and Yaube (2005, pp. 186, 187) referred to as the black and grey area.

Galleries were able to gain immediate benefits in sales by selling artwork to businesspeople and government officials who were using them in the *painting gift culture*, albeit, their advantage was not necessarily sustainable on two accounts. Firstly, the galleries were connected to people and if those people encountered personal or legal issues then the *guanxi* network could be affected. This is what Tsang (1998) referred to as *guanxi* being a mobile phenomenon. It moves with the people. This situation was observed in Li Qiang's gallery. He had close family connections to a political leader who in turn recommended Li Qiang's gallery to his subordinates and colleagues. The subordinates went to that gallery instead of others in order to curry favour with their leader and to buy paintings to give as gifts. The gallery made a nice profit. However, the government leader was demoted and as a result none of those subordinates or colleagues returned to the gallery. Liu Qi's gallery also sold to government officials but she had direct contact with many of them rather than indirectly through one contact. As a result her model was more sustainable. Even so, should this be a recommended practice? Not only was it a means of laundering money but when purchasing the paintings there were no receipts issued to ensure there were no financial records of the paintings which also enabled the gallery to avoid tax.

Even though sales could be made by galleries through the *painting gift culture* it could affect the market negatively. In a normal market it is the collector and investor that determine market prices mainly through the auction market. However, in China when artwork was given as a gift the true or original value of the painting was not always known, and even if it was the receiver of the gift did

know its value they were willing to take less as they had not paid for it. This could result in a devaluing of an artist's work. For the artist, this was not beneficial in the long run or for the gallery if they were trying to control the price by increasing it incrementally over time. These galleries operating in this way did not have sole cooperation with the artists which is why they may have been willing to make profits in this way.

#### ***6.2.1.2 Direct Favours from the Government***

It was not only galleries that used *guanxi* with the government and governmental organisations but also artists. They used their *guanxi* to go through the back door to join art associations, get into university, art lecturing or professor appointments, win state run art competitions and exhibit in museums. They also went on trips hosted by government officials paid with tax payers' money so the cadres could get discounted or free paintings. Not only were these favours bribes for money but they were also taking what was rightfully someone else's. The prize at a state competition should be awarded to the most eligible person. The professor appointment should have gone to the most qualified. Joining art associations should be based on the artist's skill. Artists who did not use *guanxi* in this way often complained about trying to get ahead without it. They were frustrated by the state of the art market and the use of *guanxi*.

Almost all dealings with the government had an aspect of corruption or unethical practice. Fan Lili described how a government official, a friend of hers and her husband, had connected with them to purchase art on behalf of a European gallery. The gallery was willing to spend several million RMB and had approached a Chinese Department of Culture for help. The government officials then made a deal with the artists to give them commission for the paintings sold. The artists agreed. The government officials should not have taken the money as they were already receiving a salary from working in the Department of Culture. For artists, they wanted to earn money and these kinds of opportunities did provide them with benefits. However, they should not be condoned as a competitive advantage as they are simply corrupt practice.

### 6.2.2 Guanxi Favours from Private Individuals and Organisations

If the unethical methods of using favours with the government are eliminated from gallery and artists' *guanxi* practice then there are a few competitive advantages gained with the exception of galleries and artists locating each other. A number of the favours granted were due to the galleries' inability to make money or the artists' lack of popularity. Galleries that selected artwork based on prior *guanxi* often did not have a clear understanding themselves on what constituted quality artwork. The same went for hiring gallery employees. Those selected based on their *guanxi* often came with the least qualifications and understanding of the art industry. Artists on the other hand needed *guanxi* to reduce renting wall space in a gallery. This was, however, because they did not yet have permanent representation from a gallery. The same could be said for building *guanxi* with art critics. It was done because they did yet have any good reviews.

Although a recent study by Chen, Chang and Lee (2015) showed that *guanxi* with family, businesses, the community and government did provide information and resources to cultural entrepreneurs; it was difficult to see from this research whether or not favours brought long-term benefits. Even galleries that thought they got cheaper prices from building *guanxi* with artists in fact sometimes paid the highest. In one instance after talking with Li Qiang on how he obtained reduced prices from artists it was found that one artist, who was also interviewed in this research, selling to him made the most money through him than with any other gallery. One may give the illusion of providing a benefit when in actual fact the opposite is occurring. It is likely that in a long term relationship pricing will be suitably priced for both parties but reduced pricing over a few meals may not be truly conducive. For these reasons, the true scope of competitive advantages gained in *guanxi* favours were unable to be measured in this study. In saying that, outside of dealings with the government, there were indications that *guanxi* favours may have been used as a result of non-competitive groups trying to gain competitiveness in the market system. These findings confirm a proposition put forward by Yang (1994, pp. 206, 207) that *guanxi* was a tactic employed by weaker groups as a reaction to hierarchical groups in society. In this case it was the higher earning galleries that had the control and higher status.

### 6.2.3 Supplying Artwork

The most common method of using *guanxi* was when galleries located artists. This was a widespread phenomenon throughout the industry with all galleries except for one doing it. Even the gallery that did not use this method was still willing to gain information from contacts about promising artists. In the findings it emerged that there were four different methods of supplying artists to the gallery: a closed model; a passive model; a passive-active; and an active model of supply. Using the passive and passive-active model of supply did provide some benefits. Time and costs were reduced as artists were able to take on some of the responsibilities that would normally be assigned to an employee. The artist's satisfaction also increased due to being able to work alongside friends at exhibitions.

These findings show the process that companies are able to go through to locate supply. Other research has also found that in the supply chain intermediaries are a useful source of information and help connect to other suppliers. Millington et al. (2006) found that companies from the United Kingdom and United States often used Chinese with previous connections to the industry to locate suppliers. In addition to this, they found that using *guanxi* networks was a more effect means than using the internet or trade fairs.

The problem here was that when galleries were operating based on selling their artwork on a free market (as opposed to through *guanxi* with government officials) they did not necessarily find quality work or artwork that was accepted by customers. Of the higher earning galleries all used a passive-active or an active model of supply. They took the initiative to search for artists themselves as well as accepting the opinions of others. Wang Qing, the highest earning gallery interviewed, used a purely active model of supply. He did not rely on *guanxi* to find artists even when it was available. Instead he spent a number of months researching the artwork available and then made his choice. He did not meet with artists until he was certain that he had selected the highest quality of artwork available.

By using a solely passive model of supply it would not be likely that the quality of artwork introduced to the gallery would improve over time. Many artists did not



want to share information with art dealers of artists who they felt produced better artwork than them. If they did this they felt they would lose the competitive advantage and the gallery would no longer sell their work. As a result, they usually introduced artists whose work was inferior to their own or of a style that would not detract from theirs. In addition to this, artists usually associated with other people who had the same rate of success as themselves. Therefore, it would be unlikely that the quality of artwork introduced to the gallery would be improved over time. If the gallery had financial limitations then it would be better to adopt a passive-active approach so that over time artists with different styles and qualities could be introduced to the gallery.

### **6.3 The Types of Guanxi – What Does Business Guanxi Look Like?**

*Guanxi* relationships with little or no sentiment are described as being primarily instrumental (Hwang, 1987; Li, 2007, p. 66; Wong et al., 2007) and utilitarian (Zhang & Zhang, 2006). These terms refer to the way *guanxi* is used rather than the relationship itself, although it is known that these types of relationships contain less *ganqing* than others. As was discussed by participants, close relationships do not follow the norms of *renqing* but rather the rule of need or necessity. On the other hand, friendship *guanxi* is established through the reciprocation of banquets, favours and gifts according to the norms of *renqing* and out of a willingness to form the relationship. Instrumental and utilitarian ties such as described by Hwang (1987) were described as being short-term as repayment is usually immediate.

The reason for business *guanxi*, however, was for the mutual benefit of the galleries and artists. The art dealer needed to make a profit from the artist's work and the artist needed to sell artwork through the gallery. At an initial glance this type of relationship would appear to be instrumental or utilitarian. Be that as it may, its purpose was not to gain favours as a social resource nor was it short-term. In the relationship there was a clear distinction between *liyi* and *ganqing*. *Liyi* was the reason artists were selected and retained by galleries and it was the primary reason artists continued cooperating with the gallery. However, if the business relationship ended and friendship *guanxi* had developed, *liyi* would no longer be in the relationship equation but friendship would remain.

None of the *guanxi* models examined previously included *liyi* as a factor in the relationship. *Liyi* is a type of mutual benefit but it was not dependent on the relationship therefore it would be based on the rule of equity described by Hwang (1987) rather than the rule of *renqing*. However, all the models discussing the rule of equity only described it in terms of one off instrumental favours. In a business partnership this is not the case. Both parties want benefit, it is not reliant on prior *guanxi* and so still abides by the rules of equity. If an artist had artwork of low quality it would not be selected if the gallery thought there was other work that was better. This was not based on relationship but rather product quality. In Yau et al.'s (2000) framework for developing marketing relationship in China they do include the marketing mix of product, place, price, promotion and information. Even so, this is not a characteristic of the relationship itself but rather factors that influence it.

Throughout the interviews from discussions on the initiation, development and consolidation of *guanxi* the key factor of earning money kept appearing. The comments below were all mentioned previously in the findings when participants were discussing other methods of building *guanxi*. However, it was the foundation to the relationship.

*As long as we can get paid from it, we are both able to build good guanxi, very happily.*

*The better I sell them then the better the friendship.*

*They want their artwork to be recognized early on. Then their artwork can be sold sooner. It can be sold at an ideal price. If it can reach this [price] it's even better. [They] can do even better exhibitions. This is what everyone wants.*

*If development slowly takes place and you think that there is good mutual development of business. Only after both people are receiving mutual benefits will the mutual exchange of gifts occur.*

*After establishing a certain kind of guanxi, it will develop into the situation where gifts are exchanged. Then, it's just like what I said, I help you to earn money, then you give me something.*

*He gets some benefits. I can also get some benefits. Everyone gets some benefits. Then we become friends. Isn't that right?*

*The most important thing is that you help them sell paintings. ... every artist is like this, he is like this with every gallery and with every cooperation.*

*Once business has been done a lot, then their guanxi, both people's guanxi will probably be even better, because both of them earn money.*

If *liyi* is the primary purpose of the relationship, how does *renqing guanxi* develop and does it have any real use in business partnerships? To examine the role of *liyi* and *ganqing* the process of artist selection must first be examined. The selection process was based on industrial and relationship building criteria. The industrial criteria were based on possible *liyi* that could be gained through selling the artist's work. These decisions were all based on the quality of the product, pricing and branding strategy as well as catering to the customers' investment tastes. At the same time the artists' personality and moral character were also two factors that galleries tried to assess before committing to the relationship. These were based on the galleries assessment on whether or not the relationship could develop and if the artist was trustworthy or not.

### **6.3.1 Guanxi Bases and Intermediaries**

Almost all writers on *guanxi* state that it is necessary to have a *guanxi* base to initiate the relationship (Chen & Chen, 2004; King, 1994, p. 115; Kiong & Kee, 1998). Very few, such as Fan (2002) and Yau et al. (2000), believed that this was a misconception in the literature. In the case of galleries and artists having a *guanxi* base or an intermediary did have a facilitating role in the introduction process. Moreover, galleries felt it was politer to meet artists through a common friend. That being said, galleries were able to contact artists directly and introduce themselves without a common acquaintance. As both parties had the desire to buy and sell work it could be said that they both had a common purpose to build towards. In that sense they were willing to meet with strangers and build relationships without a prior *guanxi* base. It did take more time particularly at the initiation stage to develop the relationship due to a lack of trust but it was possible.

Artists had to sell their artwork and galleries needed them to survive so in some respects they both had a common base of *liyi*.

### **6.3.2 Importance of Banqueting**

Even though previous studies have shown that banqueting among business partners in China is important, such as a survey conducted by Leung et al. (1996) that found approximately 85 percent of participants felt it was important in developing *guanxi*, this is one of the first studies to examine its process of development and how it affects the relationship.

Banqueting was one of the methods that galleries used to confirm or refuse an artist. In the findings it was shown that galleries had industrial and relationship pre-selection criteria. After selecting an artist's work the gallery would take the artist out for a meal and make a judgement on their personality and moral character. If the art dealer felt the relationship could not develop into a friendship then it would not proceed. In addition, if it was detected that the artist's moral character was amiss, the art dealer would decide that the artist was not trustworthy. This is similar to the findings by Zheng (2006) who found that people went through a process of pre-selection before entering into the relationship. In this setting the two key factors were personality and moral character. At the same time, the art dealer did not make the decision about the artists over just one meal. Rather it took place over a short period of time. Sometimes cooperation had also started after this occurred. Figure 6.1 below shows this process.

For galleries and artists that developed the relationship beyond one of *liyi* eating out and giving gifts were most important at the initiation of the relationship and as it began to develop. Eating meals was used as an important method at the beginning stage of relaxing, communicating, mutual understanding and identifying things they had in common (see Figure 6.1 below). From this point *ganqing* was able to develop. If on the other hand both people were unable to find commonalities or share heartfelt conversations then the relationship was terminated. Drinking alcohol together was also used at this stage to feel comfortable and communicate. This also increased *ganqing*.

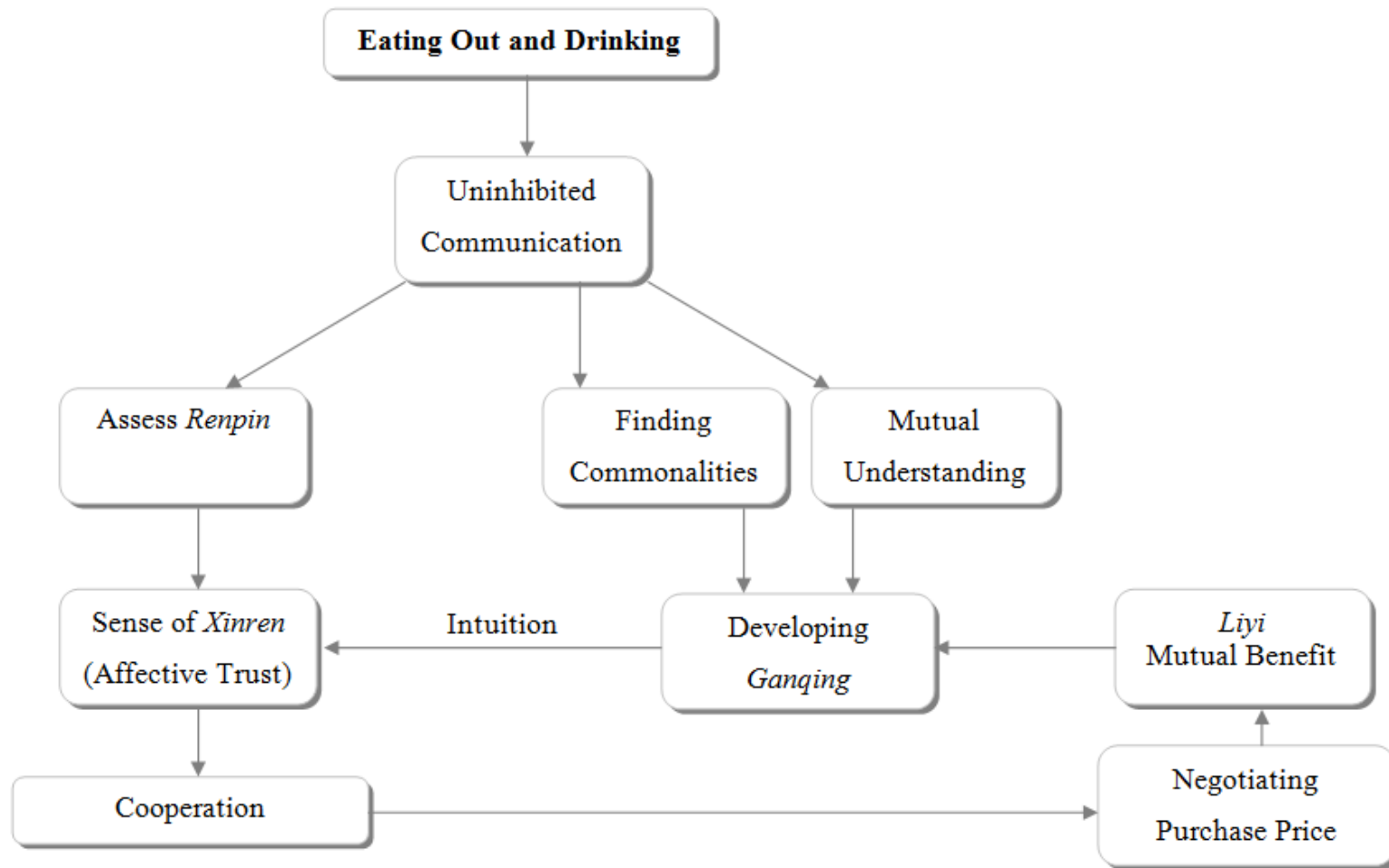


Figure 6.1 Initiating the Relationship: The Banqueting Process (Author's Research)

Here we arrive at the first paradox in the relationship building process. *Ganqing* from eating meals together was developed through the process of communication, finding commonalities and mutual understanding and was separate from *liyi*. However, the process of providing *liyi* to the artist also increased *ganqing* (see Figure 6.1 above). When the gallery bought work or sold it on behalf of the artist, if the price was suitable, it resulted in an increase of *ganqing* due to the gratefulness of the artist. Likewise, the art dealer who was able to make money from the artist's work was also grateful and his or her *ganqing* also increased. At the same time the process of eating out was in order to separate *liyi* from *ganqing*.

The final component of eating meals out together at the initiation stage was *renpin*, or moral character. As can be seen in Figure 6.1 above, eating out with artists provided galleries the opportunity to observe the artist's moral character. If their moral character was seen to be questionable the gallery then decided not to continue with cooperation. If it was deemed acceptable then the first collaboration occurred. This in turn led to mutual benefit through the sale of work which also led to the increase in *ganqing*. Therefore *renpin* has an indirect role in increasing *ganqing*.

Here we come to the first issue on *ganqing* and trust. Prior to undertaking the research it was assumed that *ganqing* led to affective trust. However, a number of participants explained that they felt *ganqing* for a person but did not feel *xinren* for them. This *xinren* originated from an intuition that was felt and also an assessment of the other person's moral character. These both led to a sense of trust but not cognitive trust as that developed at a later point during cooperation. Therefore, *ganqing* and *xinren* are two separate identities. However, *ganqing* is able to lead to a sense of trust by enhancing both people's sense of intuition. At the same time, as the relationship developed *xinren* did lead to an increase in *ganqing*.

The development stage of *guanxi* through eating meals together followed a similar process as is shown above in Figure 6.1. However, respondents all claimed that *guanxi* became consolidated through the *ganqing* that was developed when eating meals together. Once their *guanxi* was consolidated it was not necessary to do it so frequently. Issues were able to be dealt with directly instead of inviting the

other party out for a meal to discuss it. Artists readily gave galleries their paintings and sometimes they could be obtained at a favourable price.

### **6.3.3 Importance of Gift Giving**

Gifts were given the least frequently at the initiation stage of the relationship. In general it was only the family/co-op galleries that did so because they felt it was a sign of politeness. In addition, it was because they were the ones seeking cooperation. The gifts were not the suitable kind to *la guanxi* but rather small items usually of food as a sign of friendship and sincerity. The private Chinese and international galleries all thought gift giving was not important at the initiation stage of the relationship. For those that avoided it they felt that gift giving was a demonstration of close *guanxi*. They did not want to appear over committed to the artist and so avoided the practice. For this reason some artists also did not give gifts to galleries at this stage. Even so, more artists gave gifts to galleries at the initiation of the relationship. This was usually likely to be one or two small paintings particularly if the gallery had purchased a number of paintings. The artists felt it was a way of expressing gratefulness, sincerity, to show friendship and a desire to cooperate in the future.

In the business relationship gifts became the most important at the development stage. Both galleries and artists offered gifts particularly at Chinese festivals and celebrations. Both parties felt their *guanxi* was close enough to indicate commitment to the relationship. Galleries and artists gave each other gifts to indicate a desire for continued cooperation. It was also a way of building *ganqing* and some artists hoped that the gallery would think favourably of them in the future by giving gifts to them. Giving for this reason contained the strongest element of *renqing*, hoping for a favour in the future. Artists also gave gifts to the gallery to show their appreciation for selling their work and as an indication of friendship.

The feeling of owing gifts decreased at the consolidation stage of the relationship. Both parties took on a more relaxed approach and gave when they remembered but felt the other one would not hold it against them if they did not. At the same time, when gifts were given by the galleries they were also extended to the artist's family. It was also used by galleries that had temporarily halted cooperation but

wanted to maintain *guanxi* with the artist. Artists mainly gave galleries gifts at this stage to show their appreciation.

Gift giving was seen as most important at the first and second stage of the relationship. It was used as a way of breaking the ice at the first stage and of showing friendship at the second. As it was a business relationship it was acceptable if gifts were not given. That being said, when they were given it did help increase *ganqing* and made *guanxi* closer. If one party gave gifts then the other did feel the need to repay. This repayment was not in the area of business but in personal life. Giving gifts could have a negative effect if given inappropriately as the receiver could interpret the giver as wanting to *la guanxi*, request a favour. In those cases *ganqing* did not increase.

At this point it is necessary to clarify that this gift giving did not belong to the utilitarian type of giving described by Yan (2002) nor the strongly reciprocal giving outlined by Kipnis (1996) in village life. The gifts between galleries and artists, with the exception of paintings, were small, inexpensive and an expression of the heart. They were not the types of gifts used to *la guanxi* or the type given in *lishangwanglai* where it was necessary to repay at a higher value if following the *renqing* norm. Gifts were given on traditional occasions such as weddings which would be seen in the situation of *renqing* giving but this did not occur frequently. These small items did build *ganqing* but did not create a feeling of obligation with the receiver, unless they were friends prior to the relationship.

#### **6.3.4 Importance of Giving Favours**

Galleries provided help to artists by selling and promoting their work, with housing, financial assistance, advice, career opportunities and in their daily lives. It initially seemed that artists gave very little help in return to galleries. Galleries, however, felt that they received payment for giving help if the artist provided high quality work and that artwork could be sold. In addition, some galleries were able to buy artwork at favourable pricing due to their existing *ganqing*. In China it was also a habit of many curators to ask artists for paintings in exchange for putting on an exhibition. This was sometimes referred to as a gift but was really a type of business exchange to allow the curator to earn more money in the future.



Of the galleries that provided help beyond selling and promoting artist's work, the consolidated stage was seen as the most important for this process. At that stage there was mutual understanding of both partners and galleries would take into consideration the *ganqing* that had developed. At the earlier stages they were less likely to help because the relationship was not so close. The proportion of *ganqing* to *liyi* was higher at the consolidated stage than at the earlier stages. Not only was help given because of *ganqing* but it also produced more of it. This in turn made the relationship even stronger. The few galleries that helped artists at the initial stages were able to create stronger relationships more quickly than others. Of the three relationship building methods, help had the most connection to trust, both cognitive and affective. Artists were willing to seek galleries for help because they trusted them and when help was given it created even more trust.

### 6.3.5 Banquets, Gifts, Help, Ganqing and the Obligation to Reciprocate

Figure 6.2 shows the galleries usage of banquets, gifts and favours with the artists. Participants were asked whether or not they used the following methods at each stage and also how important they felt it was (see Appendices N, O & P). It can be seen that at the initiation of the relationship banquets was the used the most frequently with the artists. This was followed by giving help and then gifts. At the second and third stage help was given the most frequently followed by banquets and giving. This was also the order of importance with help seen as the most important to building the relationship followed by banquets and gifts. However, it must be noted that the type of help given at the first and second stage were low risk and few resources were required.

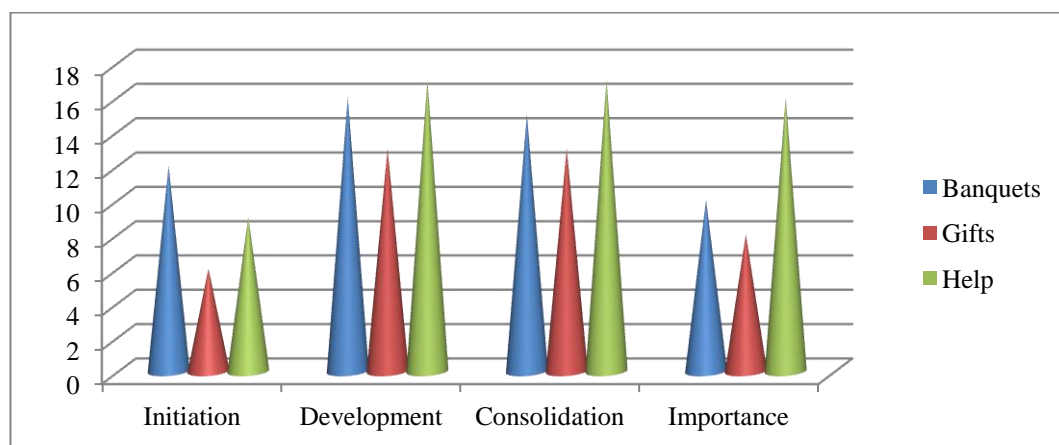


Figure 6.2 Use of Banquets, Gifts and Help as the Relationship Develops (Author's Research)

At each stage of the relationship there were different levels of reciprocity. At the beginning stages it was the galleries initiating contact that paid for the meals and sometimes gave gifts. These did not need to be repaid. It was purely for business and a method of starting the relationship. Eating meals out together was seen as much more important than giving gifts. It was the gallery that controlled this process as they would turn down artists that approached them unless they had been introduced by a friend. To some extent they were repaid if the artist chose to cooperate with them. The artist still had complete selectivity at that stage to decide whether or not to cooperate with the gallery.

At the development stage of the relationship both parties felt a strong obligation to reciprocate. If they did not reciprocate at that stage the other person could interpret it as unwillingness for the relationship to develop. Banqueting played an important role as it enabled communication to take place and *ganqing* to develop. Both parties took turns paying for the meal if it was developing into friendship *guanxi*. Gift giving also occurred but many participants felt it was not necessary and troublesome. Even with those feelings they still chose to give gifts frequently as is shown above in Figure 6.2. Both banqueting and the giving of gifts contributed to the increase in *ganqing*. Even so, banqueting was more important than the giving of gifts. Although providing each other with help was seen as important, and was used frequently (see Figure 6.2), it had lower reciprocity than the other methods as both people's *ganqing* had not yet become firmly established.

At the consolidation stage banquets and gifts became less important and favours took a prominent role. Galleries and artists became more relaxed about giving gifts and paying for banquets at this stage as they felt there was already mutual understanding and solid *ganqing*. They only invited each other out to maintain *guanxi* rather than develop it. Reciprocation was also according to the ability of the partner. For instance, if one person was going through financial difficulties then strict reciprocation was not expected. Moreover, due to the *ganqing* that existed between both people favours were given if the person petitioned had the ability to provide it. There would be little hesitation to help the other person as there had been in the earlier stages of the relationship.

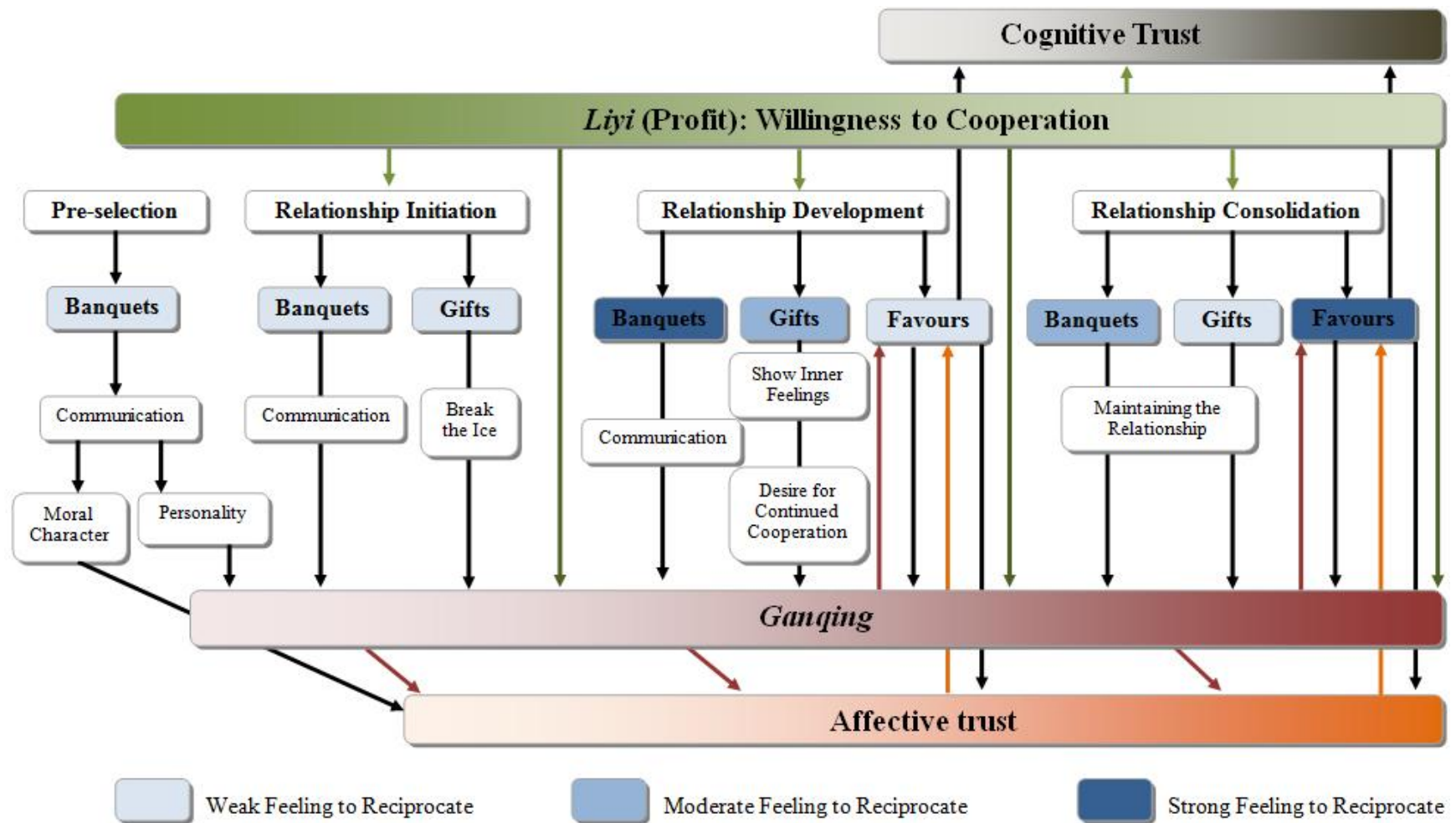


Figure 6.3 Development of Guanxi: Banquets, Gifts and Favours (Author's Research)

Figure 6.3 above shows how participants expressed the process of *guanxi* development through banquets, gifts and help. The model was unable to be created similar to the one prior to the research on two accounts. Firstly, the rules of reciprocation from banqueting, giving gifts and favours were not as clear cut as the prior literature indicated. Secondly, cognitive trust did not develop through the actions of eating meals together and giving gifts. Those contributed solely to building *ganqing* which led to a feeling of trust – affective trust. At a later point in the relationship favours did contribute to participants’ cognitive trust but not as strongly as *liyi* and other factors which are discussed further in 6.3.6.

Of the previous models of *guanxi* none have explained the process of developing a relationship through the process of banqueting, gifts and favours. In saying that there are some similarities to the concepts explained in their frameworks. A number of the static frameworks such as Freeman and Lim (2008), and Willis (2008) only describe the existing features rather than the process of their development. Chen and Chen’s (2004) framework takes a three step approach initiating, building and using. Although the initiating process differs in that they believe a *guanxi* base is required the building and using stages show similarities to the previous discussion. At the second stage of the relationship galleries and artists built the relationship through eating meals together. There were fewer favours and gifts so the primary purpose of this stage was expressive. After the expressive had been built favours became more important in the consolidated stage which correlates with Chen and Chen’s (2004) model of using *guanxi*. One absent factor here is the exchange that took place from business cooperation. This was also able to contribute to trust and it was not a part of the process of creating *renqing guanxi* in the traditional sense.

Leung et al.’s (2008) third framework, ‘A *Guanxi*-Insider Approach’, also bears some resemblance to this research undertaken. The precursors to the bonding process are reliant on integrity, harmony and positioning. Integrity correlates with what was referred to as moral character by participants. Harmony and positioning have similar meanings in that the former is one who desires a harmonious relationship and the latter is able to develop affective relationships. Participants referred to the bonding process as developing mutual understanding and finding commonalities through communication. This in turn produced *ganqing*. Although

they explain that *renqing* existed to create *ganqing* they do not show how this develops on their framework. However, their ideas on integrity, harmony and position do correlate with the pre-selection process that was identified in this research.

Bedford's (2011) 'Initiating and Building Working *Guanxi*' framework also reflects some similarities. He divides the process into four stages, probing, proving, new friend and old friend. This was drawn from prior research by Leung et al.'s (2008) earlier studies by Wong (1998) and Leung et al. (1995). They originally defined four relationship stages: associate, partner, new friend and old friend. These were later changed to: fencer, fiancé, new friend and old friend. New friend and old friend both had insider status whereas the others were considered to be outsiders. The issue with their definitions is that it is used to describe organisational strategies as opposed to a dyadic relationship between two people. For example, in describing the Fencer stage where the two parties are testing each other, Wong (1998) describes how the relationship between Kentucky Fried Chicken (KFC) and President Food broke down and the latter started a fried chicken franchise in opposition to KFC. All we know about the relationship is that it broke down. This could have been personal or it could have been an organisational strategy. Other examples for fiancé, new friend and old friend were also at the organisational level.

In addition to this, Bedford's (2011) model on working *guanxi*, referring to a type of *guanxi* in the work place not based on rent-seeking activities, claims that trust is based on the concept of *lian*. The model on initiating and building working *guanxi* claims that utility and adherence to the norms or reciprocity (*renqing*) contribute to this trust. Also, personal caring increases *ganqing*. Although personal caring bears resemblance to the participants' ideas on increasing *ganqing* through communicating and mutual understanding, there are two issues with the concept of *lian*. Firstly, when participants described the reason they adhered to helping friends out or shouting them a meal it was due to *mianzi*. This, they claimed was not a moral issue but rather one of embarrassment.

Secondly, the norms of reciprocity in buyer-supplier relationships were not as strong as relationships between close friends. The reason for this was *liyi*. Close

friends based their relationships on reciprocity and *ganqing*. Business relationships were based on *liyi* and *ganqing*. Banquets, gifts and favours did increase *ganqing* but not their entire trust. At the beginning stages reciprocation was weak. Banquets, gifts and favours were only given by the gallery. At the development stage reciprocation was strongly adhered to in order to demonstrate sincerity and commitment to the relationship, but at the consolidated stage this reciprocation became somewhat more relaxed due to mutual understanding. They would still help each other if requested but the rules were not as fixed because the relationship was based on *ganqing* as opposed to obligation.

### **6.3.6 Guanxi and Trust: A Business Relationship Model**

If *guanxi* is examined as an independent factor in business relationships it does not provide a full picture on how the relationship develops. This was what was referred to as the *guanxi* paradox in the findings. Many people explained that even if they had good *guanxi* with another person they did not necessarily trust them. But, in order to trust another person they had to have *guanxi*. At the initial stages of the relationship eating meals together allowed galleries and artists to build *ganqing* which in turn created intuition about the other person's trustworthiness. If they did not trust the other person it did not mean that *guanxi* could not develop further. Rather it meant that cooperation would not take place. In addition, each person was also assessing the other's moral character which was also an indication of trustworthiness. If affective trust was produced through intuition, and by the consolidated stage both parties trusted each other, how did cognitive trust develop?

It may be that previous theoretical frameworks on business *guanxi* have wrongly assumed that all trust originates from *guanxi*. The *guanxi* referred to here is that based on the norms of *renqing*. The findings in this research suggest that affective trust stems from *guanxi* whereas cognitive trust originates not from *guanxi* based on the rules of *renqing* but rather cooperation during the business partnership. This is something that Chen and Chen (2004) identified when comparing the concept of trust to prior western models such as Mayer et al. (1995) and McAllister (1995). They wrote,

“It is evident that the ability-based trust is domain specific whereas the sincerity-based trust is more broadly related to the person as a whole. Since *guanxi* quality is an overall judgement of *guanxi* between two individuals, sincerity-based trust may carry a heavier weight than the ability-based trust in developing close *guanxi*” (Chen & Chen, 2004, p. 314).

From discussion with participants, this sincerity mentioned by Chen and Chen (2004) is included in the category of moral character in the following model of *guanxi*-trust in business partnerships.

To create a framework on how relationships are built between business partners in China one must identify the foundation of the relationship building process – distrust. As was reiterated by many participants the first assumption about a person is that he or she cannot be trusted. Su Xing, like other participants all made similar remarks,

*“If I go outside and see a person, if we are not already acquainted then the first thing will be to not trust him. ...First of all I will adopt an attitude of distrust, then after coming into contact with him you find that this person is not so bad”* (2011, para.813).

The overwhelming responses of participants would indicate that Chinese people have a disposition to distrust as opposed to trust (Cook et al., 2005). This corresponds with Yamagishi and Yamagishi’s (1994) ideas on the emancipation theory and Gheorghiu, Vignoles and Smith’s (2009) corresponding findings that people with low trust are likely to feel safer when there is more commitment formation as opposed to taking risks. Almost all artists avoided taking risks with galleries they did not know and were unwilling to cooperate together at the initial stages without *guanxi*.

This is where the role of *guanxi* comes in. Due to the levels of distrust, participants were not willing to take risks with strangers. An intermediary could be beneficial but people still made choices based on their own feelings of trust. This is the concept discussed earlier when examining the role of banqueting. Participants were able to use this method of communicating to assess the other

person as to whether they had moral character or not. If they felt they had moral character then they were willing to take the risk to cooperate. This was a separate function from the development of *ganqing*. However, there needed to be *ganqing* before risk could be taken. This was the *guanxi* paradox where having *guanxi* did not mean trust existed but it was necessary to have *guanxi* to develop trust.

Cooperation did not mean that cognitive trust existed. Rather the decision to cooperate was reliant on the individual's intuition from attempting to assess the other person's moral character. Once there was *ganqing* and the feeling of trust the art dealer or artist weighed up the risks involved. There were also two other factors involved in determining whether or not to take the first risk to cooperate. The first was the artist or gallery's ability. If the gallery felt there was high artistic value in the work then this would contribute positively to a decision to cooperate. Even so, some artistic works were unable to be sold so the other determining factor was *liyi*. If the gallery could earn money then he or she wanted to cooperate with the artist. If the artists could sell his or her paintings through the gallery then they were willing to cooperate. Therefore, one of the preconditions to cooperation was also *liyi*, the ability to make a profit.

When galleries and artists attempted to trust each other it was compartmentalised into areas of ability and moral character. Most participants explained that they could not fully trust someone but rather could trust them in specific areas. As far as the galleries were concerned the artists' areas of ability were related to their artwork. If their artwork remained of a continually high standard they continued to trust them in this area. Artists on the other hand trusted the galleries in their ability to sell and promote artwork. The most direct method of measuring the gallery's ability was through how much money they could make.

The area of ability was also connected to *liyi*. The more ability the gallery had then the more *liyi* could be made. This was a precondition to the relationship and continued as the relationship developed. At any point, if there was no *liyi* then the relationship was also terminated. However, this did not mean the friendship was terminated. The friendship was able to exist separate to the ability and *liyi* of the other party. At the same time, if *liyi* did exist then this also contributed to an



increase in *ganqing* due to the gratefulness felt by each party in being able to earn money because of the other person.

The third area of trust was in the gallery or artist's moral character. This was a prominent feature from the beginning of the relationship right through to its consolidation. The most common characteristics referred to in this area were honesty, sincerity, loyalty and reliability (*kexin*). These traits were identified through a period of testing. The testing was at times purposeful and at other times it occurred naturally through cooperation. Of the three factors *liyi*, ability and moral character, *ganqing* had the closest connection to moral character. Honesty, sincerity and loyalty were often felt because of the development of *ganqing*. Reliability on the other hand was cognitive observance of the other person's conduct and actions. Therefore moral character was a combination of affective and cognitive trust.

By combining each of these factors a preliminary *guanxi*-trust model for business relationships is shown below in Figure 6.4. It can be compared to other research and concepts on trust. The first and primary focus of this model is based on people's low disposition to trust as defined by Cook et al. (2005, p. 10), Rotter (1971, 1980) and Yamagishi et al. (1999). They held the opinion that different societies have lower levels of trust than others and those with higher levels of trust are able to identify untrustworthy people more easily than those with less trust. This theory holds that people have different levels of trust – from higher to lower. From the findings it appears that in China people do not have a lower level of trust but rather total absence of it if unacquainted with another person. The first assumption is one of distrust, that the other person has bad intentions.

Because of the distrust people initially have they needed a method of determining the other person's trustworthiness. So elements of *renqing guanxi* are used to determine the trustworthiness of the other person through eating meals and communicating together. This initial trust is not cognitive but is rather an intuitive type of trust or cognitive trust. The feeling of trust has not yet been tested to determine whether or not it holds true. As Mayer et al. (1995, p. 712) explained, the characteristics of cooperation, confidence and predictability cannot be

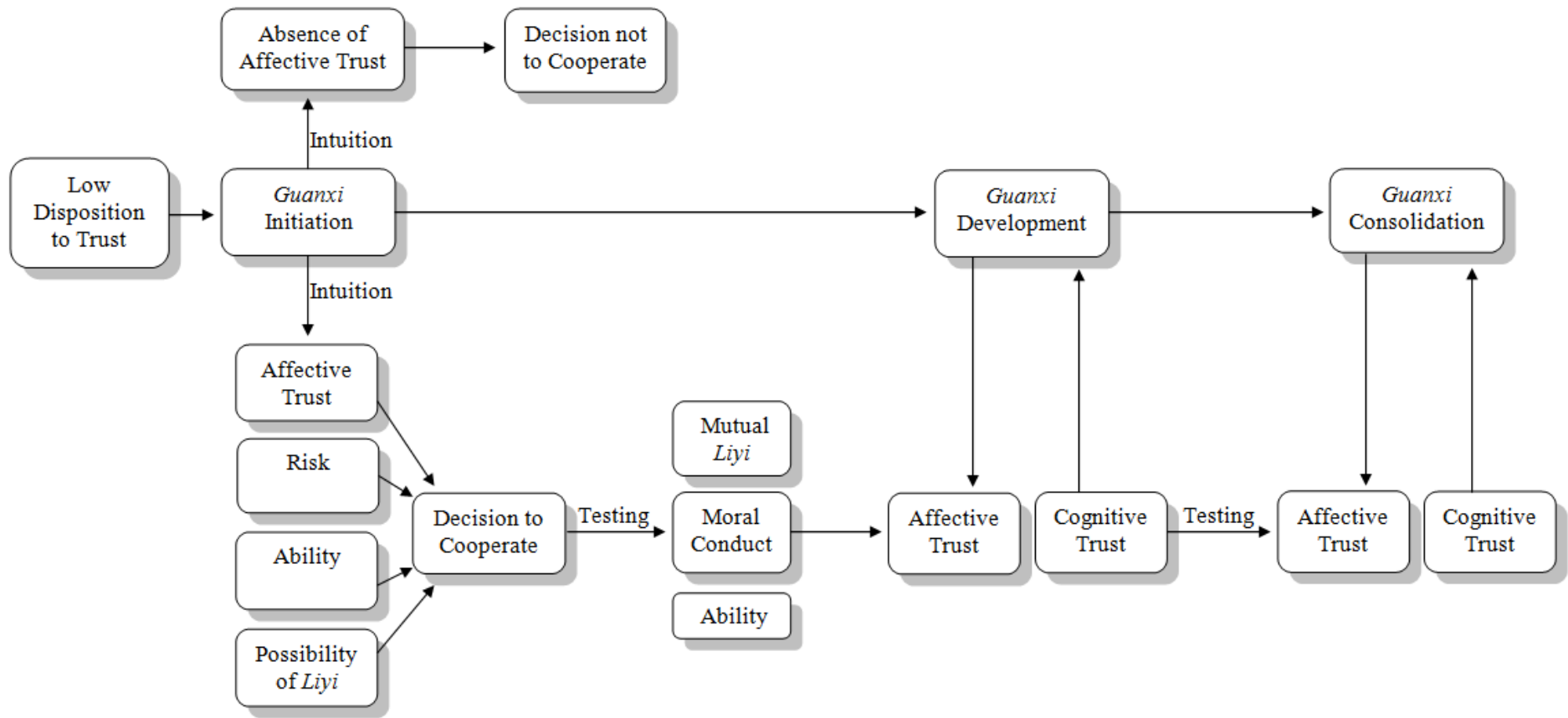


Figure 6.4 The Guanxi-Trust Business Relationship Model (Author's Research)

interpreted as trust. As was the case here cooperation did not indicate cognitive trust but rather it was a precursor to testing it.

What was not included in their model was the role of affective trust. Due to the disposition to distrust affective trust was necessary to cooperate. That would mean that in actual fact a type of trust is present before cooperation takes place. This differs from other literature in that McAllister (1995) believed that although there are differences in affective and cognitive trust, cognitive trust must exist first for affective trust to develop. Conversely, Schoorman et al. (2007) proposed that affection will be an antecedent to trust and as cognitive trust develops the emotions will dissipate. In China, where there is a disposition to distrust, it appears that through the role of *guanxi*, affective trust is able to develop, and it allows a period of testing to take place so that cognitive trust also develops. Affective trust is a precursor to this testing period. In addition, as the relationship progresses affective trust is present partially in the area of moral integrity due to the shared principles of both parties. The impact of affective trust was an area that Schoorman et al. (2007) believed needed to be examined as their model was purely cognitive. At the same time, these findings are country specific as it is the disposition to distrust that may have caused this affective trust to be developed in the first place.

In relation to other factors included by Mayer et al. (1995) the trustor also takes into account ability, benevolence and integrity. These three items correspond in a similar way to what participants defined as ability, mutual *liyi* and moral character. Ability was based on competence. This was demonstrated by participants in the galleries recognition of the artist's artwork and the artist's belief in the ability of the gallery to sell and promote their work. Benevolence which in Mayer et al.'s (1995) model refers to how much the trustee wants to help the trustor could be interpreted as mutual *liyi*. The willingness of either party to trust in each other was also based on the mutual profit that could be obtained by both parties.

Finally, as defined by Mayer et al. (1995), integrity is a set of principles that both parties agree as being acceptable. In the case of Chinese participants this was referred to as *renpin* and included principles such as honesty, sincerity, loyalty and reliability. Most of these characteristics are developed through *guanxi* and so

it could be concluded that the integrity dimension is actually the *guanxi* dimension. This correlates with Chen and Chen (2004) who believed sincerity held stronger importance in developing *guanxi*. Yang et al. (2012) also found that in the construction industry integrity based trust should be readjusted to *guanxi* based trust.

These findings support another exploratory study conducted in Mainland China by Zolkiewski and Feng (2012) where it was found that *guanxi* enabled the relationship to be initiated but it was trust that caused it to develop. At the initiation stage *guanxi* is able to mitigate distrust by creating intuition which in turn leads to affective trust. However, as cooperation takes place cognitive trust develops. This trust does not originate from following *renqing* principles but rather through each party fulfilling their responsibilities in the cooperative partnership. At the same time the both concepts are still interconnected. As cognitive trust develops this also contributes to an increase in *ganqing* which ultimately builds stronger *guanxi*.

#### **6.4 The Consequences of the Guanxi-Trust Model**

The galleries expressed different levels of trust and *guanxi* with the artists. The first group as could be seen in the case of Hu Yao, Zhang Chao and Wang Bo, abstained from eating meals, giving gifts and helping artists with the exception of buying their work. Hu Yao and Zhang Chao were both low earning galleries and Wang Bo was a medium earning gallery due to his ability to trade not only in the primary but also the secondary market. They bought artwork directly from the artists and then sold it on to the customers. They did not feel that it was important to build *guanxi* with artists or trust. Some of these gallery owners even expressed disdain for the artists. The relationship was based on mutual benefit. On the artist getting the price he or she wanted and the gallery paying what they felt was appropriate.

In addition, if *xinyong* was broken then the relationship ended. Zhang Chao made the comment, “*If I see your paintings being sold in another place, then you already don’t pay attention to xinyong. In this way I can make a judgement*” (2010, para.571). Like other galleries they only talked about *xinyong*, not *xinren*. The only way they could make a judgement was in the concrete facts they saw,

not in the *xinren* they felt. The artists faced strong competition when selling to these types of galleries. Their artwork was all traditional Chinese paintings and there were many artists selling this type of work. As a result the galleries did not feel it was necessary to build relationships with any of them. If one artist proved not to have *xinyong* then they could move to the next. Artists were also unable to build relationships with these galleries due to the art dealer's unwillingness to do so.

The second style of relationship between galleries and artists was the contractual one. Most of these galleries were also low to medium earners. They often signed contracts with the artists and paid them commission on their artwork if it sold rather than buying it from them directly. The artists were unable to gain a fixed income if their work did not sell. Due to the financial constraints of the galleries most of them were willing for the artists to sell in numerous locations including in the same city. They were not willing to force the artist to commit only to their gallery as they did not want to hinder the artist's career due to their inability or preferred operational strategy. These galleries also worked with a large number of artists rather than a core group. At almost every exhibition there were new artists on display.

Although some of these galleries felt they did develop consolidated *guanxi* others did not. For instance Wu Min and Liu Yang both explained they did not have consolidated *guanxi* with their artists. Others such as Yu Wei and Huang Lijuan explained that although they developed strong relationships with the artists the business aspects always came back to the contract. They were satisfied with the contractual agreement that they had. The contracts did not limit the artists to work with other galleries but rather were based on exhibition requirements and payment. Even though contracts were signed respondents all felt that it was more of a guideline rather than something to be enforced.

It is interesting to note that artists did not value contracts very highly. From 2008 onwards most galleries at 798 reneged on their contracts with artists due to the financial crisis. Artists that signed contracts with galleries often commented that it did not mean anything at all. They still displayed low trust for those galleries. This is in keeping with Murnighan, Malhotra and Weber (2004) who found that the use

of contracts could contribute to a loss of trust through forced cooperation rather than increasing it. They explained, “Whereas formal agreements such as contracts help to reduce risk and enhance the likelihood of cooperative interaction, they can work against the development of informal understanding and mutual trust” (Murnighan et al., 2004, p. 303).

Three other high earning galleries are worth mentioning – Li Qiang, Sun Xiangxiang and Liu Qi. These three galleries made the majority of their money through sales to government officials. As was mentioned earlier Li Qiang lost his competitive advantage with the loss of his key client. However, Liu Qi had a wider range of *guanxi* with government officials and so her sales were not dependent on only one contact. The competitive advantage for these galleries will remain provided the government is still able to receive paintings as bribes. If this is outlawed in the future the galleries will also need to change their strategy. These three galleries also paid close attention to building *guanxi* with the artists but still allowed them to cooperate with a number of other galleries. Liu Qi adopted an unusual strategy to limit the amount of *liyi* artists felt in the relationship. Every time she made a sale instead of commission she asked the artists to give her a painting. She felt that in this way no money was given to her directly and so the *ganqing* between her and the artists was able to increase. As a result she too gained an excellent collection of artwork which she was able to auction off whenever she needed money. She was also able to use the artwork to bribe government officials as she did one time in exchange for two *mu*<sup>17</sup> of land on which she built a new gallery.

The third group of galleries were low, medium and high earning galleries and all had strong *guanxi* with their artists. This type of gallery was able to lock the artists into a relationship with them so they did not cooperate with other galleries unless agreed upon by both parties. The family/co-op galleries that were locked into relationships with the artists lost their competitive advantage due to the responsibilities and principles that were followed according to the norms of *renqing*. In order to not allow artists to lose *mianzi* they allowed them to exhibit work that was not always up to standard and at high prices that were unable to sell.

---

<sup>17</sup> *Mu* (亩): 1/6 of an acre or .0667 hectares.

Artists that had *guanxi* with the gallery took priority over those that did not. The struggling gallery owner at 798 who was not a family/co-op was also able to lock artists into relationships with him due to their *ganqing*. After providing a young artist with tremendous artistic support that artist committed to being represented by him indefinitely. The cooperation, however, may not last long due to the struggling finances of the gallery. The problem that arose in these cases was that galleries locked themselves into relationships before they knew whether or not the artwork would be welcomed by the public or when they did not have the financial ability to promote it to the full extent.

One medium and two high earning galleries were able to lock artists into relationships by building trusting relationships with elements of *renqing guanxi*. Their first priority was to examine the paintings. Wang Qing, who looked for new artists by himself, never met them until he was sure he wanted to cooperate. Although he allowed his current artists to make recommendations he would not permit them to make personal introductions. He said, “*I don’t meet the artists. First I look at the artwork. You don’t need to see people. If you see them you have ganqing*” (2011, para.431). Once *ganqing* began to develop, there were also associated responsibilities for people that prioritised developing *guanxi*. Once he met the artists he made a judgement on their moral character and went through the process of testing as was discussed previously. He only allowed his artists to cooperate with him and no other gallery. He was able to retain his artists even when they had opportunities to earn more money elsewhere. He explained that this was because of the *ganqing* that existed between them. In addition, he never signed contracts with his artists but relied on agreements by word of mouth. In this way he had been able to maintain relationships for twenty years with his core group of artists.

Tang Juan and Ye Wen also locked their artists into relationships based on the *ganqing* and trust that had developed between them. All the employees at Tang Juan’s gallery were assigned a number of artists to look after, to build relationships with and to communicate with if any problems arose. In this way they were able to deal with a large number of artists over a long period of time. They also demanded loyalty of their artists. Ye Wen also built strong relationships with her artists by providing for their needs even if the artwork did not sell. She

also committed herself to looking after a mentally ill artist who created exceptional artwork. She also did not want her artists to work with other galleries.

By locking the artists into the relationship these galleries were able to slowly increase the price of the artist's artwork over time. This was important in the Chinese market as there was very little loyalty to commit to one gallery. In recent years there has been much speculation particularly in the contemporary art scene. Large galleries enter in and buy an artist's entire series of work. However, when the work does not sell or the market drops then they sell the artist's work at a lower price and eventually the artist is unable to push the price of their work up. Those that have locked artists into relationships with them are able to slowly push prices up rather than speculating. Over time, such as with Wang Qing, if the artwork is truly of artistic value then the artists were able to become wealthy and well known in China due to the galleries' efforts. This was only achieved through the incorporation of both a *guanxi*-trust strategy with the artists and through sole representation. These findings were corroborated by Wiegel and Bamford (2015) who found that strong *guanxi* with suppliers acted as an entry barrier to the competition. It was not, however, the only factor as the business partners still need to receive a good deal. In this research, artists also needed to receive fair and continuous payments to remain in the partnership.

These findings also provide the answer to how opportunistic behaviour is reduced in supply chain partnerships. Lu et al. (2008b) found that opportunistic behaviour between suppliers and buyers in the farming industry was reduced when stronger *guanxi* existed in the relationship. Lyles et al. (2008) also found that opportunistic behaviour was reduced between Carrefour and its suppliers due to *guanxi*. This may have been because the development of *ganqing* in the relationship, such as what occurred in the art industry, locked partners into relationships. Barnes et al. (2011) also found that *renqing*, *xinren* and *ganqing* led to increased cooperation and coordination. However, from the previous discussion it could be argued that cognitive *xinren* is a consequence of cooperation and *ganqing* is an aspect of *renqing*. In addition, research conducted by Zhuang and El-Ansary (2008) found that buyers and suppliers that developed affect displayed less coercive power which resulted in better long-term cooperation. In this case, galleries that did not



enforce contracts but rather developed *ganqing* were able to maintain long-term cooperation with willing artists.

These findings also provide explanations for research conducted by Nie et al. (2011). In their study it was found that as *guanxi* became deeper between buyers and suppliers the associated benefits disappeared. The costs of holding up the relationship outweighed the benefits. Examples of this were seen in the cases of galleries that had low quality supply, were forced into wrong pricing strategies and had financial limitations. On the other hand deeper *guanxi* also enforced loyalty. This shows that in some industries it may be more beneficial to be locked into *guanxi* than others. In industries where there is only one supplier and the movement of products is slow, loyalty would be beneficial to control pricing. Other industries where there are many suppliers and lower prices it may not be necessary to build deep *guanxi* such as what was seen with galleries that bought artwork from artists at a low price.

This raises the question on whether or not less *guanxi* is needed in industries with Fast Moving Consumer Goods and more in industries where importance is placed on quality and design. Sternquist and Chen (2006) found that foreign companies in the food retail industry discouraged its employees in building *guanxi* with its suppliers. In that industry, products were discarded based on immediate performance. Products were only given a one to three month trial period before deciding whether it should be retained or discarded. This differed from the high earning galleries in this research where long term cooperation and patience was required to sell an artist's work. The lower earning galleries on the other hand had immediate and high turnover of artists if it was not accepted quickly by customers.

At the same time Roslin and Melewar (2000) found that in Malaysia in the grocery distribution channels there were benefits to distributors building *guanxi* with suppliers. If relationships had been built over a long period of time manufacturers and distributors were able to look after each other's interests. Suppliers were able to charge cheaper prices to those they had established trusting relationships with. In addition, manufacturers continued supplying smaller distributors that they had *guanxi* with even if larger and newer distributors entered

the market. It was therefore beneficial for smaller distributors to build *guanxi* in order to remain competitive and gain loyal suppliers.

For industries where loyalty is needed *guanxi* relationships allow the company to build price competitive strategies. By being the sole supplier such as galleries where the artists were only represented by them, they were able to push the price of the artwork up over time. In a case study conducted by Chuang et al. (2011) it was found that Carrefour who had built *guanxi* with its suppliers was also able to build price competitive strategies whereas Walmart who used intermediaries instead of direct relationships was not. This shows that it would be impossible to use *guanxi* in this manner for relationships in a deep supply chain. As it is a relationship between two people, built on *ganqing*, relationships would need to be built between each link. Lyles et al. (2008) found that managers were able to do this by using a trustworthy partner in the supply chain to make the connection. Due to this, new partners would not want to act opportunistically so as not to damage their reputation with the intermediary.

## **6.5 Conclusion**

When examining the use of *guanxi* as a favour in the art industry it was found that it was necessary to make the distinction between B2G and B2B *guanxi*. B2G *guanxi* provided the most benefits but it was essentially unethical. B2B *guanxi* was used less frequently with the exception of locating supply. For galleries with fewer resources it would be best to adopt a passive-active model of supply to make full use of its connections but still continue to increase the quality of work supplied.

From the discussion it could be seen that only adopting a strategy of developing *guanxi* was not enough for successful and long-term cooperation. It was also necessary to develop cognitive trust through cooperation. *Guanxi* played a pivotal role at the initiation of the relationship by increasing affective trust in the business partner. From that point on, cooperation was able to take place which produced cognitive trust. The concepts were, however, intertwined. Cognitive trust increased the partner's *ganqing* which was the core indicator of close *guanxi*. *Guanxi* also contributed to affective aspects of trust specifically in the area of moral character, defined in other models as integrity. If these two concepts were

employed in business partnerships it was able to lock suppliers into a relationship where loyalty prevailed. This could have negative consequences if businesses locked themselves into relationships where they did not have the means to support it. If on the other hand, loyalty was necessary, it could provide a strong competitive advantage.

## Chapter 7 Conclusion

### 7.1 Introduction

With a plethora of literature on the outcomes and consequences of *guanxi* on business operations in recent years, there has been an evident absence of empirical research on the process of its development. This is surprising as one would assume that to test *guanxi* it would be necessary to understand how it develops. Many academics have conceptualised the process of *guanxi* development (Bedford, 2011; Chen & Chen, 2004; Freeman & Lim, 2008; Hwang, 1987; Leung et al., 2008; Yau et al., 2000) but have not conducted research in the field to identify whether or not their concepts hold true for Chinese businessmen and women. This research has addressed this issue by being the first empirical research conducted in Mainland China to identify the steps of *guanxi* development in business relationships and to create a preliminary *guanxi*-trust model based on those findings.

In addition to this, a unique methodological approach to *guanxi* research was employed. Prior research has focussed on testing Western theories in a Chinese context rather than examining the concept from the perspective of the people embedded within that culture. *Guanxi* is a cultural phenomenon with characteristics specific to China. Therefore it was necessary to examine it not from the researcher's standpoint but from those within Chinese society. To do this, the methodological approach of grounded theory was used so that comparisons of concepts and ideas of those building *guanxi* could be made. In-depth interviews were conducted, transcribed, translated and then analysed. The use of grounded theory ensured that commonalities between participants were identified as well as anomalies.

Furthermore, the Beijing art industry was selected as a unique location to conduct this research. Even though the Chinese art industry is currently the largest worldwide, little western research has examined the workings of business relationships within this context. Not only was it of industrial significance but it was also a prime location to examine the formation of new relationships. It had been found that private enterprises were more likely to need to build *guanxi* than

SOEs as they were not already embedded within *guanxi* networks. Moreover, SMEs were also more likely to build *guanxi* in order to gain a competitive advantage. For these reasons, it was determined to examine the relationship building process between galleries and artists in the Beijing art industry.

## **7.2 Research Issues in Prior Literature**

The initial focus of this research was to identify a clear gap in the literature and examining prior studies revealed it. Firstly, research has focussed largely on the outcomes of *guanxi* as opposed to its development. This holds true for all areas of Business Management including Human Resource Management, Supply Chain Management, networking theories, resource based views and foreign investment strategies. Empirical and ethnographic research that has examined *guanxi* development has been in the field of economics (Kiong & Kee, 1998), politics (Jacobs et al., 1979) and sociology (Kipnis, 1996; Yan, 1996b; Yang, 1994). Other models of *guanxi* development have been largely conceptual. None of the empirical research has examined the process of *guanxi* development specifically in supplier buyer business relationships in Mainland China.

Models of *guanxi* development either showed characteristics of the relationship but not how it changed over time or used western concepts to examine it. Willis (2008), who conducted interviews in Mainland China, identified features of *guanxi* relationships but did not show its process of development. Leung et al. (1995) and Wong (1998a) tested a pre-existing western model and so did not include specific cultural features of *guanxi*. At a later point Leung et al. (2008) also included the cultural features of *guanxi*, but their latest model was also conceptual. In addressing the current gaps in the *guanxi* literature Chen, Chen and Huang (2013, p. 195) wrote, “Much research has been focused on how various *guanxi* ties affect outcomes. Process models of *guanxi* use are largely conceptual, yet to be tested”. This research on the process of *guanxi* development between galleries and artists in the Beijing art industry was able to contribute to this gap in the literature by providing a preliminary model based on empirical research as opposed to a conceptual framework only.

Another major issue identified in the literature was the conflict by authors on whether *guanxi* was a cultural phenomenon or not. This contention needed to be

resolved so an appropriate methodology could be selected when conducting fieldwork on the process of *guanxi* development. Academics such as Guthrie (2002, p. 37), Keister (2002) and Tan et al. (2009) stated that *guanxi* came into existence due to gaps in the institutions after economic reforms took place in the late 1970s. Other scholars such as Chen and Chen (2004), Yan (1996), Yang (1994) and Yeung and Tung (1996) took the position that *guanxi* is a cultural phenomenon in Chinese society. To resolve this issue a survey of the historical evidence of *guanxi* was conducted. There was much evidence showing that *guanxi* was in existence before 1949 (Ebrey, 1993; Hamilton, 1996; Hu, 1944; Lang, 1946; Vogel, 1965) and although the government tried to ban it during the 1950s, 1960s and 1970s it re-emerged and was used more broadly in society. It was not a new phenomenon but rather an adaptation of an old feature that had existed in Chinese society for many years. For this reason, *guanxi* was seen as a cultural phenomenon and an ideographic approach was selected as being the most appropriate for examining its development.

Due to the previous literature only focusing on the outcomes of *guanxi*, only being conceptual models on its process of development and the need to examine it from a cultural perspective, a survey of the characteristics of *guanxi* was conducted. Each feature of *guanxi* was identified through the relationship building methods of banqueting, giving gifts and granting favours. From the literature a conceptual model of the process of *guanxi* development was formulated. The following proposals were also identified in relation to conducting fieldwork on business relationships. Firstly, how are *guanxi* characteristics expressed in business partnerships? Secondly, what *guanxi* characteristics are the most important at different stages of development in the business relationship? Thirdly, how do these characteristics affect the building of successful business relationships?

The Beijing art industry was selected as an appropriate setting to conduct this research for two reasons. Firstly, in less than five years China has become the largest art market worldwide. The auction revenue is now more than countries that have dominated the industry for years including the USA, the UK and France (Artprice, 2015). Even though it has risen to importance little management research has been conducted in this setting. Furthermore, no research on *guanxi* outcomes has been conducted in the art industry, let alone the process of its

development. The second reason the Beijing art industry was selected was because previous research indicated that private SMEs were more likely to actively develop *guanxi* than large SOEs. As the purpose of this research was to conduct empirical research on the process of *guanxi* development a location where participants were actively building *guanxi* was deemed most appropriate. Therefore galleries and artists in private SMEs were selected.

### **7.3 Guanxi Usage in the Art Industry**

The first step in this research was identifying how *guanxi* was used in the Beijing art industry. In doing so a number of pertinent issues unique to the Chinese art market were identified that are not present in other countries with long established art industries. It was found that in Beijing there were two separate art markets that operated side by side. The first market identified was similar to that found in western countries, based on the demand of customers and collectors. The second was based on a gift market. In this system it was found that artwork was used as a method to *la guanxi* and as bribes. By gifting artwork to government officials businessmen and women were able to gain benefits. Cadres on the other hand were able to build *guanxi* with their superiors and get promotions when the opportunities arose. These gifts eventually made their way onto the auction market where government officials were able to launder them for cash.

Although the majority of research claims that this type of *guanxi* between businesses and the government is a competitive advantage, this research confirms the studies by Schramm and Yaube (2005, pp. 186, 187) and Fan et al. (2012) that it is primarily corrupt. Competitive advantages could be gained through gifting artwork but it was illegal as it was a substitute for a financial bribe and could be laundered through the auction market. The business to government relationships were similar to those described by Schramm and Yaube (2005, pp. 186, 187) as the black area, purely utilitarian transactions. Government to government *guanxi* was similar to the grey area where relationships contained both instrumental and expressive features. This also corresponds with Fan et al's (2012) research describing rent and favour seeking relationships.

Even though aspects of corruption were identified with businesses and the government, the focus of this research was *guanxi* usage and its development in

B2B relationships between art galleries and artists. It was found that in these latter types of relationships the most widespread use of *guanxi* was in locating new artists or galleries. This investigation identified four models that art dealers used to supply their galleries with artwork. They were the closed, passive, passive active and active models of supply each of which were found to provide benefits and limitations. The first three models of supply were used by galleries to reduce the time and cost associated with locating new artists by directly or indirectly tapping into their own or other's *guanxi* networks. Artists also became more satisfied because they were able to collaborate with friends and acquaintances they had recommended to the gallery.

It was also found that galleries using an active model of supply needed more employee resources and time to locate artists as they did not rely on *guanxi* networks. The advantage of this model was that they were able to closely control the quality of artwork that was represented in their galleries. The work was not selected based on relationships but rather due to the type and quality of work. This was not the case with the closed, passive and passive-active models of supply. The closed model of supply relied solely on relationships resulting in the art dealer being unable to refuse artists they were close to. This occurred to a lesser extent with passive and passive-active models of supply but still had a negative effect when the relationship took priority over what should have been a market based decision. Existing *guanxi* prior to the cooperation not only resulted in artwork being selected that was below standard but also caused wrong pricing strategies and artwork that was not in keeping with goals of the gallery.

Other advantages of *guanxi* were also identified but were used to a lesser extent than locating new artists for the gallery. At the same time, these advantages were not always sustainable. It was found that galleries used *guanxi* for direct sales, advertising, for employment promotions within the gallery, to gain resources, to connect with the government, to find new employees and to obtain cheaper building rent or leased land. Artists on the other hand used it to gain exhibition space, to sell artwork, for advertising, to win competitions and to gain educational opportunities. However, a number of instances showed that these competitive advantages were not sustainable if it was reliant on a limited number of connections. Galleries dealing with a select number of government officials lost



their competitive advantage if the leader resigned or was demoted. Artists were unable to sustain benefits if the limited number of gallery or art fair managers they knew withdrew from their employment posts.

Prior research has at times attributed the use of *guanxi* to it being the actual relationship between two people. This research claims that this is not the case and found it necessary to differentiate the uses of *guanxi* from the process of its development. *Guanxi* was most often used during or after the consolidation stage. Therefore, other actions needed to take place first before help could be given and received. Using *guanxi* was a result of the relationship, although at times it did also contribute to its development particularly at the later stages of the process. The usage of *guanxi* did not show the depth of the relationship nor its long term sustainability. Using it to gain benefits in business did not necessarily mean that a strong partnership had developed. For these reasons the process of *guanxi* development between art galleries and artists needed to be examined separately from its usage.

#### **7.4 Contributions to Guanxi Frameworks**

The primary focus of this research was to create a model on the process of *guanxi* development based on empirical research in Mainland China. Prior to undertaking this research it was assumed that it would be necessary for galleries and artists to find a common *guanxi* base to initiate contact. This was the most widespread use of *guanxi* and using an intermediary to make the introduction did speed up the initiation process. Even so, galleries that met artists unacquainted and not introduced by a third party were able to establish *guanxi* through the bonding process of eating meals together and communicating. It took a longer time for both parties to identify each other's motives but with both having a love of art and a desire to make a profit they were usually able to find a common purpose. These findings were similar to remarks made by Fan (2002) and Yau et al. (2000) in their theoretical framework for developing marketing relationships.

In addition, this research identified the importance of mutual *liyi*, profit, in maintaining the relationship between galleries and artists. Other conceptual frameworks have not identified this factor. If a framework, such as Hwang's (1987), was not based in a business setting then it would not be necessary to

include this factor. However, conceptual frameworks based on business relationships must take this into account. Without it, neither galleries nor artists were willing to initiate or develop *guanxi*. *Liyi* was particularly important at the initiation and development stages of the relationship. This was a unique factor to the process of developing *guanxi* between business partners and would not be included in a framework based on social relationships between friends.

The findings also showed that banquets played a prominent role at the initiation of the relationship. It enabled both parties to communicate which led to finding commonalities and mutual understanding. These in turn led to an increase in *ganqing*. *Ganqing* also created an intuition as the trustworthiness of the other person. This was a separate feature to *ganqing* as some people developed good *guanxi* but did not have trust for the other person. Banqueting also enabled both parties to make a judgement on the other person's moral character. Although *ganqing* was separate from *liyi*, the ability to make money also increased the *ganqing* on both sides. Banqueting during the development stage followed a similar process to that of the initiation of the relationship. At the consolidated stage banqueting decreased in importance as the *ganqing* between both people had consolidated and they were able to address each other with issues by making a phone call or through a brief conversation.

Of the three methods of building *guanxi*, participants felt giving gifts was of the least importance. Of the galleries only the family/co-ops gave them at the initiation stage as an indication of friendship. Other galleries did not want to appear over committed to the relationship. Artists also gave or avoided giving gifts for the same reasons. They also gave small paintings to thank the art dealer for purchasing their work. Gift giving became more prominent at the development stage of the relationship. It occurred most frequently during Chinese festivals or special celebrations. Galleries indicated it was a display of their commitment, friendship and desire for continued cooperation. Artists gave gifts for the same reason but also in the hope of gaining favourable treatment at a future point. At the consolidated stage both parties became more relaxed about gift giving and only did so when they remembered. As long as the other person was treated with sincerity it did not damage the relationship. Participants all explained that giving

gifts increased their *ganqing* with the other person. However, eating meals was more important than giving gifts to develop the relationship.

Of the three relationship building methods giving help or favours was seen as the most important. Even so, it was not fully utilised until the consolidated stage. At the consolidation stage participants felt that *ganqing* was at its highest point. Although *liyi* still existed in the relationship its proportion to *ganqing* had reduced due to banqueting and giving gifts. In the first and second stage participants would carefully consider whether or not to provide help. Due to the *ganqing* that existed by the consolidated stage help was given without weighing up the costs as it had been done previously. Help was offered because of *ganqing* and *ganqing* continued to increase because of it. The obligation to reciprocate favours was strongest at the consolidated stage whereas the need to reciprocate banquets and gifts was strongest during the development period. Reciprocation was not necessary for the initiation period as it was the person seeking cooperation that hosted meals and gave gifts if any.

Research on how banquets, gifts and favours contributed to the development of *guanxi* has not occurred in an in-depth study on business partnerships. Of the theoretical frameworks on *guanxi* there were found to be some similarities particularly with Chen and Chen's (2004) 'A Process Model of *Guanxi* Development'. Although, they differ in that a *guanxi* base is required to initiate the relationship, they claimed the building stage of the relationship was expressive whereas the final stage was where *guanxi* could be used. This corresponds with these findings as the relationship was built primarily through banqueting and after *ganqing* had increased, both parties were able to give and receive favours without formality. These findings are unique in that although previous research has identified the consolidated stage as being the most important to solicit and give favours (Chen & Chen, 2004; Fan, 2002; Bedford, 2011), prior conceptual frameworks have not differentiated between different times of importance for banqueting and gift giving. Nor have they showed how they contribute to an increase in *ganqing* and trust.

Leung et al.'s (2008) third theoretical framework 'A *Guanxi*-Insider Approach' also bears some resemblance at the bonding stage, that is the initiation of the

relationship. They claimed that it was necessary for integrity, harmony and positioning to exist to initiate the relationship and this bears similarities to participants' explanations that moral character, commonalities and mutual understanding were what triggered an increase in *ganqing* and intuition. With Bedford's (2011) framework there was an issue over how trust developed which he claimed was due to the norms of *renqing* which was enforced by *lian*. However, as participants claimed they abided by the norms of *renqing* due to *mianzi* it was necessary to examine the role on the development of trust in business partnerships.

## 7.5 Contributions to Trust Frameworks

The need to examine trust as separate from *guanxi* was identified through the *guanxi* paradox. *Guanxi* did not necessarily mean the existence of trust but it was necessary for trust to develop. Prior literature often equates *guanxi* with trust when this is not always the case. At the initial stages of the relationship, building *guanxi* through banqueting enabled both parties to develop an intuition as to the trustworthiness of the other party. This is what led to affective trust or absence of it. The reason participants needed to go through this process of building affective trust was because of their disposition to distrust. So, by the time cooperation had taken place, participants had developed some affective but lacked cognitive trust. Cooperation was also reliant on possible *liyi*, the ability of the artist or gallery and the risks involved. When these factors were combined with affective trust galleries and artists were willing to cooperate together.

It was also found that participants compartmentalised their trust into ability and moral character. In addition, cognitive trust was only able to develop through the continuation of *liyi*, a factor that had some connection to the galleries ability to sell and promote artwork. *Ganqing* was connected to the development of trust in the area of moral character as it was expressed through sincerity and loyalty. On the other hand, cognitive trust also increased *ganqing* in the relationship so there was an interconnection of the different features. From these findings a *guanxi*-trust model for cooperative business partnerships was created.

The *guanxi*-trust model provides a number of contributions to concepts of trust particularly at a country specific level. Prior research has found that countries have different dispositions of trust prior to a relationship being initiated. These

findings show that not only do Chinese people have a low disposition to trust but in fact they have a disposition to distrust. Due to the existing distrust it is necessary for people to build affective trust which is a role that *guanxi* plays at the initiation of the relationship. In accordance with prior research (Mayer et al., 1995, p. 712) the initial steps of cooperation cannot be interpreted as trust. Rather it is the testing period which if successful results in cognitive trust.

Schoorman et al. (2007) also believed that affective trust would exist prior to cognitive but would then dissipate as cooperation took place. Although pre-existing affective trust was the case with participants it did not dissipate but rather continued alongside cognitive trust as the friendship *guanxi* developed. *Ganqing* continued to contribute to affective trust and cognitive trust increased *ganqing*. Little research has focussed on the concept of benevolence but as this research shows the participants' willingness to risk trusting each other was dependent on *liyi*, the ability to earn money. Although *guanxi* did contribute to affective trust participants referred to cognitive trust as the fulfilment of their cooperation. They did not feel that it was connected to the *renqing* norm. Rather it was the ability for both parties to fulfil their responsibilities in the cooperation.

## **7.6 Effects of the Guanxi-Trust Model on Gallery Strategies**

The *guanxi*-trust model of partnership did have beneficial effects on galleries that implemented it. There were three methods that galleries used to supply artwork. The first was a direct purchase from the artists of lower priced work. There was no relationship built with these artists but rather a cognitive agreement was employed. Artists competed with each other to supply galleries resulting in the gallery moving on quickly to the next artist if they were not satisfied. The second style of supplying the gallery was a contractual relationship. Paintings were placed on consignment in the gallery and commission was paid to the artist if the work sold. There was little commitment in the relationship and the artist was able to cooperate with a large number of galleries at one time. These two styles resulted in low to medium earnings unless their cliental was with government officials.

The third style of gallery cooperated solely with a core group of artists and was able to lock them into the relationship due to the loyalty created through *ganqing*

and trust established through consistent cooperation. The lower earning galleries found that they were locked into unsustainable relationships with artists who had lower quality artwork, wanted to sell at prices that were too high and the gallery was financially unable to sustain the long-term cooperation. The higher earning galleries, however, were able to sustain long-term relationships based on a selection of high quality artwork and sustained sales. In addition, they were able to create favourable pricing strategies by slowly selling artwork at a higher price every year resulting in sustainable long-term profits.

These findings are consistent with previous research which found that when distributors established *guanxi* with their suppliers it reduced opportunistic behaviour and coercive power (Lu et al., 2008a). Previous research also showed that the benefits of *guanxi* were reduced due to the cost of maintaining it as the relationship deepened (Nie et al., 2011). However, this research shows that the costs may not be outweighed if there is strong need for loyalty with suppliers. This is particularly the case when products are unique and unable to be imitated as was the case with high quality artwork. Once loyalty was established the galleries were able to create pricing strategies that resulted in high profits sustainable throughout the gallery's lifetime.

## **7.7 Research Limitations**

The relationship building methods between galleries and artists will be unable to be generalised to all groups in Chinese society. This type of relationship between galleries and artists was described by participants as being equal *guanxi*. It was not the type of *guanxi* where both partners were trying to use each other for favours. When people tried to *la guanxi* both individuals often had different levels of social status as was seen in relationships between art dealers and government officials. Those types of relationships were more instrumental in nature which would result in differences in reciprocal conduct. The relationship building examined in this study was between cooperative partners, artists and art dealers and can therefore only be generalised to relationships of a similar nature.

There were also some issues related to data collection. Firstly, the galleries that agreed to participate in the research may have held higher levels of trust than those that did not. As a result, those with stronger opinions on the importance of

*guanxi* may have declined to be interviewed. A number of interviews were able to be included that had been conducted after building relationships with the art dealers and artists. Due to time constraints and the inability to build relationships with all the participants, it may be that those who were most likely to follow a *guanxi* business model declined to be interviewed. This was commented on by one participant, Li Qiang, who said when talking about *guanxi*, “*You have come here to do this investigation. It is only because I know you that I have met you. This is the same characteristic, this is guanxi. If you didn’t know me then it would be very difficult for us to meet*” (2010, para.14). It is most probable that *guanxi* was needed to connect to those who were most likely to build relationships in their business and everyday lives.

In a number of instances there were indications that participants did not want to share how fully they used *guanxi* out of embarrassment and discomfort. Artists talked about losing face if others knew they had used their connections to join an art association that would benefit their reputation. Galleries were embarrassed to admit they used the help of family and friends and even referred to this as a “family workshop” rather than what they termed as a legitimate business model. However, while making these comments many art dealers admitted using it. For example Wu Min commented, “*Actually, I don’t say I don’t rely on friends, but I am also embarrassed to say so*” (2010, para.190). She like many others interviewed did not elaborate and downplayed its use. For this reason, the full extent and usage of *guanxi* was unable to be clarified due to embarrassment or the fear of losing face.

Other participants were also unwilling to talk about how *guanxi* was used in the art industry for fear of repercussions. Before interviewing one respondent she commented that she was able to talk about her *guanxi* with artists but not the government. This participant had just gained permission to build a gallery in a restricted area and would have needed to deal with the local government to do this. This would have been either direct *guanxi* or she would have had to *la guanxi*. The details of this transaction were unable to be verified as one of the conditions to being interviewed was to not talk about her dealings with government officials. As a result, interviews relating to the relationship process between artists and

galleries were discussed but with the government many details could not be delved into.

Finally, the Chinese political and economic environment is constantly changing, and this will result in modifications in how *guanxi* is used and expressed. In early 2013, Xi Jinping replaced Hu Jintao as President of The People's Republic of China. With him came an open attack against corruption within the government (Xinhua, 2015). Government officials involved in corruption have found themselves facing harsh penalties including those who have used the art industry to accept bribes and launder money. Other practices are also being discouraged such as the sale of calligraphic works by government officials (Li, 2015). Past tradition has been for politicians to sell their works of calligraphy as masterpieces, a practice stemming from the works of Mao Zedong (Li, 2015). In reality, some of these calligraphic pieces were not works of art but rather provided means whereby politicians could receive bribes. It is likely that some of these practices associated with trying to *la guanxi* in what this research referred to as the "gift market" will decrease in the future. On the other hand, it is unlikely that this will affect the way galleries and artists build working relationships.

## **7.8 Further Research**

This study opens up further areas of investigation related to the models of *guanxi* and trust development as well as a number of deductive studies which could lead on from these findings. Firstly, the focus of this study was on how *guanxi* developed between partners who had relatively equal power in the relationship. There were instances identified where artists who were famous were able to control the distribution channel and vice versa. Nevertheless, in this study the majority of the relationships between artists and dealers were equal. The galleries needed the artists to make a profit and the artists needed the galleries for their survival. Future research could examine the role of power in *guanxi* development and how it may result in the necessity for one partner to do more than the other to develop the relationship. Examining power in *guanxi* development would result in the findings being more applicable to a wider range of situations, such as with private companies and SOEs or businesspeople and government officials.



There are some issues in relation to trust that could be explored further. Firstly, participants identified that trust was a dyadic process. The development of trust in one person resulted in it developing in the other. This is similar to a concept put forward by Schoorman et al. (2007) that further research needs to occur to examine how that influences the development process. In addition, it would be beneficial if cross-cultural studies were conducted in order to make a comparison between the developments of trust between different cultures. In this research it was found that participants had a very strong tendency to compartmentalise trust. It was divided into areas of ability and then yet again into areas of moral character. This may have been due to their high levels of distrust which impacted their overall trust as the relationship developed.

In examining the use of *guanxi* favours in the art industry it was found that there were both positive and negative outcomes for many actions. For instance, locating artists through a *guanxi* network reduced time spent searching and money paying an employee to do the job. At the same time it was also possible that negative consequences could develop such as lowering the quality of artwork selected or being locked into a relationship if there was a prior relationship. This is what Chen et al. (2013) referred to as the double-edged sword of *guanxi*. In a literature review of prior *guanxi* research they explained that it focuses on either the positive or negative outcomes of *guanxi* rather than investigating both consequences. It would be beneficial to conduct research that measures both the costs and benefits to employing a *guanxi* strategy within the organisation.

## **7.9 Concluding Remarks**

In previous research *guanxi* has often been considered the be all and end all of relationships in China. This is not the case. It is closely intertwined with other features of cooperation including mutual benefit and cognitive trust developed through cooperation. At the same time, the development of *ganqing* through deep communication during banquets, sincerity displayed through giving gifts and genuine care and respect by helping each other can contribute to a formidable relationship. In the ever changing Chinese environment this truly is a competitive advantage.

## References

- Abramson, N. R., & Ai, J. X. (1997). Using guanxi-style buyer-seller relationships in China: Reducing uncertainty and improving performance outcomes. *The International Executive*, 39(6), 765-804.
- Adler, P. A., & Adler, P. (1994). Observational techniques, in N. K. Denzin and Y. S. Lincoln (eds), *Handbook of Qualitative Research*. Thousand Oaks, CA: Sage.
- Ahmed, I., Ismail, W. K. W., Amin, S. M., Nawaz, M. M. (2013). A social exchange perspective of the individual *guanxi* network. *Chinese Management Studies*, 7(1), 127-140.
- Ai, J. (2006). Guanxi networks in China: Its importance and future trends. *China & world Economy*, 14(5), 105-118.
- Ambler, T. (1995). The derivation of guanxi. *Marketing Management*, 4(1), 27.
- Android Online. (2011). *Renqing small assistant*. Retrieved January 10, 2012, from <http://www.androidonline.net/soft/13918.html>
- Angremy, B. (2008). 798, a place of artistic possibilities. In R. Huang (Ed.), *Beijing 798: Reflections on a "factory" of art* (pp. 12-21), Chengdu: Sichuan Fine Arts Publishing House.
- Annells, M. (1996). Grounded theory method: Philosophical perspectives, paradigm of enquiry, and postmodernism. *Qualitative Health Research*. 6(3), 379-393.
- Arias, J. T. G. (1998). A relationship marketing approach to guanxi. *European Journal of Marketing*, 32(1/2), 145-156.
- Artprice. (2015). The art market trends 2002-2014. Retrieved February 23, 2015, from <http://www.artprice.com/artmarketinsight/reports>
- Avenarius, C. (2007). Cooperation, conflict and integration among sub-ethnic immigrant groups from Taiwan. *Population, Space and Place*, 13(2), 95-112.

- Bamai jiazhang “kaixue jiāolùzhèng” zhuanjia kai liangfang [By feeling parent’s pulse “beginning term anxiety” experts offer a good prescription]. (2010, August 23). *Xinhua News*. Retrieved January 10, 2012, from [http://news.xinhuanet.com/edu/2010-08/23/c\\_12475992.htm](http://news.xinhuanet.com/edu/2010-08/23/c_12475992.htm)
- Barnes, B. R., Yen, D., & Zhou, L. (2011). Investigating guanxi dimensions and relationship outcomes: Insights from Sino-Anglo business relationships. *Industrial Marketing Management*, 40(4), 510-521.
- Barnes, D. M. (1996). An analysis of the grounded theory method and the concept of culture. *Qualitative Health Research*, 6(3), 429-441.
- Baumol, W. J. (1986). Unnatural value: Or art investment as floating crap game. *The American Economic Review*, 76(2), 10-14.
- Bedford, O. (2011). Guanxi-building in the workplace: A dynamic process model of working and backdoor guanxi. *Journal of Business Ethics*, 104(1), 149-158.
- Bedford, O., & Hwang, S. L. (2013). Building relationships for business in Taiwanese hostess clubs: The psychological and social processes of guanxi development. *Gender, Work & Organization*, 20(3), 297-310.
- Bian, Y. (1994). Guanxi and the allocation of urban jobs. *The China Quarterly*, 140, 971-999.
- Bian, Y. (1997). Bringing strong ties back in: Indirect ties, network bridges, and job searches in China. *American Sociological Review*, 62(3), 366-385.
- Bian, Y., & Ang, S. (1997). Guanxi networks and job mobility in China and Singapore. *Social Forces*, 75(3), 981-1005.
- Bian, Y. (2002). Institutional holes and the job mobility process: Guanxi mechanisms in China's emergent labour markets. In T. Gold, D. Guthrie, & D. L. Wank (Eds.), *Social connections in China: Institutions, culture, and the changing nature of guanxi*. (pp. 117-135). Cambridge, UK: Cambridge University Press.

- Bjorkman, I., & Kock, S. (1995). Social relationships and business networks: The case of Western companies in China. *International Business Review*, 4(4), 519-535.
- Bozionelos, N., & Wang, L. (2007). An investigation on the attitudes of Chinese workers towards individually based performance-related reward systems. *International Journal of Human Resource Management*, 18(2), 284-302.
- Brady, A. M. (2000). "Treat insiders and outsiders differently": The use of control of foreigners in the PRC. *The China Quarterly*, 164, 943-964.
- Boyle, J. S. (1994). Styles of ethnography. In J. M. Morse (ed.). *Critical issues in qualitative research methods*. Thousand Oaks, CA: Sage.
- Buckley, P. J., Clegg, J., & Tan, H. (2006). Cultural awareness in knowledge transfer to China – The role of guanxi and mianzi. *Journal of World Business*, 41(3), 275-288.
- Campos, N. F., & Barbosa, R. L. (2009). Paintings and numbers: An econometric investigation of sales rates, prices, and returns in Latin American art auctions. *Oxford Economic Papers*, 61(1), 28-51.
- Cao, Y. & Xiang, Y. (2013). The impact of knowledge governance on knowledge sharing. *Chinese Management Studies*, 7(1), 36-52.
- Cardon, P. W. (2009). A model of face practices in Chinese business culture: Implications for western businesspersons. *Thunderbird International Business Review*, 51(1), 19-36.
- Carlisle, E., & Flynn, D. (2005). Small business survival in China: *Guanxi*, legitimacy, and social capital. *Journal of Developmental Entrepreneurship*, 10(1), 79-96.
- Chai, C., & Chai, W. (1962). *The changing society of China*. New York: Mentor Books.

- Charmaz, K. (1983). The grounded theory method: An explication and interpretation, in R. Emerson (ed.), *Contemporary Field Research: A Collection of Readings*. Boston: Little Brown.
- Chatterjee, S. R., Pearson, C. A. L., & Nie, K. (2006). Interfacing business relations with Southern China: An empirical study of the relevance of guanxi. *South Asian Journal of Management*, 13(3), 59-75.
- Chen, C.C., Chen, X. P., & Huang, S. (2013). Chinese guanxi: An integrative review and new directions for future research. *Management and Organization Review*, 9(1), 167-207.
- Chen, H. Y. (2010, January 16). Changjiang xuexhe zai jie “guanxi keyan jingfei” heimu [A Changjiang scholar exposes the shady dealings of “science research funding guanxi”]. *News Bulletin*. Retrieved January 10, 2012, from <http://news.scut.edu.cn/newsDetail.jsp?id=81839>
- Chen, M. H., Chang, Y. Y. & Lee, C. Y. (2015). Creative entrepreneurs' guanxi and success: Information and resource. *Journal of Business Research*, 68(4), 900-905.
- Chen X., & Wu. J. (2011). Do different guanxi types affect capability building differently? A contingency view. *Industrial Marketing Management*, 40(4), 581-592.
- Chen, X. P., & Chen, C. C. (2004). On the intricacies of the Chinese guanxi: A process model of guanxi development. *Asia Pacific Journal of Management*, 21(3), 305-324.
- Chen, X. P., & Peng, S. (2008). Guanxi dynamics: Shifts in the closeness of ties between Chinese co-workers. *Management and Organization Review*, 4(1), 63-80.
- Chiang, C. (2012, February 25). Top Asian auction house opens B.C. office. China Guardian sees Metro as promising market. *Vancouver Sun*. Retrieved May 15, 2012, from <http://www.vancouversun.com>

- Chou, L. F., Cheng, B. S., Huang, M. P., & Cheng, H. Y. (2006). Guanxi networks and members' effectiveness in Chinese work teams: Mediating effects of trust networks. *Asian Journal of Social Psychology*, 9(2), 79-95.
- Chou, S. Y., Yang, W. & Han, B. (2014). What happens when "younger" helpers meet "older" recipients? A theoretical analysis of interpersonal helping behaviour in Chinese organizations. *Journal of Organizational Change Management*, 27(4), 677-691.
- Chow, I. H. S., & Ng, I. (2004). The characteristics of Chinese personal ties (guanxi): Evidence from Hong Kong. *Organization studies*, 25(7), 1075-1093.
- Chuang, M. L., Donegan, J. J., Ganon, M. W., & Wei, K. (2011). Walmart and Carrefour experiences in China: Resolving the structural paradox. *Cross Cultural Management*, 18(4), 443-463.
- Central Intelligence Agency. (2012). *The world factbook*. Retrieved January 10, 2012, from <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>
- Cochran, S. (2000). *Encountering Chinese networks: Western, Japanese, and Chinese corporations in China*. Berkeley and Los Angeles, CA: University of California Press.
- Cook, K. S., Hardin, R., & Levi, M. (2005). *Cooperation without trust?* New York: Russell Sage Foundation.
- Corbin, J. (1998). Alternative interpretations: Valid or not? *Theory and Psychology*, 8(1), 121-128.
- Cui, N., Wen, N., Xu, L. & Qin, Y. (2013). Contingent effects of managerial *guanxi* on new product development success. *Journal of Business Research*, 66(12), 2522-2528.
- Davies, H., Leung, T. K. P., Luk, S. T. K., & Wong, Y. H. (1995). The benefits of "Guanxi". The value of relationships in developing the Chinese market. *Industrial Marketing Management*, 24(3), 207-214.

- Denzin, N. K., & Lincoln, Y. S. (2003). Introduction: The discipline and practice of qualitative research. In Denzin, N. K., & Lincoln, Y. S. (Eds.), *Collecting and interpreting qualitative materials* (2nd ed., pp. 1-45). Thousand Oaks: CA: Sage.
- Dittmer, L., & Xiaobo, L. (1996). Personal politics in the Chinese danwei under reform. *Asian Survey*, 36(3), 246-267.
- Dunfee, T. W., & Warren, D. E. (2001). Is guanxi ethical? A normative analysis of doing business in China. *Journal of Business Ethics*. 32(3), 191-204.
- Dunning, J. H., & Kim, C. (2007). The cultural roots of guanxi: An exploratory study. *The World Economy*, 30(2), 329-341.
- East Asia Analytic Unit. (1995). *Overseas Chinese business networks in Asia*, Department of Foreign Affairs and Trade: The National Library of Australia.
- Ebrey, P. B. (Ed.). (1993). *Chinese civilization* (2<sup>nd</sup> ed.), New York: The Free Press.
- Ewing, M., Caruana, A., & Wong, H. (2000). Some consequences of *guanxi*: A Sino-Singaporean perspective. *Journal of International Consumer Marketing*, 12(4), 75-89.
- Fan, Y. (2002). Questioning guanxi: Definition, classification and implications. *International Business Review*, 11(5), 543-561.
- Fan, Y. H., Woodbine, G., & Scully, G. (2012). Guanxi and its influence on the judgements of Chinese auditors. *Asia Pacific Business Review*, 18(1), 83-97.
- Fei, X. T. (1983). *Chinese village close-up*. Beijing, China: New World Press.
- Firat, A., & Venkatesh, A. (1995). Liberatory postmodernism and the re-enchantment of consumption. *Journal of Consumer Research*, 22(3), 239-267.
- Fontana, A., & Frey, J. H. (1994). Interviewing: The art of science, in N. Denzin and Y. Lincoln (eds), *The Handbook of Qualitative Research*. Thousand Oaks, CS: Sage.

- Fontana, A., & Frey, J. H. (2003). The interview: Questions to negotiated text. In Denzin, N.K., & Lincoln, Y. S. (Eds.), *Collecting and interpreting qualitative materials* (2nd ed., pp. 61-106). Thousand Oaks, CA: Sage.
- Freeman, S., & Lim, C. (2008). Trust, dependency and reciprocity: Interconnections of key dimensions of guanxi. In C. Harvie, & B. C. Lee (Eds.), *Small and medium sized enterprises in East Asia. Sectoral and regional dimensions*. (pp. 112-132). Cheltenham: UK: Edward Elgar.
- Frey, B. S. (2003). *Arts & Economics: Analysis & cultural policy* (2nd ed.). New York: Springer-Verlag.
- Fu, P. P., Tsui, A. S., & Dess, G. G. (2006). The dynamics of guanxi in Chinese high-tech firms: Implications for knowledge management and decision making. *Management International Review*, 46(3), 277-305.
- Fu, Y., & Kamenou, N. (2011). The impact of Chinese cultural values on human resource policies and practices within transnational corporations in China. *The International Journal of Human Resource Management*, 22(16), 3270-3289.
- Gambetta, D. (1988). Can we trust? In D. Gambetta (Ed.), *Trust: Making and breaking cooperative relations*. (pp. 213-237). New York: Basil Blackwell.
- Geddie, M. W., DeFranco, A. L., & Geddie, M. F. (2005). A comparison of relationship marketing and guanxi: Its implications for the hospitality industry. *International Journal of Contemporary Hospitality Management*, 17(7), 614-632.
- Gao, H., Knight, J. G. & Ballantyne, D. (2012). *Guanxi* as a gateway in Chinese-Western business relationships. *Journal of Business & Industrial Marketing*, 27(6), 456-467.
- Geller, J. B. (1971). Generalized expectancies for interpersonal trust. *American Psychologist*, 26(5), 443-452.



- Gheorghiu, M. A., Vignoles, V. L., & Smith, P. B. (2009). Beyond the United States and Japan: Testing Yamagishi's emancipation theory of trust across 32 nations. *Social Psychology Quarterly*, 72(4), 365-383.
- Glaser, B. (1978). *Theoretical sensitivity*. Mill Valley, CA: Sociology Press.
- Glaser, B. (1992). *Basics of grounded theory analysis: Emergence v forcing*. Mill Valley, CA: Sociology Press.
- Glaser, B., & Strauss, A. L. (1967). *The discovery of grounded theory: Strategies for qualitative research*. Chicago, IL: Aldine.
- Gold, T. B. (1985). After comradeship: Personal relations in China since the Cultural Revolution. *The China Quarterly*, 104, 657-675.
- Gold, T., Guthrie, D., & Wank, D. L. (2002). *Social connections in China: Institutions, culture, and the changing nature of guanxi*. Cambridge, UK: Cambridge University Press.
- Google Maps. (2012). [798 Art District, Jiuxianqiao Road, Beijing, China]. Retrieved November 13, 2012, from <https://maps.google.com/>
- Goulding, C. (2002). *Grounded theory: A practical guide for management, business and market researchers*. London: Sage Publications.
- Granovetter, M. (1983). The strength of weak ties: A network theory revisited. *Sociological Theory*, 1, 201-233.
- Guba, G., & Lincoln, Y. (1994). *Competing paradigms in qualitative research*, in N. Denzin and Y. Lincoln (eds), *Handbook of Qualitative Research*. Thousand Oaks, CA: Sage.
- Guo, X. (2001). Dimensions of guanxi in Chinese elite politics. *The China Journal*, 46, 69-90.
- Guthrie, D. (1998). The declining significance of guanxi in China's economic transition. *The China Quarterly*, 154, 254-282.
- Guthrie, D. (2002). Information asymmetries and the problem of perception: The significance of structural position in assessing the importance of guanxi in

- China. In T. Gold, D. Guthrie, & D. L. Wank (Eds.), *Social connections in China: Institutions, culture, and the changing nature of guanxi*. (pp. 37-55). Cambridge, UK: Cambridge University Press.
- Guthrie, D., & Wang, J. (2007). Business organizations in China. In H. W. Yeung (Ed.), *Handbook of research on Asian business* (pp. 99-121). Cheltenham, U.K: Edward Elgar.
- Hamilton, G. G. (1996). The organizational foundations of Western and Chinese commerce: A historical and comparative analysis. In G. G. Hamilton (Ed.), *Asian business networks* (pp. 43-57). New York: De Gruyter.
- Hanser, A. (2002). The use of social connections in a changing labor market. In T. Gold, D. Guthrie, & D. L. Wank (Eds.), *Social connections in China: Institutions, culture, and the changing nature of guanxi*. (pp. 137-161). Cambridge, UK: Cambridge University Press.
- Hardin, R. (2002). *Trust and trustworthiness*. New York: Russell Sage Foundation.
- He, Y. W. (2007, June 15). Hefang ba “guanxi wang” shizuo “qinglian zhishu” [What harm is there in taking “relationship networks” and treating them as an “uncorrupted statistic”]. *Xinhua Network*. Retrieved January 10, 2012, from [http://news.xinhuanet.com/theory/2007-06/15/content\\_6231968.htm](http://news.xinhuanet.com/theory/2007-06/15/content_6231968.htm)
- Heidegger, M. (1962). *Being and time* (J. Macquarrie & E. Robinson, Trans.). London: SCM Press. (Original work published 1927).
- Henwood, K. L., & Pidgeon, N. F. (1992). Qualitative research and psychological theorizing. In M. Hammersley (Ed.), *Social research. Philosophy, politics and practice* (pp. 14-32). London: Sage.
- Hesse-Biber, S. N., & Leavy, P. (2006). *The practice of qualitative research*. Thousand Oaks, CA: Sage.
- Hofstede, G. (2003). Cultural Constraints in Management Theories: Managing cultural differences. In G. Redding, & B. W. Stening (Eds.), *Cross-cultural management: The theory of culture*, (pp. 61-74).

- Hofstede, G. (2009). *Geert HofstedeTM Cultural Dimensions*. Retrieved June 2, 2009, from [http://www.geert-hofstede.com/hofstede\\_china.shtml](http://www.geert-hofstede.com/hofstede_china.shtml)
- Hong, J., & Engestrom, Y. (2004). Changing principles of communication between Chinese managers and workers. *Management Quarterly*, 17(4), 552-585.
- Hosmer, L. T. (1995). Trust: the connecting link between organizational theory and philosophical ethics. *Academy of Management. The Academy of Management Review*, 20(2), 379-403.
- Hu, B. (2008). People's mobility and guanxi networks: A case study. *China & World Economy*, 16(5), 103-117.
- Hu, H. C. (1944). The Chinese concepts of "face". *American Anthropologist*, 46(1), 45-64.
- Huang, Q., Davison, R. M., & Gu, J. (2011). The impact of trust, guanxi orientation and face on the intention of Chinese employees and managers in peer-to-peer tacit and explicit knowledge sharing. *Information Systems Journal*, 21(6), 557-577.
- Huang, R. (2008). Factory 798: History. In R. Huang (Ed.), *Beijing 798: Reflections on a "factory" of art* (pp. 164-167), Chengdu: Sichuan Fine Arts Publishing House.
- Huang, X. (2008b). Guanxi networks and job searches in China's emerging labour market: A qualitative investigation. *Work, Employment and Society*, 22(3), 467-484.
- Husserl, E. (1962). *The crisis of European sciences and transcendental phenomenology* (D. Carr, Trans.). Evanston, IL: Northwestern University Press.
- Hutchings, K., & Murray, G. (2002). Australian expatriates' experiences in working behind the bamboo curtain: An examination of guanxi in post-communist China. *Asian Business & Management*, 1(3), 373-393.

- Hutchings, K., & Weir, D. (2006). Guanxi and wasta: A comparison. *Thunderbird International Business Review*, 48(1), 141-156.
- Hwang, K. K. (1987). Face and favour: The Chinese power game. *The American Journal of Sociology*, 92(4), 944-974.
- Jacobs, B. J., Keith, R., Chen, Y. S., Shao, K. K., Yu, E., Ng, P. P., & Watson, A. (1979). A preliminary model of particularistic ties in Chinese political alliances: *Kan-ch'ing* and *kuan-his* in a rural Taiwanese township. *The China Quarterly*, 78(June), 237-273.
- Jiang, Y. (2008, July 21). Xinhua's guide to Liu Li Chang antique market. *Xinhua News*. Retrieved March 18, 2012, from [http://news.xinhuanet.com/english/2008-07/21/content\\_8740899.htm](http://news.xinhuanet.com/english/2008-07/21/content_8740899.htm)
- Joy, A. (2001). Gift giving in Hong Kong and the continuum of social ties. *The Journal of Consumer Research*. 28(2), 239-256.
- Ke, Y. (2011, November 22). Bei “renqing zhai” tuolei de nongcun jiating [Rural families burdened by a “debt of gratitude”] *Baiyuetan Network*. Retrieved January 10, 2012, from <http://im.banyuetan.org/rtdj/hot/111122/59191.shtml>
- Keister, L. A. (2002). *Guanxi* in business groups: Social ties and the formation of economic relations. In T. Gold, D. Guthrie, & D. L. Wank (Eds), *Social connections in China: Institutions, culture, and the changing nature of guanxi*. (pp. 77-96). Cambridge, UK: Cambridge University Press.
- King, A. Y. C. (1994). Kuan-his and network building: A sociological interpretation. In W. M. Tu (Ed.), *The living tree: The changing meaning of being Chinese today* (pp. 109-126).
- Kiong, T. C., & Kee, Y. P. (1998). Guanxi bases, xinyong and Chinese business networks. *The British Journal of Sociology*, 49(1), 75-96.
- Kipnis, A. B. (1996). The language of gifts: Managing guanxi in a north China village. *Modern China*, 22(3), 285-314.
- Kipnis, A. B. (1997). *Producing guanxi: Sentiment, self, and subculture in a North China village*. London: Duke University Press.

- Kipnis, A. B. (2002). Practices of guanxi production and practices of ganqing avoidance. In T. Gold, D. Guthrie, & D. L. Wank (Eds), *Social connections in China: Institutions, culture, and the changing nature of guanxi*. (pp. 21-34). Cambridge, UK: Cambridge University Press.
- Kirk, J., & Miller, M. L. (1986). *Reliability and validity in qualitative research*. Beverly Hills, CA: Sage.
- Knight, J., & Yueh, L. (2008). The role of social capital in the labour market in China. *Economics of Transition*, 16(3), 389-414.
- Kolakowski, L. (1993). An overall view of positivism. In M. Hammersley (Ed.), *Social research. Philosophy, politics and practice* (pp. 1-8). London: Sage.
- Köppel-Yang, M. (2003). *Semiotic warfare: The Chinese avant-garde, 1979-1989. A semiotic analysis*. Hong Kong: Timezone 8.
- Kottasz, R. & Bennett, R. (2013). Factors affecting visual artists' levels of commitment to artwork distributors. *Arts Marketing: An International Journal*, 3(1), 21-40.
- Kung, I. C. (2001). Taiwanese business in Southeast Asia. In E. T. Gomez & H. H. M. Hsiao (Eds.), *Chinese business in South-east Asia: Contesting cultural explanations, researching entrepreneurship* (pp. 146-165). Richmond, Surrey: Curzon Press.
- Lang, O. (1946). *Chinese family and society*. New Haven: Yale University Press.
- Ledeneva, A. (1998). *Russia's economy of favours: Blat, networking and informal exchange*. Cambridge, United Kingdom: Cambridge University Press.
- Ledeneva, A. (2008). Blat and guanxi: Informal practices in Russia and China. *Comparative Studies in Society and History*, 50(1), 118-144.
- Lee, D. Y., & Dawes, P. L. (2005). Guanxi, trust, and long-term orientation in Chinese business markets. *Journal of International Marketing*, 13(2), 28-56.

- Leung, A. (2003). Different ties for different needs: Recruitment practices of entrepreneurial firms at different developmental phases. *Human Resource Management, 42*(4), 303-320.
- Leung, T. K. P., Heung, V. C. S., & Wong, Y. H. (2008). Cronyism: One possible consequence of guanxi for an insider: How to obtain and maintain it? *European Journal of Marketing, 42*(1/2), 23-34.
- Leung, T. K. P. Wong, Y. H., & Tam, J. L. M. (1995). Adaptation and the relationship building process in the People's Republic of China (PRC). *Journal of International Consumer Marketing, 8*(2), 7-26.
- Leung, T. K. P., Wong, Y. H., & Wong, S. (1996). A study of Hong Kong Businessmen's perceptions of the role "guanxi" in the People's Republic of China. *Journal of Business Ethics, 15*(7), 749-758.
- Li, F. S. (2011, February 10). Zhouchelaodun, zouqinfangyou, renqingwanglai zhege chunjie nin huale duoshao? [In your travel, visiting friends and family, how much did you spend in renqing dealings this New Year?]. *Dongjiang Times*. Retrieved January 10, from [http://www.huizhou.cn/news/newc\\_hznews/201102/t20110210\\_409126\\_1.htm](http://www.huizhou.cn/news/newc_hznews/201102/t20110210_409126_1.htm)
- Li, H. & Lee, C. C. (2014). Guanxi networks and the gatekeeping practices of communication journals in China. *Chinese Journal of Communication, 7*(4), 355-372.
- Li, H., & Zhang, Y. (2007). The role of managers' political networking and functional experience in new venture performance: Evidence from China's transition economy. *Strategic Management Journal, 28*(8), 791-804.
- Li, J. J., Poppo, L., Zhou, K. Z. (2008). Do managerial ties in China always produce value ? Competition, uncertainty, and domestic vs. foreign firms. *Strategic Management Journal, 29*(4), 383-400.
- Li, P. C., & Lin, B. W. (2006). Building global logistics competence with Chinese OEM suppliers. *Technology in Society, 28*(3), 333-348.

- Li, P. P. (2007). *Guanxi* as the Chinese norm for personalized social capital: Toward an integrated duality framework of informal exchange. In Yeung, H. W. (Ed.), *Handbook of research on Asian business*. (pp. 62-83). Cheltenham, UK: Edward Elgar.
- Li, R. (2008). Project 157. In R. Huang (Ed.), *Beijing 798: Reflections on a "factory" of art* (pp. 62-65), Chengdu: Sichuan Fine Arts Publishing House.
- Li, S., & Qian, Y. (2008, September 3). Guanxi wangzhan "mai" guanxi mingma shi jia zouhoumen [Guanxi website "sells" guanxi at clearly marked price to bet in at the back door]. *Xinhua News*. Retrieved January 10, 2012, from [http://news.xinhuanet.com/focus/2008-09/03/content\\_9727646.htm](http://news.xinhuanet.com/focus/2008-09/03/content_9727646.htm)
- Li, X. (2001). The changing spatial networks of large state-owned enterprises in reform-era China: A company case study. *Journal of Economic and Social Geography*, 93(4), 383-396.
- Li, Z. (2015, January 22). Art market fuelling rampant Chinese corruption. *Artnet News*. Retrieved March 28, 2015, from <https://news.artnet.com/in-brief/art-market-fueling-rampant-chinese-corruption-229076>
- Liamputtong, P., & Ezzy, D. (2005). *Qualitative research methods*. (2<sup>nd</sup> ed.). Melbourne, Australia: Oxford University Press.
- Liu, J. Y. (2008, September 4). Renqing xiaofei: Shi "qing" haishi "zhai"? [Renqing expenditure: Is it sentiment or is it debt?]. *Xinhua News*. Retrieved October 29, 2011, from [http://news.xinhuanet.com/focus/2008-09/04/content\\_9733642.htm](http://news.xinhuanet.com/focus/2008-09/04/content_9733642.htm)
- Liu, W. C. (1955). *A short history of Confucian philosophy*. London, UK: The Whitefriars Press.
- Liu, X. (2010, January 23). Baohu Beijing 798 zhoubian yishuqu de chengshi guihua xueli yiju [The theoretical basis of urban planning for the protection of art districts on the periphery of Beijing's 798]. *Arting365*. Retrieved January 9, 2012, from <http://www.aring365.com>

- Lo, M. C. M., & Otis, E. M. (2003). Guanxi, civility: Processes, potentials, and contingencies. *Politics Society*, 31(1), 131-162.
- Lu, H., Feng, S., Trienekens, J. H. & Omta, S. W. F. (2008a). Performance in vegetable supply chains: The role of guanxi networks and buyer-seller relationships. *Agribusiness*, 24(2), 253-274.
- Lu, H., Trienekens, J. H., Omta, S. W. F., & Feng, S. (2008b). Influence of guanxi, trust and farmer-specific factors on participation in emerging vegetable markets in China. *Wageningen Journal of Life Sciences*, 56(1/2), 21-38.
- Luo, P. (2008). Recollections on the history of 718. In R. Huang (Ed.), *Beijing 798: Reflections on a "factory" of art* (pp. 58-61), Chengdu: Sichuan Fine Arts Publishing House.
- Luo, Y. (1997). Guanxi: principles, philosophies, and implications. *Human Systems Management*, 16(1), 43-51.
- Luo, Y. (2000). *Guanxi and business*. London, UK: World Scientific.
- Luo, Y. (2003). Industrial dynamics and managerial networking in an emerging market: The case of China. *Strategic Management Journal*, 24(13), 1315-1327.
- Luo, Y., Shenkar, O., & Nyaw, M. K. (2002). Mitigating liabilities of foreignness: Defensive versus offensive approaches. *Journal of International Management*, 8(3), 283-300.
- Lyles, M. A., Flynn, B. B. & Frohlich, M. T. (2008). All supply chains don't flow through: Understanding supply chain issues in product recalls. *Management and Organization Review*, 4(2), 167-182.
- Manser, M. H. (1999). *Concise English-Chinese Chinese-English Dictionary*. New York: Oxford.
- Mansourian, Y. (2006). Adoption of grounded theory in LIS research. *New Library World*, 107(1228/1229), 386-402.



- Martinsons, M. G. (2008). Relationship-based e-commerce: Theory and evidence from China. *Information Systems Journal*, 18(4), 331-356.
- Mauss, M. (1990). *The gift: The form and reason for exchange in archaic societies* (W. D. Halls, Trans.). London: Routledge. (Original work published 1950).
- Mavondo, F. T., & Rodrigo, E. M. (2001). The effect of relationship dimensions on interpersonal and interorganizational commitment in organizations conducting business between Australia and China. *Journal of Business Research*, 52(2), 111-121.
- Mayer, R. C., Davis, J. H., & Schoorman, F. D. (1995). An integrative model of organizational trust, *Academy of Management Review*, 20(3), 709-734.
- Maykut, P., & Morehouse, R. (1994). *Beginning qualitative research: A philosophical and practical guide*. London: RoutledgeFalmer.
- McAllister, D. J. (1995). Affect – and cognition-based trust as foundations for interpersonal cooperation in organizations. *Academy of Management Journal*, 38(1), 24-59.
- Michailova, S., & Worm, V. (2003). Personal networking in Russia and China: Blat and guanxi. *European Management Journal*, 21(4), 509-519.
- Miles, M. B., & Huberman, A. M. (1994). *Qualitative Data Analysis*, 2<sup>nd</sup> edn. Thousand Oaks, CA: Sage.
- Millington, A., Eberhardt, M., & Wilkinson, B. (2006). Guanxi and supplier search mechanisms in China. *Human Relations*, 59(4), 505-531.
- Morse, J. M. (1994). Emerging from the data: The cognitive process of analysis in qualitative enquiry. In J. M. Morse (ed.). *Critical issues in qualitative research methods*. Thousand Oaks, CA: Sage.
- Murnighan, K. J., Malhotra, D., & Weber, M. J. (2004). Paradoxes of trust: Empirical and theoretical departures from a traditional model. In R. M. Kramer, & K. S. Cook (Eds.), *Trust and distrust in organizations*. (pp. 293-326). New York: Russell Sage Foundation.

- Nakane, C. (1970). *Japanese society*. Los Angeles: University of California Press.
- Nie, R., Zhong, W., Zhou, M., Jiang, W., & Wang, X. (2011). A bittersweet phenomenon: The internal structure, functional mechanism, and effect of guanxi on firm performance. *Industrial Marketing Management*, 40(4), 540-549.
- “Nuandong” kuaixun: Beigao Heiqiao yishuqu kaishi weiquan [“A warm winter” news flash: Beigao Heiqiao Art District starts to maintain its rights and legal interests]. (2010, May 8). *Artintern*. Retrieved January 9, 2012, from <http://blog.artintern.net>
- Ouyao Xiazai. (2009). *Lishangwanglai family financial management software*. Retrieved January 10, 2012, from <http://www.ouyaoxiazai.com/soft/hyrj/94/7994.html>
- Pang, Z. J. (2010, October 8). Liang jiaoshou piping keyanjingfei fenpei guai zhuang: zuo yanjiu buru la guanxi (zhuanzi: zhongguo qingnianbao) [Two professors criticise the strange state of science research funding: Doing research cannot be compared to pulling guanxi]. *Hao Daifu*. Retrieved January 10, 2012, from [http://www.haodf.com/zhuanjiaguandian/pangzhan\\_188564.htm](http://www.haodf.com/zhuanjiaguandian/pangzhan_188564.htm)
- Park, S. H., & Luo, Y. (2001). Guanxi and organizational dynamics: Organizational networking in Chinese firms. *Strategic Management Journal*, 22(5), 455-477.
- Parker, M. (1995). Critique in the name of what? Postmodern and critical approaches to organisations. *Organisational Studies*, 16(4), 553-564.
- Pesando, J. E. (1993). Art and an investment: The market for modern prints. *The American Economic Review*, 83(5), 1075-1089.
- Putnam, R. D. (1995). Tuning in, tuning out: The strange disappearance of social capital in America. *PS: Political Science & Politics*, 28(4), 664-683.
- Pye, L. W. (1986). Reassessing the Cultural Revolution. *The China Quarterly*, 108, 597-612.

- Qi, X. (2013). Guanxi, social capital theory and beyond: Toward a globalized social science. *The British Journal of Sociology*, 64(2), 308-324.
- Ramasamy, B., Goh, K. W., & Yeung, M. C. H. (2006). Is guanxi (relationship) a bridge to knowledge transfer? *Journal of Business Research*, 59(1), 130-139.
- Rao, A. N., Pearce, J. L., & Xin, K. (2005). Governments, reciprocal exchange and trust among business associates. *Journal of International Business Studies*, 36(1), 104-118.
- Redding, G. (2003). Comparative management theory: Jungle, zoo or fossil bed? In G. Redding, & B. W. Stening (Eds.), *Cross-cultural management: The theory of culture* (pp. 611-647).
- Reddy, S. K. & Dass, M. (2006). Modeling on-line art auction dynamics using functional data analysis. *Statistical Science*, 21(2), 179-193.
- Reid, D. M., & Jallat, F. (2006). Someone's wife is someone's daughter: An exploratory study of guanxi strategy in China. *Journal of Asia-Pacific Business*, 7(1), 25-52.
- Robertson, I. (2005). *Understanding international art markets and management*. New York: Routledge.
- Rodner, V. L. & Thomson, E. (2013). The art machine: Dynamics of a value generating mechanism for contemporary art. *Arts Marketing: An International Journal*, 3(1), 58-72.
- Root, H. (1996). Corruption in China: Has it become systemic? *Asian Survey*, 36(8), 741-757.
- Roslin, R. M. & Melewar, T. C. (2000). Discovering relational bonds in channel relationships: A case study of Malaysia. *Journal of Global Marketing*, 14(3), 49-76.
- Rotter, J. B. (1971). Generalized expectancies for interpersonal trust. *American Psychologist*, 26(5), 443-452.

- Rotter, J. B. (1980). Interpersonal trust, trustworthiness, and gullibility. *American Psychologist*, 35(1), 1-7.
- Ryan, G. W., & Bernard, H. R. (2003). Data management and analysis methods. In Denzin, N. K., & Lincoln, Y. S. (Eds.). *Collecting and interpreting qualitative materials* (2<sup>nd</sup> ed., pp. 259-309). Thousand Oaks, CA: Sage.
- Seligman, S. D. (1999). Guanxi: Grease for the wheels of China. *The China Business Review*, 26(5), 34-38.
- Selmier, T. W. (2013). Stand by me: Friends, relationship banking, and financial governance in Asia. *Business Horizons*, 56(6), 733-741.
- Schoorman, F. D., Mayer, R. C., & Davis, J. H. (2007). An integrative model of organizational trust: Past, present, and future. *Academy of Management Review*, 32(2), 344-354.
- Schramm, M., & Yaube, M. (2005). Private ordering of corrupt transactions: The case of the Chinese *guanxi* networks and their challenge by a formal legal system. In J. G. Lambsdorff, M. Taube, & M. Schramm (Eds.), *The new institutional economics of corruption*. (pp. 181-197). New York, NY: Routledge.
- Schultz, A. (1967). *The phenomenology of the social world*. Evanston, IL: Northwestern University Press.
- Shryock, J. K. (1966). *The origin and development of the state cult of confucius*. New York, NY: Paragon Book Reprint Corp.
- Smart, A. (1993). Gifts, bribes, and guanxi: A reconsideration of Bourdieu's social capital. *Cultural Anthropology*, 8(3), 388-408.
- Smith, K. (2008). *Nine lives: The birth of avant-garde art in new China* (Rev. ed.). Beijing: Timezone 8.
- So, Y. L., & Walker, A. (2006). *Explaining guanxi: The Chinese business network*. New York: Routledge.

- Spalding, D. (2009, November 16). Thriving arts district threatened with demolition in Beijing. *Artinfo*. Retrieved December 2, 2011, from [www.artinfo.com](http://www.artinfo.com)
- Spiegelberg, H. (1982). *The phenomenological movement: A historical introduction*. The Hague: Martinus Nijhoff.
- Spiggle, S. (1994). Analysis and interpretation of qualitative data in consumer research. *Journal of Consumer Research*, 21(3), 491-593.
- Sternquist, B., & Chen, Z. (2006). Food retail buyer behaviour in the People's Republic of China: A grounded theory model. *Qualitative Market Research: An International Journal*, 9(3), 243-265.
- Strauss, A. & Corbin, J. (1990). *Basics of qualitative research: Grounded theory procedures and techniques*. London: Sage Publications.
- Strauss, A., & Corbin, J. (1998). *Basics of qualitative research: Techniques and procedures for developing grounded theory*. Thousand Oaks, CA: Sage.
- Souccar, M. K. (2011, March 27). Art-world power shifts to China. Collectors, artists flex their muscles. NYC's galleries? Late to the opening. *Crain's New York Business*. Retrieved August 16, 2011, from <http://www.crainsnewyork.com>
- Su, C., Mitchell, R. K., & Sirgy, M. J. (2007). Enabling guanxi management in China: A hierarchical stakeholder model of effective guanxi. *Journal of Business Ethics*, 71(3), 301-319.
- Tan, J., Yang, J., & Veliyath, R. (2009). Particularistic and system trust among small and medium enterprises: A comparative study in China's transition economy. *Journal of Business Venturing*, 24(6), 544-557.
- Tang, Q. (2003). Relationship mapping. *The China Business Review*, 30(4), 28-30.
- Tsang, E. W. K. (1998). Can guanxi be a source of sustained competitive advantage for doing business in China? *The Academy of Management Executive*, 12(2), 64-73.

- Van Elzen, S. (2009). *Dragon & rose garden. Art and power in China*. Beijing: Modern Chinese Art Foundation.
- Varma, A., Pichler, S., Budhwar, P., & Biswas, S. (2009). Chinese host country nationals' willingness to support expatriates: The role of collectivism, interpersonal affect and guanxi. *International Journal of Cross Cultural Management*, 9(2), 199-216.
- Veal, A. J. (2005). *Business research methods: A managerial approach*. (2<sup>nd</sup> ed.). Frenchs Forest, Australia: Pearson.
- Velde, M., Jansen, P., & Anderson, N. (2004). *Guide to management research methods*. Oxford, UK: Blackwell.
- Vogel, E. F. (1965). From friendship to comradeship: The change in personal relations in communist China. *The China Quarterly*, 21, 46-60.
- Wang, C. L. (2007). Guanxi vs. relationship marketing: Exploring underlying differences. *Industrial Marketing Management*, 36(1), 81-86.
- Wang, P. (2011, October 25). Renqing xiaofei shangbuqi [Renqing expenditure cannot afford to be injured]. *Gansu Daily*. Retrieved November 16, 2011, from <http://www.gscn.com.cn/pub/home/duzhewz/2011/10/25/1319523617433.html>
- Wang, W. (2010). *Songzhuang liyou zhinan* [Songzhuang travel guide]. Beijing: China Travel Publishing House.
- Wank, D. L. (1996). The institutional process of market clientelism: Guanxi and private business in a south China city. *The China Quarterly*, 147, 820-838.
- Wank, D. (2002). Business-state clientelism in China: Decline or evolution? In T. Gold, D. Guthrie, & D. L. Wank (Eds.), *Social connections in China: Institutions, culture, and the changing nature of guanxi*. (pp. 97-115). Cambridge, UK: Cambridge University Press.

- Wei, L. Q., Liu, J., Chen, Y. Y., & Wu, L. Z. (2009). Political skill, supervisor-subordinate guanxi and career prospects in Chinese firms. *Journal of Management Studies*, 47(3), 437-454.
- Weir, D., & Hutchings, K. (2005). Cultural embeddedness and contextual constraints: Knowledge sharing in Chinese and Arab cultures. *Knowledge and Process Management*, 12(2), 89-98.
- Wiegel, W. & Bamford, D. (2015). The role of guanxi in buyer-supplier relationships in Chinese small and medium sized enterprises - a resource based perspective. *Production Planning & Control: The Management of Operations*, 26(4), 308-327.
- Willis, M. (2008). An identification and evaluation of the various types and forms of personal relationships within a Sino Foreign university strategic alliance context. *Journal of Teaching in International Business*, 19(3), 222-245.
- Willis, M., & Quan, V. (2009). 'Out with the old' – An evaluation of the relevance of traditional Chinese cultural beliefs in today's China. *Journal of East-West Business*, 15(1), 50-91.
- Wong, A., Tjosvold, D., & Su, F. (2007). Social face for innovation in strategic alliances in China: The mediating role of resource exchange and reflexivity. *Journal of Organizational Behavior*, 28(8), 961-978.
- Wong, P. L. K., & Ellis, P. (2002). Social ties and partner identification in Sino-Hong Kong international joint ventures. *Journal of International Business Studies*, 33(2), 267-289.
- Wong, Y. H. (1998). An integrated relationship (guanxi) marketing model in China. *Journal of Professional Services Marketing*, 18(1), 25-48.
- Wong, Y. H., & Chan, R. Y. (1999). Relationship marketing in China: Guanxi, favouritism and adaptation. *Journal of Business Ethics*, 22(2), 107-118.
- Wong, Y. H., & Leung, T. K. P. (2001). *Guanxi. Relationship marketing in a Chinese context*. Binghamton, NY: The Haworth Press Inc.

- Wong, Y. H., Leung, T. K. P., Hung, H., & Ngai, W. T. (2007). A model of guanxi development: Flexibility, commitment and capital exchange. *Total Quality Management & Business Excellence*, 18(8), 875-887.
- Wood, E., Whiteley, A., & Zhang, S. (2002). The cross model of guanxi in Chinese leadership. *The Journal of Management Development*, 21(3/4), 263-271.
- Wright, G. H. von (1993). Two traditions. In M. Hammersley (Ed.), *Social research. Philosophy, politics and practice* (pp. 9-13). London: Sage.
- Wu, H. (2000). *Exhibiting experimental art in China*. Chicago: University of Chicago Press.
- Wu, H. (2008). Tui-transfiguration: An experimental exhibition at Factory 798. In R. Huang (Ed.), *Beijing 798: Reflections on a "factory" of art* (pp. 48-57), Chengdu: Sichuan Fine Arts Publishing House.
- Wu, R. H. (2010, January 12). Renqing xiaofei cheng "cunzhe": "Suili" shi "qing" haishi "zhai"? [Renqing expenditure has become a "bank nook": Giving gifts for major events, is it "sentiment" or is it "debt"?]. *Xinhua News*. Retrieved May 12, 2010, from [http://news.xinhuanet.com/focus/2010-01/12/content\\_12776478.htm](http://news.xinhuanet.com/focus/2010-01/12/content_12776478.htm)
- Xinhua News Agency. (2015, March 14). Anti-corruption vs. economic development. Retrieved April 16, 2015, from [http://news.xinhuanet.com/english/2015-03/14/c\\_134065979.htm](http://news.xinhuanet.com/english/2015-03/14/c_134065979.htm)
- XE. (2012). *Universal currency converter*. Retrieved October 16, 2012, from <http://www.xe.com/>
- Xu, H. (2005). Chinese art. In C. Turner (Ed.), *Art and social change: Contemporary art in Asia and the Pacific* (pp. 330-359), Canberra, ACT: Pandanus Books.
- Xu, K. & Li, Y. (2015). Exploring guanxi from a gender perspective: urban Chinese women's practices of guanxi. *Gender, Place & Culture: A Journal of Feminist Geography*, 22(6), 833-850.



- Yamagishi, T., Kikuchi, M., & Kosugi, M. (1999). Trust, gullibility, and social intelligence. *Asian Journal of Social Psychology*, 2(1), 145-161.
- Yamagishi, T., & Yamagishi, M. (1994). Trust and commitment in the United States and Japan. *Motivation and Emotion*, 18(2), 129-166.
- Yan, Y. X. (1996). *The flow of gifts: reciprocity and social networks in a Chinese village*. Stanford, CA: Stanford University Press.
- Yan, Y. X. (1996b). The culture of guanxi in a North China Village. *The China Journal*, 35(Jan), 1-25.
- Yan, Y. X. (2002). Unbalanced reciprocity: Asymmetrical gift giving and social hierarchy in rural China. In M. Osteen (Ed.), *The question of the gift*. (pp. 67-84). London, UK: Routledge.
- Yang, L., Shuai, C., & Ghazanfar, F. (2012). Factor analysis of the trust structure between owners and contractors of construction projects based on structural equation modelling (SEM): A case study in China. *African Journal of Business Management*, 6(6), 2152-2161.
- Yang, M. M. (1989). The gift economy and state power in China. *Comparative Studies in Society and History*, 31(1), 25-54.
- Yang, M. M. (1994). *Gifts, favors, and banquets: The art of social relationships in China*. Ithaca, NY: Cornell University Press.
- Yang, M. M. (2002). The resilience of guanxi and its new deployments: A critique of some new guanxi scholarship. *The China Quarterly*. 170(June), 459-476.
- Yao, X., Li, S. X., Chan, C. S., & Xi, Y. (2009). Structural replacement or structural inducement: Government ties of Chinese business executives. *Canadian Journal of Administrative Sciences*, 26(1), 54-70.
- Yau, O. H. M., Lee, J. S. Y., Chow, R. P. M., Sin, L. Y. M., & Tse, A. C. B. (2000). Relationship marketing the Chinese way. *Business Horizons*, 43(1), 16-24.

- Yen, Y. F., Tseng, J. F. & Wang, H. K. (2015). The effect of internal social capital on knowledge sharing. *Knowledge Management Research & Practice*, 13(2), 214-224.
- Yeung, I. Y. M., & Tung, R. L. (1996). Achieving business success in Confucian societies: The importance of guanxi (connections). *Organizational Dynamics*, 25(2), 54-65.
- Ying, Y. (2008). Weightlessness: 798 in the present continuous tense. In R. Huang (Ed.), *Beijing 798: Reflections on a "factory" of art* (pp. 26-37), Chengdu: Sichuan Fine Arts Publishing House.
- Yu, H., Qing, R. D., & Crow, C. (2006). *A new century Chinese-English dictionary*. Beijing, China: Foreign Language Teaching and Research Press.
- Yu, L. (2011, November 10). 798 transforms modern art scene. *Beijing Review*. Retrieved December 12, 2011, from [http://www.bjreview.com/quotes/txt/2011-11/10/content\\_404622\\_2.htm](http://www.bjreview.com/quotes/txt/2011-11/10/content_404622_2.htm)
- Zhang, A. Y., Tsui, A. S., Song, L. J., Li, C., & Jia, L. (2008). How do I trust thee? The employee-organization relationship, supervisory support, and middle manager trust in the organization. *Hunan Resource Management*, 47(1), 111-132.
- Zhang, W., & Liu, M. (2010, May 7). Yishujia wei yu dafangdong tantuo buchang: Heiqiao yishuqu wei ruqi chaiqian [The artists have not negotiated compensation: Heiqiao Art District is not on schedule for its demolition]. *Beijing News*. Retrieved January 9, 2012, from <http://www.chinanews.com>
- Zhang, Y., & Zhang, Z. (2006). Guanxi and organizational dynamics in China: A link between individual and organizational levels. *Journal of Business Ethics*, 67(4), 375-392.
- Zhang, Z., & Yang, C. F. (1998). Beyond distributive justice: The reasonableness norm in Chinese reward allocation. *Asian Journal of Social Psychology*, 1(3), 253-269.

- Zhao, Y. Z. (2011, September 14). "Qian guize" shengxing meiti cheng yin quanli shiqu jiandu [The prevalence of "unspoken rules" is due to power without supervision reports the media]. *China Economic News*. Retrieved January 10, 2012, from <http://www.cet.com.cn/wzsy/wh/322234.shtml>
- Zheng, T. (2006). Cool masculinity: Male clients' sex consumption and business alliance in urban China's sex industry. *Journal of Contemporary China*, 15(46), 161-182.
- Zhuang, G., Xi, Y., & El-Ansary, A. (2008). The impact of interpersonal guanxi on exercise of power in a Chinese marketing channel. *Journal of Marketing Channels*, 15(2), 185-210.
- Zolkiewski, J. M., & Feng, J. (2012). Relationship portfolios and guanxi in Chinese business strategy. *Journal of Business & Industrial Marketing*, 27(1), 16-28.
- Zou, F., & Gao, Y. (2007). Guanxi with government as a source of competitive advantage in Mainland China. *Journal of American Academy of Business*, 10(2), 158-162.

## Appendices

### Appendix A: Glossary of Chinese Terms (Review of Literature)

Several of the following terms have numerous definitions in the Chinese language. This glossary only provides the meanings as they are used in the thesis.

- Bao* 报 Repay, reward, show gratitude to; reply, respond, reciprocate.
- Danwei* 单位 Work unit
- De* 德 Virtue
- Dingtì* 顶替 A retired parent will be replaced by their child at the same work unit
- Diu mianzi* 丢面子 To lose face.
- Enqing* 恩情 A great favour
- Fazhan guanxi* 发展关系 To develop relationships.
- Fazhi* 法治 Rule by law.
- Ganqing* 感情 The feelings or affection one has towards their friends.
- Ganqing touzi* 感情投资 An emotional investment.
- Gei mianzi* 给面子 To give face to another person.
- Guanxi* 关系 Relationships, ties or connections.
- Guanxi hu* 关系户 Directly translated as a family of relationships. It refers to an organisation, department or person that is central to one's network.
- Guanxi touzi* 关系投资 Investing in relationships.
- Guanxi wang* 关系网 A network of relationships.
- Guanxi xue* 关系学 The art of developing and keeping good relationships.
- Guojia fenpei* 国家分配 Job assignment directly from the state.
- Jianjie guanxi* 间接关系 Indirect relationship
- Jianjie guojia fenpei* 间接国家分配 Indirect state job assignment
- Jinqian* 金钱 Money.
- La guaxi* 拉关系 Establishing a relationship in order to gain social capital.
- Lian* 脸 Face. That is, a person's reputation, dignity and honour in regards to their morality.
- Liyi* 利益 Self-interest.
- Liyong* 利用 Instrumental.
- Mianzi* 面子 Face. A person's level of prestige or reputation in regards to their social status.
- Neiwai you bie* 内外有别 There are differences between insiders and outsiders.
- Neizhao* 内招 A child will be hired by the work unit or bureau in which their parent works. They do not replace the parent's job position.
- Qinren* 亲人 Family members connected by blood or marriage.
- Renqing* 人情 Indebtedness towards friends.
- Shengren* 生人 People who are strangers.
- Shisheng guanxi* 师生关系 Teacher-pupil relations.

*Shuren* 熟人 Directly translated as familiar people. It refers to friends and acquaintances.

*Waidiren* 外地人 Outsiders.

*Wulun* 五伦 The five Confucian hierarchical relationships between the ruler and subject, father and son, husband and wife, brother with brother and friends with friends.

*Xinyong* 信用 A person's trustworthiness or level of credibility.

*Yiren* 义人 A righteous person.

*Zhijie guanxi* 直接关系 Direct relationship

### **The Eight Confucian Values of Morality (Luo, 2000, p. 13)**

*Ai* 爱 Love

*He* 和 Harmony

*Ping* 平 Peace

*Ren* 仁 Kindness

*Xiao* 孝 Respect

*Xin* 信 Trust

*Yi* 义 Justice

*Zhong* 忠 Loyalty

### **Chinese Terms Relating to Unethical Practices (Luo, 2000)**

*Daoqie* 盗窃 Theft

*Pianqu* 骗取 Fraud

*Qintun* 侵吞 Seizure

*Shouhui* 受贿 Bribery

*Suohui* 索贿 Extortion

*Tanqu* 贪污 Embezzlement

*Taoqu* 套取 Misappropriation

*Touji daoba* 投机倒把 Speculation

*Zousi* 走私 Smuggling

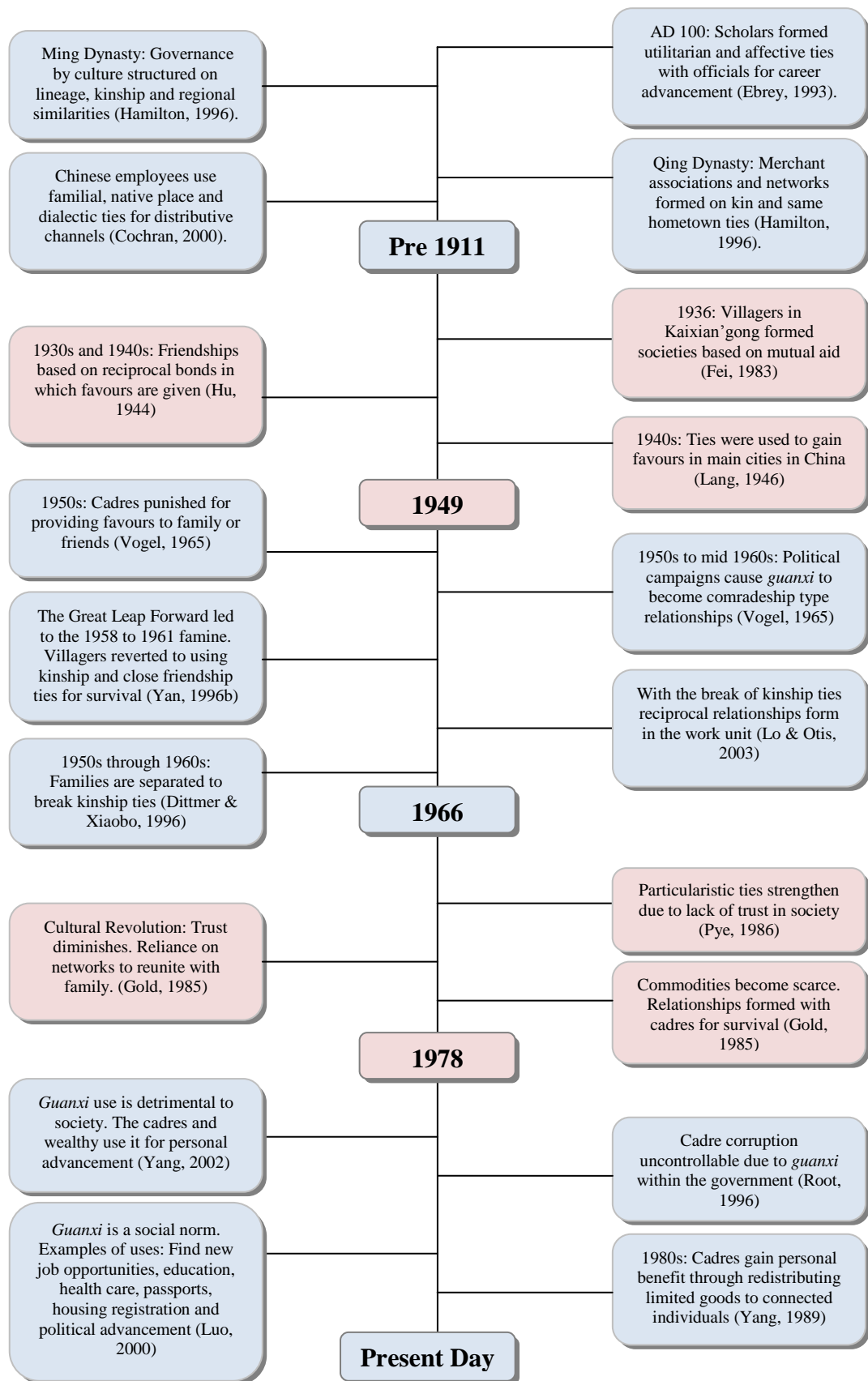
### **Chinese Proverbs and Sayings**

If someone pays you an honour of a linear foot, you should reciprocate by honouring the giver with ten linear foot 人敬你一尺，你敬人一张 (Chen & Chen, 2004).

Face is like the bark of a tree; without its bark, the tree dies (Yeung & Tung, 1996).

The big fish eats small fish, the small fish eats tiny shrimp 大鱼吃小鱼，小鱼吃虾米 (Yan, 2002, p. 80).

## Appendix B: Historical Evidence of Guanxi



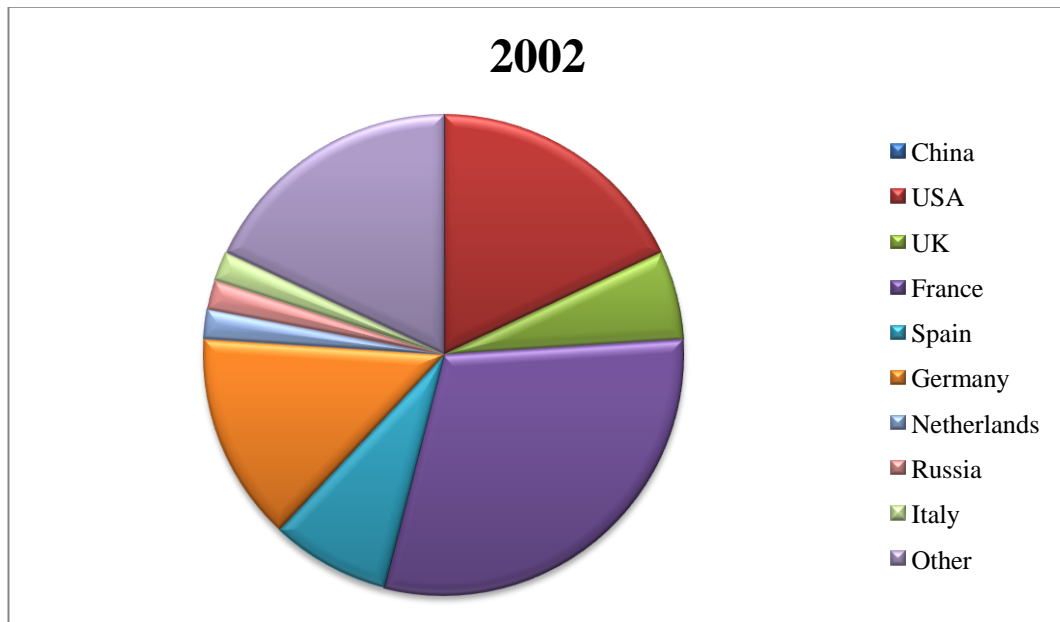
**Appendix C: The Chinese Dynasties (Chai & Chai, 1962, pp. 244-249)**

<b>Date</b>	<b>Dynasty</b>	<b>Capital</b>	<b>Major Events</b>
c. 2205 – c. 1766 BC	Xia	Unknown	First dynasty
c. 1766 – c. 1122 BC	Shang	Anyang	‘Mandate of Heaven’
c. 1122 – 221 BC	Zhou  Western Zhou c. 1122 – 771 BC  Eastern Zhou 771 – 255 BC	Hao (close to Xi’an)    Luoyang (from 771 BC)	Decay of states  6 <sup>th</sup> to 3 <sup>rd</sup> century saw “hundred schools of thought” of which Confucianism and Taoism were developed
255 – 206 BC	Qin	Chang’an (Xi’an)	China was unified. Legalist rule. Feudalism abolished and scholars persecuted.
205 BC – AD 220	Han  205 BC – AD 8 AD 9 – AD 23 AD 25 – AD 220  Western Han  (Revolt)  Eastern Han	Chang’an (Xi’an)  Chang’an  Luoyang	Central government and civil examination established. Confucianism became state philosophy and taxes introduced
220 BC – AD 280	Three Kingdoms  AD 220 – AD 265 AD 221 – AD 263 AD 222 – AD 280  Wei  Shu  Wu	Luoyang  Chengdu  Nanjing	The Han empire is broken up  Taoists revolted  Buddhism spreading
AD 265 – AD 420	Jin  AD 265 – AD 316 AD 317 – AD 420  Western Jin  Eastern Jin	Luoyang  Nanjing	Three kingdoms were unified. Numerous revolts
AD 420 – AD 581	Southern and Northern Dynasties	Nanjing, Luoyang, Chang’an	Wars between North and South
AD 581 – AD 618	Sui	Chang’an, Luoyang,	China reunified

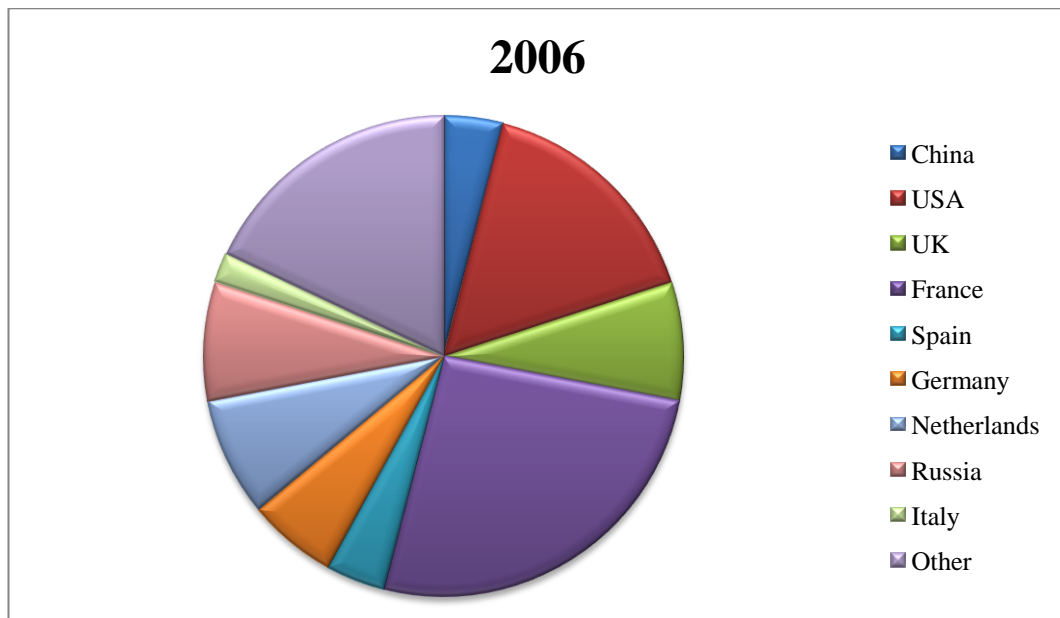
		Yangzhou	Great Wall repaired
AD 619 – AD 907	Tang	Chang’an, Luoyang	Highest point of cultural development. Government systems improved including the imperial examination system
AD 907 – AD 960	Five Dynasties	Kaifeng, Luoyang	Political anarchy. 12 different kingdoms. Buddhist relics destroyed
AD 960 – AD 1279	Song AD 960 – Northern AD 1127 Song AD 1127 – Southern AD 1279 Song	Kaifeng  Hangzhou	Empire reunited. Neo-Confucianism  Kaifeng invaded, China divided
AD 1279 – AD 1368	Yuan	Beijing	Mongol rule. Buddhism and Confucianism accepted but not Taoism
AD 1368 – AD 1644	Ming	Nanjing, Beijing	Empire restored to Chinese rule. Contact with outside world
AD 1644 – AD 1911	Qing	Beijing	Manchurian rule. Manchurians absorbed into Chinese culture. Opium wars. Taiping rebellion.
AD 1912 – AD 1949	Republic of China	Nanjing, Taipei	Dr. Sun Yat-sen and the Kuomintang overthrew the Manchurians. 5 civil wars. Japanese war.
AD 1949 - Present	People’s Republic of China	Beijing	Mao Zedong captures Beijing.



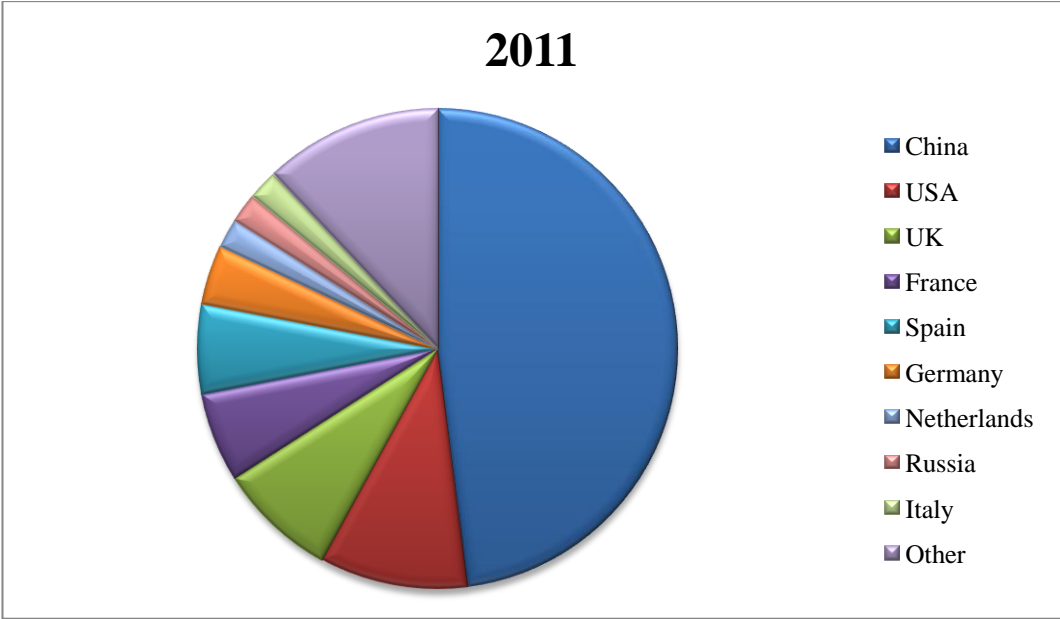
## Appendix D: Top 50 Selling Artists by Country (Artprice, 2015)



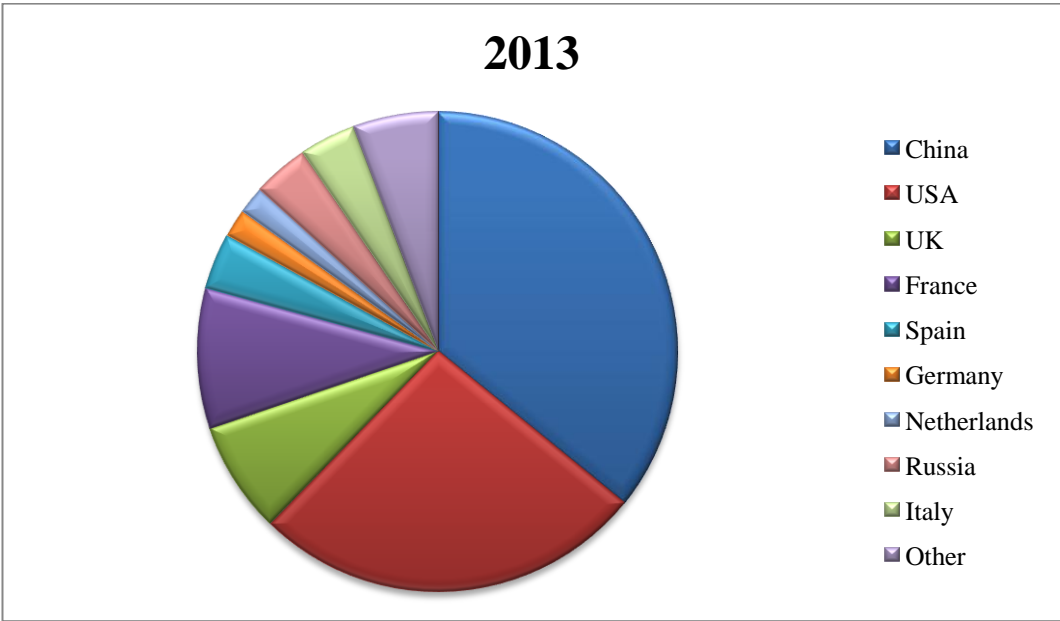
Top 50 Selling Artists by Country, 2002 (Artprice, 2015)



Top 50 Selling Artists by Country, 2006 (Artprice, 2015)



Top 50 Selling Artists by Country, 2011 (Artprice, 2015)



Top 50 Selling Artists by Country, 2013 (Artprice, 2015)

## Appendix E: Chinese Artists in the Top 100 World Auction

### Performances: 2011-2013 (Artprice, 2015)

World Rank, 2013	Artist's Name	Hammer Price (US\$)	Auction House	Art Style	Example Art (Website)
19	SAN Yu	30,077,280	Shandong Chunqiu International	Modern Artist, Oil Painter	<a href="http://www.artofsfanyu.com/">http://www.artofsfanyu.com/</a>
38	ZENG Fanzhi	20,640,000	Sotheby's, Hong Kong	Contemporary, Oil Painter	<a href="http://www.saatchigallery.com/artists/zeng_fanzhi.htm">http://www.saatchigallery.com/artists/zeng_fanzhi.htm</a>
49	HUANG Zhou	18,289,600	Poly International, Beijing	Traditional Chinese Painter (contemporary), Brush and Ink	<a href="http://arts.cultural-china.com/en/100Arts6143.html">http://arts.cultural-china.com/en/100Arts6143.html</a>
65	ZENG Fanzhi	12,900,000	Christie's, Hong Kong	Contemporary, Oil Painter	<a href="http://www.saatchigallery.com/artists/zeng_fanzhi.htm">http://www.saatchigallery.com/artists/zeng_fanzhi.htm</a>
67	LI Xiongcai	12,760,000	Rong Bao, Beijing	Traditional Chinese Painter, Brush and Ink	<a href="http://arts.cultural-china.com/en/77Arts4880.html">http://arts.cultural-china.com/en/77Arts4880.html</a>
71	ZAO Wou-ki	12,410,800	Sotheby's, Beijing	Contemporary, Abstract Artist	<a href="http://www.artnet.com/artists/zaowou-ki/">http://www.artnet.com/artists/zaowou-ki/</a>
74	JIN Shangyi	12,076,800	China Guardian, Beijing	Contemporary, Oil Painter	<a href="http://www.artnet.com/artists/jin-shangyi/past-auction-results">http://www.artnet.com/artists/jin-shangyi/past-auction-results</a>
83	QI Baishi	11,326,000	DuYunXuan, Shanghai	Traditional Chinese Painter (modern), Brush and Ink, Shanghai School	<a href="http://www.chinaonlinemuseum.com/painting-qi-baishi.php">http://www.chinaonlinemuseum.com/painting-qi-baishi.php</a>
84	WU Zuoren	11,326,000	China Guardian, Beijing	Contemporary, Brush and Ink	<a href="http://www.artnet.com/artists/wu-zuoren/past-auction-results">http://www.artnet.com/artists/wu-zuoren/past-auction-results</a>
96	TANG Yin	10,037,800	Poly International, Beijing	Traditional Chinese Painter, Brush and Ink, One of the Four Masters of Ming	<a href="http://www.chinaonlinemuseum.com/painting-tang-yin.php">http://www.chinaonlinemuseum.com/painting-tang-yin.php</a>
97	ZHANG Daqian	10,031,600	Poly International, Beijing	Traditional Chinese Painter (modern), Brush and Ink	<a href="http://www.chinaonlinemuseum.com/painting-zhang-daqian.php">http://www.chinaonlinemuseum.com/painting-zhang-daqian.php</a>

<b>World Rank, 2011</b>	<b>Artist's Name</b>	<b>Hammer Price (US\$)</b>	<b>Auction House</b>	<b>Art Style</b>	<b>Example Art (Website)</b>
1	Qi Baishi (1864-1957)	57,202,000	China Guardian, Beijing	Traditional Chinese Painter (modern), Brush and Ink, Shanghai School	<a href="http://www.chinaonlinemuseum.com/painting-qi-baishi.php">http://www.chinaonlinemuseum.com/painting-qi-baishi.php</a>
3	Wang Meng (1308-1385)	54,040,000	Poly International, Beijing	Traditional Chinese Painter, Brush and ink, Landscape, One of the Four Masters of the Yuan Dynasty	<a href="http://www.chinaonlinemuseum.com/painting-wang-meng.php">http://www.chinaonlinemuseum.com/painting-wang-meng.php</a>
6	Xu Beihong (1895-1953)	36,679,200	Poly International, Beijing	Traditional Chinese Painter (modern), Brush and Ink	<a href="http://www.chinaonlinemuseum.com/painting-xu-beihong.php">http://www.chinaonlinemuseum.com/painting-xu-beihong.php</a>
13	Fu Baoshi (1904-1965)	31,520,000	Beijing Hanhai Art, Beijing	Traditional Chinese Painter (modern), Brush and Ink, Figure and Landscape	<a href="http://www.chinaonlinemuseum.com/painting-fu-baoshi.php">http://www.chinaonlinemuseum.com/painting-fu-baoshi.php</a>
16	Qi Baishi (1864-1957)	26,786,500	China Guardian, Beijing	Traditional Chinese Painter (modern), Brush and Ink, Shanghai School	<a href="http://www.chinaonlinemuseum.com/painting-qi-baishi.php">http://www.chinaonlinemuseum.com/painting-qi-baishi.php</a>
22	Tang Yin (1470-1523)	23,145,000	Beijing Jiuge International, Beijing	Traditional Chinese Painter, Brush and Ink, One of the Four Masters of Ming	<a href="http://www.chinaonlinemuseum.com/painting-tang-yin.php">http://www.chinaonlinemuseum.com/painting-tang-yin.php</a>
23	Ren Yi (1840-1896)	22,533,000	Xiling Yinshe Auction, Hangzhou	Traditional Chinese Painter (modern), Brush and Ink, Shanghai School	<a href="http://www.chinaonlinemuseum.com/painting-ren-bonian.php">http://www.chinaonlinemuseum.com/painting-ren-bonian.php</a>
25	Zhang Daqian (1899-1983)	21,845,000	Sotheby's, Hong Kong	Traditional Chinese Painter (modern), Brush and Ink	<a href="http://www.chinaonlinemuseum.com/painting-zhang-daqian.php">http://www.chinaonlinemuseum.com/painting-zhang-daqian.php</a>
26	Xu Beihong (1895-1953)	20,596,270	Beijing Jiuge International, Beijing	Traditional Chinese Painter (modern), Brush and Ink	<a href="http://www.chinaonlinemuseum.com/painting-xu-beihong.php">http://www.chinaonlinemuseum.com/painting-xu-beihong.php</a>
35	Shi Tao (1642-1707)	18,000,000	Nanjing Jingdian, Beijing	Traditional Chinese Painter, Brush and Ink, One of the Individualist Painters	<a href="http://www.chinaonlinemuseum.com/painting-shi-tao.php">http://www.chinaonlinemuseum.com/painting-shi-tao.php</a>
39	Wang Hui (1632-1717)	17,435,000	China Guardian, Beijing	Traditional Chinese Painter, Brush and Ink, In the group called The Four Wangs	<a href="http://www.chinaonlinemuseum.com/painting-wang-hui.php">http://www.chinaonlinemuseum.com/painting-wang-hui.php</a>
40	Wang Shimin (1592-1680)	16,569,000	Sungari International, Beijing	Traditional Chinese Painter, Brush and Ink, In the group called The Four Wangs	<a href="http://www.chinaonlinemuseum.com/painting-wang-shimin.php">http://www.chinaonlinemuseum.com/painting-wang-shimin.php</a>
45	Wu Guanzhong	15,440,000	Poly International,	Traditional Chinese Painter	<a href="http://www.chinaonlinemuseum.com">http://www.chinaonlinemuseum.com</a>

	(1919-2010)		Beijing	(contemporary), Brush and Ink	m/painting-wu-guanzhong.php
50	San Yu (1901-1966)	14,726,560	Ravenel Art Group, Hong Kong	Modern Artist, Oil Painter	http://www.artofsan-yu.com/
51	Su Shi (1037-1101)	14,677,500	Beijing Highest, Beijing	Calligraphy Brush and Ink	http://www.chinaonlinemuseum.com/calligraphy-su-shi.php
55	Cui Ruzhuo (1944)	14,113,000	Christie's Hong Kong	Traditional Chinese Painter (contemporary), Brush and Ink	http://www.artfact.com/artist/ruzhuo-cui-dwabd93ken
57	Wu Hufan (1894-1968)	13,553,600	Beijing Hanhai Art, Beijing	Traditional Chinese Painter (modern), Brush and Ink	https://www.artnet.com/artists/wu-hufan/past-auction-results
60	Hong Yi (1880-1942)	13,115,500	Beijing Jiuge International, Beijing	Calligraphy Brush and Ink	http://www.invaluable.com/artist/hong-yi-ovx57sgqys
61	Qi Baishi (1864-1957)	12,765,600	Beijing Hanhai Art, Beijing	Traditional Chinese Painter (modern), Brush and Ink, Shanghai School	http://www.chinaonlinemuseum.com/painting-qi-baishi.php
63	Qi Baishi (1864-1957)	12,368,000	China Guardian, Beijing	Traditional Chinese Painter (modern), Brush and Ink, Shanghai School	http://www.chinaonlinemuseum.com/painting-qi-baishi.php
65	Fu Baoshi (1904-1965)	11,412,000	China Guardian, Beijing	Traditional Chinese Painter (modern), Brush and Ink, Figure and Landscape	http://www.chinaonlinemuseum.com/painting-fu-baoshi.php
66	Chen Yifei (1946-2005)	10,934,000	China Guardian, Beijing	Socialist Realism/ Romantic Realism, Oil Painting	http://www.chinaonlinemuseum.com/painting-chen-yifei.php
69	Wu Guanzhong (1919-2010)	10,244,000	Poly International, Beijing	Traditional Chinese Painter (contemporary), Brush and Ink	http://www.chinaonlinemuseum.com/painting-wu-guanzhong.php
70	Zhu Da (1626-1705)	10,055,500	Beijing Chieftown, Beijing	Traditional Chinese Painter, Brush and Ink	http://www.chinaonlinemuseum.com/painting-zhu-da.php
76	Zhang Daqian (1899-1983)	9,412,300	Beijing Jiuge International, Beijing	Traditional Chinese Painter (modern), Brush and Ink, One of the Individualist Painters	http://www.chinaonlinemuseum.com/painting-zhang-daqian.php
80	Fan Zeng (1938)	9,258,000	Beijing Jiuge International, Beijing	Traditional Chinese Painter (contemporary), Brush and Ink	http://www.china.org.cn/english/NM-e/164859.htm
82	Shi Tao (1642-1707)	9,169,800	Poly International, Beijing	Traditional Chinese Painter, Brush and Ink, One of the	http://www.chinaonlinemuseum.com/painting-shi-tao.php

				Individualist Painters	
83	Zhang Xiaogang (1958)	9,002,000	Sotheby's Hong Kong	Contemporary Artist, Oil Painter	<a href="http://www.saatchigallery.com/artists/zhang_xiaogang.htm">http://www.saatchigallery.com/artists/zhang_xiaogang.htm</a>
87	Qi Baishi (1864-1957)	8,695,500	Beijing Highest, Beijing	Traditional Chinese Painter (modern), Brush and Ink, Shanghai School	<a href="http://www.chinaonlinemuseum.com/painting-qi-baishi.php">http://www.chinaonlinemuseum.com/painting-qi-baishi.php</a>
90	Wu Guanzhong (1919-2010)	8,492,000	Poly International, Beijing	Traditional Chinese Painter (contemporary), Brush and Ink	<a href="http://www.chinaonlinemuseum.com/painting-wu-guanzhong.php">http://www.chinaonlinemuseum.com/painting-wu-guanzhong.php</a>
91	Zhang Daqian (1899-1983)	8,481,000	Sotheby's Hong Kong	Traditional Chinese Painter (modern), Brush and Ink, One of the Individualist Painters	<a href="http://www.chinaonlinemuseum.com/painting-zhang-daqian.php">http://www.chinaonlinemuseum.com/painting-zhang-daqian.php</a>
93	Qi Baishi (1864-1957)	8,337,600	Poly International, Beijing	Traditional Chinese Painter (modern), Brush and Ink, Shanghai School	<a href="http://www.chinaonlinemuseum.com/painting-qi-baishi.php">http://www.chinaonlinemuseum.com/painting-qi-baishi.php</a>
99	Huang Zhou (1925-1997)	8,116,499	China Guardian, Beijing	Traditional Chinese Painter (contemporary), Brush and Ink	<a href="http://arts.cultural-china.com/en/100Arts6143.html">http://arts.cultural-china.com/en/100Arts6143.html</a>

## Appendix F: Research Context: Additional Photos



Old German factory at 798 Art District converted into artists' studios and then galleries (Author's Research: Allott, 2010)



Facing West: Overlooking the factory roofs at 798 Art District with Beijing's skyline in the Background (Author's Research: Allott, 2011)



Old German machinery stored at an empty factory in the 798 Art District where the Seven Star landlords socialised together (Author's Research: Allott, 2011)



New York's Pace Gallery also opened in 798 Art District (Author's Research: Allott, 2010)





Liulichang's Western Street: The Chinese architecture housed galleries selling traditional Chinese art, dealerships and art supplies (Author's Research: Allott, 2010)



A building in Liulichang with many galleries underground (Author's Research: Allott, 2010)



Songzhuang Art Festival 2010: A bustling crowd surrounding Fang Lijun's sculpture, waiting to enter the Songzhuang Sunshine Art Museum (Author's Research: Allott, 2010)



Songzhuang Art Festival 2011: Empty streets next to Fang Lijun's sculpture. With a change in local government the annual art festival was focussed more on the central government than the local public (Author's Research: Allott, 2011)



Guofang District in Songzhuang: A popular street for traditional Chinese artists. The artists' studios were easily accessible to the public and they procured many sales by simply opening their doors (Author's Research: Allott, 2010)



Guofang District in Songzhuang: Not only popular for artists but also galleries (Author's Research: Allott, 2010)



Guofang District in Songzhuang: Redevelopment, a regular sight (Author's Research: Allott, 2011)



The Songzhuang village graveyard, also being overtaken by redevelopment (Author's Research: Allott, 2011)





Art and cabbage: Outside an artist's studio in Songzhuang. Sculptures were a common sight on the streets as well as a winter's supply of cabbage (Author's Research: Allott, 2011)



Not all artists were surviving. This artist's home was one small room with running water outside in the courtyard (Author's Research: Allott, 2011)



### Appendix G: Table of *Guanxi* Features

Author(s)	Date	<i>Guanxi</i> Characteristics Recip. 人情 感情 Trust Bonding Empath 面子	Other <i>Guanxi</i> Characteristics	<i>Guanxi</i> Examples or Methods	<i>Guanxi</i> Frameworks	Location of Study	Methodology
Yang, M. M.	1994	■ ■ ■ ■ □ □ ■	<i>Yiqi</i> (loyalty)	Gift giving; favours; banquets	Gift economy	Urban China	Observations, interviews
Leung, T. K. P., Wong, Y. H., Tam, J. L. M.	1995	■ □ □ □ □ □ □	Emotional balance; relationship reconfirmation	—	A.I.O: The 8As; G.I.A.O: insider-outsider	China, Hong Kong	Questionnaires, focus groups (exploratory)
Yan, Y. X.	1996	■ ■ ■ ■ □ □ ■	—	Gift giving; favours; banquets	Gift economy	Xiajia village, China	Interviews, observations, documents
Yeung, I. Y. M., Tung, R. L.	1996	■ □ □ ■ □ □ □	Instrumentalism; personal relationships; longevity	Tendering favours; mutual benefits; cultivating relationships and trust	—	China, Singapore, Taiwan	Semi-structured interviews
Luo, Y.	1997	□ ■ □ □ □ □ ■	—	Gift giving, banquets	—	China	Literature review
Abramson, N.R., Ai, J. X.	1997	□ □ □ ■ □ □ □	Cooperation, handling disagreements, network development	—	—	China	Exploratory interviews, surveys
Wong, Y. H.	1998	■ ■ □ ■ ■ ■ ■	Dependence; defensiveness; commitment; adaptation	Association leads to commitment through bonding.	5 Steps: SPACE through to strategic control	China, Hong Kong	Collection of theories & studies
Wong, Y. H.	1998b	■ ■ □ ■ □ □ □	Adaptation, dependence	<i>Renqing</i> : giving gifts	—	Hong Kong	Questionnaires, interviews
Kiong, T. C., Kee, Y. P.	1998	□ □ ■ ■ □ □ □	—	—	Personalism: for & against forces	Singapore, Malaysia	Interviews
Wong, Y. H., Chan, R. Y.	1999	□ □ □ ■ □ □ □	Adaptation, favouritism, dependence	—	8As creating relationships	Hong Kong	Focus groups, questionnaires

Author(s)	Date	<i>Guanxi</i> Characteristics Recip. 人情 感情 Trust Bonding Empathy 面子	Other <i>Guanxi</i> Characteristics	<i>Guanxi</i> Examples or Methods	<i>Guanxi</i> Frameworks	Location of Study	Methodology
Yau, O. H. M., Lee, J. S. Y., Chow, R. P., Sin, L. Y. M., Tse, A. C. B.	2000	■ □ □ ■ ■ ■ □	—	Developing <i>guanxi</i> : informal discussion, gift- giving, non-business favours, building trust	The Four Dimensions of Relationship Marketing	China	Conceptual framework from previous research and literature
Kipnis, A.	2002	■ ■ ■ □ □ □ ■	<i>Ganqing</i> avoidance	Gift giving; favours; banquets; rituals	<i>Guanxi</i> production	China	Interviews, observations
Wank, D.	2002	■ ■ ■ ■ □ □ ■	Reputation	Gift giving; banqueting	—	Xiamen, China	In-depth Interviews
Michailova, S., Worm, V.	2003	□ □ □ ■ □ □ ■	Social resourcing, personal relationships	—	—	China, Russia	Literature
Chen, P., Chen C.	2004	■ ■ ■ ■ □ □ □	Trust has two factors: ability & sincerity	Expressive: birthdays & marriages	Trust & feeling = <i>guanxi</i> quality	China	Literature
Lee, D. Y., Dawes, P. L.	2005	■ □ ■ □ □ □ ■	<i>Xinyong</i> is a result not characteristic of <i>guanxi</i>	—	— (unrelated model)	Hong Kong	Interviews, questionnaires
Reid, D. M. & Jallat, F.	2006	■ ■ ■ □ □ □ ■	Respect, sincerity, affection, 亲情	Donations, training and development	Nature of <i>Guanxi</i> ; Reciprocal Obligation	Beijing, Shanghai, Guangdong	Interviews
Buckley, P. J., Clegg, J., Tan, H.	2006	□ □ □ ■ □ □ ■	—	Face: Overseas trips, sponsorship, scholarships, training, hosting guests etc	— (unrelated model)	China	Interviews at 4 JVs and model proposition
Wang, C. L.	2007	■ ■ ■ ■ □ ■ □	—	—	—	China	Literature
Dunning, J. H., Kim, C.	2007	■ □ □ ■ □ □ □	Collectivism, power distance, honesty	—	—	Singapore	Questionnaires
Wong, Y. H., Leung, T. K. P., Hung, H., Ngai, W. T.	2007	■ ■ □ □ □ □ ■	Favour through face & flexibility; commitment through cooperation & continuity	—	Heart & Mind: Social, symbolic & economic capital	China	Model Proposition



## Appendix H: Interview Questionnaire for Art Dealers

<b>Interview Guide for Art Dealers</b> <b><i>Guanxi</i> Strategies when Building Business Partnerships</b>	
<p><b>Date:</b> ( ____ / ____ / ____ )</p> <p><b>Transcript Code Number:</b> ( _____ )</p> <p><b>Observations While Conducting the Interview:</b> _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	
Topics and Detailed Questions	Notes
<p style="text-align: center;"><b>Part One: Business Stakeholders</b></p> <p><b>1.1 Identification of Stakeholders Connected to Art Dealers.</b></p> <p><b>1.1.1 Artists.</b></p> <p>a) How many artists do you currently sell on behalf of?</p> <p>b) What are their typical characteristics? Age, formal education, artistic style etc.</p> <p><b>1.1.2 Buyers.</b></p> <p>a) Occupation.</p> <p>b) Art interests.</p> <p>c) Local or from other cities.</p> <p>d) For personal or business interests.</p> <p>e) Other possible characteristics.</p> <p><b>1.1.3 Employees.</b></p> <p>a) Shop attendants.</p> <p>b) Others types of paid employees.</p> <p><b>1.1.4 Government Workers.</b></p> <p>a) License providers.</p> <p>b) Tax workers etc.</p>	

<p><b>1.1.5</b> Other people that help with the functioning of your business.</p> <ul style="list-style-type: none"> <li>a) Business partners.</li> <li>b) Financial investors.</li> <li>c) Family members.</li> <li>d) Friends.</li> <li>e) Others.</li> </ul> <p><b>1.2 Of the stakeholders identified which are the most important in the running of your art dealership?</b></p> <p><b>1.2.1</b> Which stakeholders are the most beneficial to the running of your art dealership? Who are they and how do they help you?</p> <p><b>1.2.2</b> Do any stakeholders present limitations to the functioning of the art dealership? If so who and how?</p>	
<p><b>Part Two: Relationship Initiation and Formation</b></p> <p><b>2.1 Relationship Initiation with Artists</b></p> <p><b>2.1.1</b> Selecting works of art for your dealership</p> <ul style="list-style-type: none"> <li>a) How do you find out about different artists and their current works of art?</li> <li>b) Do you attend art fairs? If so, have they helped you select works of art from a particular artist?</li> <li>c) How would you approach an artist whose work you would like to exhibit in your gallery?</li> <li>d) Has an artist ever approached you to sell his or her own work in your gallery? If so, how would they usually approach you?</li> <li>e) Do you use a friend or person known by both you and the artist?</li> <li>f) If you use a person known by both you and the artist, who are they and how do they help you make contact with the artist?</li> </ul> <p><b>2.1.2</b> Reasons for not selecting art work</p> <ul style="list-style-type: none"> <li>a) For what reasons would you decide not to select certain works of art?</li> </ul>	

Economic: too much inventory, pricing, logistics, not inclusive of the dealership's target market, style.

Social: relationship with artist, personality differences, conflict of interests with currently exhibited artists.

## **2.2 Bases and Ties**

**2.2.1** Did you have any common ties with the artists you sell on behalf of before the business relationship began?

- a) Do any artists you sell on behalf of belong to the same home town or provincial area as you? If so, where do they come from? Where do the artists come from that are not from the same provincial area as you?
- b) Before you began selling their work, were any of the artists your old friends, acquaintances, classmates, colleagues or family members? If so, please describe how you met.
- c) Did you know the artist in any other way before you considered selling their artwork? If so, how did you know them?
- d) Did you meet any artists through your friends, acquaintances, classmates, colleagues or family members? Are there any other people not mentioned here that introduced you to the artists you now work with?

## **2.3 Forming the Relationship**

**2.3.1** What do you believe is the most successful way to start a business relationship?

- a) What has worked for you in the past?
- b) Are there any specific methods you use? If so, what are they?
- c) Could you give an example of an artist you established a business relationship with recently? Explain why you were starting a business relationship with them and how you went about doing it?

**2.3.2** After you have cooperated with an artist for a short while, how do you work to strengthen your business relationship?

- a) Are there any specific methods you use? If so, what are they?
- b) Please give an example of a situation where you were able to strengthen a business relationship. Explain the

<p>context and the factors that made this relationship stronger.</p> <p><b>2.3.3</b> How do you consolidate the relationship and keep it strong?</p> <p>a) Are there any specific methods you use? If so, what are they?</p> <p>b) Please provide an example of a time when you were able to consolidate a business relationship with an artist. Who were they and how did the relationship become consolidated?</p> <p><b>2.3.4</b> Have there ever been any challenges in developing business relationships with artists?</p> <p>a) Are there times when you would choose not to develop a business relationship? If so, why not?</p> <p>b) Could you describe a situation when you decided not to continue developing a business relationship?</p> <p>c) What were the reasons behind that decision?</p>	
<p style="text-align: center;"><b>Part Three: Gift Giving, Banquets and Favours</b></p> <p><b>3.1 Gift Giving</b></p> <p><b>3.1.1 Gift Giving: Relationship Creation</b></p> <p>a) Are gifts ever exchanged when getting to know an artist? If so, what kinds of gifts are exchanged?</p> <p>b) Why would gifts be exchanged at the initiation of a relationship between you and the artist?</p> <p>c) Are there certain situations where it is more appropriate to give a gift? If so, could you explain that situation?</p> <p>d) Who would be most likely to give a gift first, you or the artist?</p> <p>e) If a gift were given to you, would you feel obligated to return it in any way be it through a returned gift, a favour or a meal out together?</p> <p>f) If you returned a gift, would it be of less, equal or greater value? Could you explain why?</p> <p>g) Does the exchange of gifts strengthen the feelings between you and the artist? If so, could you describe how?</p> <p>h) Have you ever given a gift to or received a gift from an artist that was inappropriate? If so, what was the gift and</p>	

in what situation was it given?

- i) What happened to your relationship as a result of that exchange?
- j) Has giving each other gifts ever caused the closeness of your relationship to decrease rather than increase? If so, could you describe the situation and how your relationship changed?

**3.1.2 Gift Giving: Development and Maintenance of the Relationship**

- a) Do you continue to exchange gifts with an artist as the relationship continues? If you do, what gifts are exchanged and in what situation?
- b) What would be the reason for exchanging gifts at this time?
- c) Would you still feel obligated to reciprocate a gift? If you would, how would you repay it? Would the returned gift be of less, similar or greater value than the original gift?
- d) How would the exchanged gift affect your business relationship with an artist?
- e) Would you be more likely to exchange gifts at the initiation or development stage of the relationship? Why?

**3.1.3 Gift Giving: Relationship Consolidation**

- a) Once a business relationship has been firmly established with an artist, would you continue to exchange gifts?
- b) Are there any changes to the types of gifts exchanged over time? If so, how does the type of gift and the situation it is given in change?
- c) Do you still feel obligated to reciprocate the gift? If so, in what way do you feel obligated?
- d) Do you think the giving of gifts increases or decreases in importance over time? Could you explain why?

**3.2 Banquets**

**3.2.1 Banquets: Relationship Creation**

- a) When establishing a business relationship with an artist, would it be customary for you to go out for a meal together? If so, who would pay and what kind of

restaurant would you go to?

- b) What would be the reason for you to go out for a meal together?
- c) If you went out for a meal together would it help you to create a friendship? If so, how would it help?
- d) Has going out for a meal ever had a negative impact on a relationship with an artist? If so, please explain how and why.

### **3.2.2 Banquets: Development and Maintenance of the Relationship**

- a) After the first year of business, would you continue to go out for meals together? Who would pay and where would you go to eat?
- b) Why would you eat out together? Would it improve your business relationship in any way?
- c) Is it more important to eat out together at the initiation of the relationship or when developing and maintaining it?

### **3.2.3 Banquets: Relationship Consolidation**

- a) After you have established a strong business relationship with an artist, would you continue to eat out together? If so, where and who pays?
- b) Does eating out together strengthen the relationship in any way at this point in the relationship?
- c) Do you socialise in any other way with artists at this stage of the business relationship? If you do, could you give some examples of what you do together?
- d) Does eating a meal and socialising with an artist create a feeling of obligation towards each other? Could you explain how?
- e) When would be the most important time to have a meal or socialise together: At the initiation, development or consolidation of a relationship? Could you explain why?

## **3.3 Favours**

### **3.3.1 Favours: Relationship Creation**

- a) When just getting to know an artist, would you offer to help him or her as a special favour? If so what kind of favour would you offer?

- b) Would the artist go out of his or her way to help you at the initiation of the business relationship?
- c) If favours are exchanged between you and the artist, what would be the reason for doing so?
- d) If an artist helped you in anyway, would you feel obligated to repay him or her? If so could you explain how you would feel obligated?
- e) If an artist went out of his or her way to help you when you were getting to know each other, how would you feel?
- f) Has helping each other ever had an adverse effect on your relationship with an artist? If it has, can you please explain the situation and how it negatively affected your relationship?

### **3.3.2 Favours: Development and Maintenance of the Relationship**

- a) As your relationship develops, would you be less or more likely to offer a favour to an artist whose works you are selling on behalf of? Could you explain why?
- b) Would an artist be more or less likely to offer you a favour?
- c) Could you provide an example where you went out of your way to help an artist?
- d) Do you feel more or less obligation to repay a favour as your relationship develops? Could you explain why?
- e) Do you think the exchange of favours strengthens your business relationship with artists? Could you explain how?
- f) Would you be more likely to offer a favour at the initiation or development stage of the relationship? Why?

### **3.3.3 Favours: Relationship Consolidation**

- a) Once you have established a strong business relationship with an artist would you be more or less likely to offer him or her favours? Could you provide an example?
- b) Do favours strengthen your business relationship? Could you explain how?
- c) At this stage of relationship development, does a given favour produce a feeling of obligation? How would you repay that feeling of obligation?
- c) At what stage do you think it is most important to provide

<p>and reciprocate favours: At the initiation, development or consolidation of a relationship? Could you explain why?</p>	
<p style="text-align: center;"><b>Part Four: Intangible Features and Overall Importance of Exchange</b></p> <p><b>4.1 Intangible Features</b></p> <p><b>4.1.1</b> Think of an artist that you had a particularly strong friendship with in comparison to other artists. What made that friendship stronger than others?</p> <p><b>4.1.2</b> Please describe how your friendship developed in each of the following stages.</p> <p style="padding-left: 20px;">a) At the initiation of the business relationship.</p> <p style="padding-left: 20px;">b) When you were developing and maintaining the relationship.</p> <p style="padding-left: 20px;">c) After the relationship had been consolidated.</p> <p><b>4.1.3</b> In regards to the artist you just mentioned, were there any factors that were more difficult to observe such as emotional consideration or other ways of expressing your friendship? If so, please give one or two examples.</p> <p><b>4.1.4</b> Do these less observable features create a deeper friendship between you and the artist? If so, could you explain how?</p> <p><b>4.1.5</b> Do these less observable features create feelings of obligation towards the artist? If so, could you explain how?</p> <p><b>4.1.6</b> At what stage do you think it is most important to cultivate these less observable features between you and the artist? Why?</p> <p style="padding-left: 20px;">a) At the initiation of the business relationship.</p> <p style="padding-left: 20px;">b) When you are developing and maintaining the relationship.</p> <p style="padding-left: 20px;">c) After the relationship has been consolidated.</p> <p><b>4.1.7</b> Have these less observable features ever had a negative impact on your business relationship with that artist? If so, please explain how?</p>	



<p><b>4.1.8</b> Do you think these expressions of a deep friendship are the most important at the initiation, development or consolidation stages of the relationship? Please explain why.</p> <p><b>4.2 Importance of Exchange</b></p> <p><b>4.2.1</b> Of the different types of exchange previously discussed, gifts, favours, banquets and other intangible features, which ones would be the most important when initiating a relationship? Could you explain why you have made that selection?</p> <p><b>4.2.2</b> Of the different types of exchange previously discussed, gifts, favours, banquets and other features that are more difficult to observe, which ones would be the most important when developing and maintaining a relationship? Could you explain why you have made that selection?</p> <p><b>4.2.3</b> Of the different types of exchange previously discussed, gifts, favours, banquets and other expressions of a deep friendship, which ones would be the most important when consolidating a business relationship? Could you explain why you have made that selection?</p> <p><b>4.3 Consolidating relationships: The selection process</b></p> <p><b>4.3.1</b> Are you able to categorise the types of relationships that have worked well with artists in terms of how you conduct business? How about those that are just average?</p> <p><b>4.3.2</b> For what reasons would you decide not to consolidate a relationship with an artist? What were the implications of an unsuccessful relationship on the functioning of your art dealership?</p>	
<p><b>Part Five: Personal Opinions on <i>Guanxi</i> and its Characteristics</b></p> <p><b>5.1 Personal Understanding of <i>Guanxi</i></b></p> <p>5.1.1 What is your general understanding of the meaning and usage of <i>guanxi</i>?</p> <p>a) When people refer to <i>guanxi</i> what does it mean to you?</p> <p>b) Could you give examples of how <i>guanxi</i> may be used by you or others in everyday situations?</p>	

- c) Why do you think people use *guanxi*?

## 5.2 The Use of *Guanxi* in Art Dealerships

5.2.1 What is the relevance of *guanxi* in your art dealership?

- a) Have you ever needed to use *guanxi* in your art dealership? If so, how?
- b) Have you ever used *guanxi* to obtain or continue exhibiting an artist's work? If you have, please explain how.
- c) Has an artist ever tried to use their *guanxi* so that you would sell their work in your art dealership? If they have, could you please describe the situation?
- d) Has an artist tried to use their *guanxi* with you in any other way? Please explain.
- e) Would you say your relationships with the artists in your dealership are *guanxi* type relationships or not? Please explain why.
- f) What contributes to creating a strong *guanxi* relationship with an artist? What contributes to creating a weak *guanxi* relationship?
- g) From the previous discussion on gifts, banquets, favours and deep expressions of friendship, which would be the most likely to contribute to the creation of a strong *guanxi* relationship? Which would be most likely to be expressed in a weak *guanxi* relationship?

## 5.3 Affection (*ganqing*)

5.3.1 Does the feeling of *ganqing* exist between you and the artists you sell on behalf of?

- a) If so, how do you express *ganqing* towards the artists you deal with?
- b) How do artists express *ganqing* towards you?

5.3.2 How is *ganqing* developed in your business relationships with artists?

- a) Can you think of any methods you use to create *ganqing* with artists?
- b) Would you purposefully use these methods to create *ganqing* between you and the artists?
- c) Do any of the previous methods discussed such as gift giving, favours, banquets and other intangible features relate to the production of *ganqing*?
- d) In what way do you think the development of *ganqing* relates to the creation of *guanxi* between you and artists?

## 5.4 Face

5.4.1 Could you explain how giving, saving or losing face relates

to the increase or decrease of *guanxi*?

- a) In what ways are artists able to give you face?
- b) Are you able to give an artist face? If so, please describe how.
- c) Does this contribute in any way to the development of *guanxi* between the two of you?
- d) Has an artist ever caused you to lose face? If so, please provide an example.
- e) Have you ever caused an artist to lose face? If so, how?
- f) Has the loss of face between you and an artist ever caused the *guanxi* between you and an artist to decrease?

5.4.2 How does face relate to the giving of gifts, favours, banquets and other intangible features?

- a) Do you gain or lose face when you offer a gift, favour, banquet or other intangible feature to an artist? Please explain how.
- b) Do you gain or lose face when an artist gives you a gift, favour, invites you out for dinner or offers you some other intangible feature? Could you explain how?
- c) Does the fear of losing face cause you to continue to offer gifts, favours, banquets or other intangible features? Please give an example.
- d) Does giving or saving an artist face produce *ganqing* between you?
- e) If an artist saves or gives you face, does your feeling of *ganqing* increase? If so, how?

## 5.5 Trust and *Xinyong*

5.5.1 In your opinion, is there a difference between trust and *xinyong*?

- a) Could you describe an instance when you felt trust was present?
- b) Could you describe an instance when you felt *xinyong* was present?
- c) Have there been instances where you have trusted an artist by rationally taking into consideration his or her previous actions? If so, could you please provide an example?
- d) Have you ever trusted an artist based on your gut instinct? Could you describe the situation and explain how you felt?
- e) Would you be more likely to trust an artist based on rational contemplation or through gut feelings?
- f) In your opinion, is *xinyong* a type of rational trust?

5.5.2 How would you build a trusting business relationship with an artist?

- a) What actions would you take to create trust between you and an artist?

<p>b) What would an artist do that would increase your trust in him or her.</p> <p>c) If an artist gives you a gift, favour, takes you out for a meal or offers some other intangible feature, would this increase your trust in him or her? Which one would be more likely to increase your feeling of trust?</p> <p>d) Does your feeling of <i>ganqing</i> with an artist influence your level of trust with him or her? Could you please explain how?</p> <p>e) Do reciprocal actions through returned gifts, favours, banquets and other intangible features increase your trust with an artist? Please explain how.</p> <p>f) Could you choose an artist whom you think is the most trustworthy in your art dealership and describe him or her? Then describe one situation that shows why that person is so trustworthy.</p>	
<p style="text-align: center;"><b>Part Six: Background Information</b></p> <p><b>6.1 Personal Details</b></p> <ul style="list-style-type: none"> <li>■ What is your age?</li> <li>■ Where is your home town?</li> <li>■ Have you lived in any cities outside of your hometown? If so, where?</li> <li>■ Are you Han Chinese or are you from another Chinese minority group?</li> <li>■ What is your educational background? <ul style="list-style-type: none"> <li>- University</li> <li>- Technical college</li> <li>- Your major</li> </ul> </li> <li>■ What previous work experiences have you had?</li> <li>■ Is this the first time you have started your own business?</li> <li>■ If it is not the first time, could you describe previous businesses you have worked in?</li> </ul> <p><b>6.2 Dealership Information</b></p> <ul style="list-style-type: none"> <li>■ How did you become interested in opening an art dealership?</li> <li>■ How long has the dealership been open for?</li> <li>■ What difficulties did you experience in trying to open the dealership?</li> <li>■ Which artists do you currently exhibit and sell works of art on behalf of?</li> <li>■ How many artists have you sold work on behalf of in the past?</li> </ul>	<p>Gender:</p> <p>Male ( )</p> <p>Female ( )</p>

<b>Part Five: Final Thoughts, Questions and Debriefing</b>	

## Appendix I: Interview Questionnaire for Artists

<b>Interview Guide for Artists:</b> <b>First Set of Questions</b>	
<p><b>Date:</b> ( ____ / ____ / ____ )</p> <p><b>Transcript Code Number:</b> ( _____ )</p> <p><b>Observations While Conducting the Interview:</b> _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>	
<b>Topics and Detailed Questions</b>	<b>Notes</b>
<p style="text-align: center;"><b>Part One: Artist's Background and Artistic Philosophy</b></p> <p><i>Artistic Background</i></p> <p>1.1 What factors led you to pursue a career in art?</p> <ul style="list-style-type: none"> <li>a) Interest in childhood.</li> <li>b) Encouragement from parents, peers or teachers.</li> <li>c) Role models.</li> <li>d) Natural ability.</li> <li>e) Financial reasons.</li> </ul> <p>1.2 What Fine Arts education have you participated in?</p> <ul style="list-style-type: none"> <li>a) Primary, middle and high school.</li> <li>b) University or polytechnic. Undergraduate or postgraduate.</li> <li>c) Other courses?</li> </ul> <p>1.3 Could you please describe how your artistic career has developed from the time you graduated until now?</p> <ul style="list-style-type: none"> <li>a) Development of artistic style.</li> <li>b) Process of selling artworks.</li> <li>c) Financial success or difficulties throughout your career.</li> </ul>	

<p>d) Difficulties encountered being a fulltime artist. e) High points or positive aspects being a fulltime artist.</p> <p><b><i>Art Philosophy</i></b></p> <p>1.4 In your opinion, what is art? 1.5 What is the reason you create works of art? a) Pleasure for consumer or self. b) Financial reasons. c) Status. 1.6 Do you try to communicate to people through your art? a) If so, what themes or messages do you try to convey? b) How do you convey those messages through your art work? 1.7 Do you express your own or others emotions through your art? If so what do you try to express and how? 1.8 Do you have any ideology or religion that guides your art? a) Taoism or Buddhism. b) Confucian teachings. c) Political beliefs or ideology.</p>	
<p><b>Part Two: The Creation and Value of Art</b></p> <p><b><i>Creating Works of Art</i></b></p> <p>2.1 What type of art have you done and what do you currently do? a) Medium. b) Subject. 2.2 Explain the process you go through to create a piece of art. a) Inspiring for a painting. b) Discussing ideas with friends, getting ideas from other artists. c) Getting ideas from magazines or other media. 2.3 Do you face any obstacles when getting started on a new piece of work? If so, what are they? 2.4 How long on average does it take you to complete a piece of art? 2.5 Are there any factors that slow you down or stop you from working? a) Motivation. b) Family or personal circumstances. c) Politics. d) Technical difficulties. 2.6 How do you deal with the problems you just mentioned?</p> <p><b><i>The Value of Artwork</i></b></p> <p>2.7 What do people like about your work? a) Use of colour.</p>	

<p>b) Themes contained within the imagery.  c) Collectable value.</p> <p>2.8 Who are the buyers for your artwork? Do certain types of art appeal to different buyers?</p> <p>2.9 Has the value of your artwork changed over time?</p> <p>a) Has its value increased, stayed the same or decreased?  b) Have you had to change your artistic style in order to increase its value? If so, please explain.</p>	
<p style="text-align: center;"><b>Part Three: The Process of Selling Art</b></p> <p>3.1 Please describe the methods you use to sell your art.</p> <p>a) Individually from your studio.  b) Through art galleries.  c) Art shows or fairs.  d) Auctions.  e) Other.</p> <p><b><i>Studio Sales</i></b></p> <p>3.2 How do you sell art from the studio you are working at?</p> <p>a) How do customers find out about your artwork?  b) Do you advertise? If so where?  c) Do you have repeat customers? If so, for what reasons do they buy your work? Are there any specific reasons why those customers keep coming back to you?  d) Have home sales increased or decreased over time? Do you know the reason for this?</p> <p><b><i>Art Shows or Fairs</i></b></p> <p>3.3 Please describe the steps you take when participating in an art fair.</p> <p>a) What is the regular process you take to gain permission to attend an art fair?  b) Does having contacts within the art fair organisation committee help gain entrance to the art fair? If so, how?  c) Does anyone help you before, during or after the art fair in any way? If so, who are they and how do they help you?  d) Are you able to sell many paintings at the art fairs?  e) Have you developed any long term customers from attending these fairs?  ~ If so, could you please describe how you met the customer?  ~ How did he or she continue to buy from you after the art fair</p>	



<p>took place?</p> <p>~ What is the longest length of time a customer has continued buying artworks from you?</p> <p>f) Do you increase the number of useful contacts by attending art fairs? If so, who are they? Customers, art galleries, collectors etc.</p> <p><b>Auctions</b></p> <p>3.4 What are the main auction houses in China and Beijing?</p> <p>3.5 How does an artist decide which auction house to sell his or her paintings through?</p> <p>a) Price.</p> <p>b) Similar art styles.</p> <p>c) Contacts within the auction house.</p> <p>3.6 Do you sell paintings through auctions? If so, how many paintings are you able to sell on average per year?</p> <p>3.7 Have auctions helped to increase the price of your paintings over time? If so, could you explain how?</p> <p>3.8 Are there any negative aspects to selling your paintings through auctions? E.g. the artist is required to bid on a painting if it does not sell.</p>	
<p style="text-align: center;"><b>Part Four: Relationship Building with Art Galleries</b></p> <p><b>Background Information</b></p> <p>4.1 How do you connect with art galleries that you have worked with in the past?</p> <p>a) Do you contact the gallery with your portfolio?</p> <p>b) Does the gallery contact you?</p> <p>c) Do you use a friend or person known by both you and a gallery representative?</p> <p>4.2 If you use a person known by both you and a gallery representative, who are they and how do they help you make contact with the gallery?</p> <p>4.3 What reasons do you think you have not been successful in making contact with some galleries?</p> <p>4.4 What factors make it likely that a gallery is willing to cooperate with you?</p> <p>4.5 To what extent would you be willing to cooperate with a gallery? For what reasons are you willing to cooperate with that gallery?</p> <p>4.6 How about reasons for not cooperating with a gallery?</p>	

***Relationship Building***

- 4.7 What do you believe is the most successful way to start a business relationship?
- a) What has worked for you in the past?
  - b) Are there any specific methods you use? If so, what are they?
  - c) Could you give an example of someone you established a business relationship with recently? Explain why you were starting a business relationship with them and how you went about doing it.
- 4.8 After you have cooperated with a gallery for a short while, how do you work to strengthen your business relationship?
- a) Are there any specific methods you use? If so, what are they?
  - b) Please give an example of a situation where you were able to strengthen a business relationship. Explain the context and the factors that made this relationship stronger.
- 4.9 How do you consolidate and the relationship and keep it strong?
- a) Are there any specific methods you use? If so, what are they?
  - b) Please provide an example of a time you were able to consolidate a business relationship with someone working in a gallery. Who were they and how did the relationship become consolidated?
- 4.10 Have there ever been any challenges in developing business relationships with art galleries?
- a) Are there any times when you would choose not to develop a business relationship? If so, why?
  - b) Could you describe a situation when you decided not to continue developing a business relationship?
  - c) What were the reasons behind that decision?

**Part Five: Gift Giving, Banquets and Favours**

***Gift Giving***

- 5.1 When cooperating with an art gallery, do you ever give them gifts? If so,
- a) What gifts do you give?
  - b) In what situations are you most likely to give a gift? E.g. after a painting has been sold, on a special holiday or occasion.
- 5.2 Do the types of gifts you give change over time? If so, how?
- 5.3 Does the gallery ever give you gifts?
- a) What gifts are you given?
  - b) Under what circumstance are you most likely to receive a gift?
- 5.4 What are your reasons for giving gifts? Do these reasons change,
- a) At the initiation of the business relationship.
  - b) When you are developing and maintaining the relationship.

- c) After the relationship has been consolidated.
- 5.5 Have you ever felt obligated to a gallery after receiving a gift from them? Could you explain how you felt obligated?
- 5.6 Has giving or receiving gifts helped increase the *ganqing* between you and the gallery? If so, could you explain how?
- 5.7 At what stage would it be the most important to give and receive gifts? Why?
  - a) At the initiation of the business relationship.
  - b) When you are developing and maintaining the relationship.
  - c) After the relationship has been consolidated.
- 5.8 Have you ever received a gift that you thought was inappropriate? Could you explain the situation?
- 5.9 Have you ever given a gift that was deemed to be inappropriate by whom you gave it to? Could you explain the situation?
- 5.10 Has giving and receiving gifts ever had a negative impact on your business relationship? If so, could you explain how?

***Banquets***

- 5.11 Do you often go out for meals together with a gallery representative at the initiation of the business relationship? What about when you are developing and maintaining the relationship and after the relationship has been consolidated? At each stage,
  - a) Who pays?
  - b) Where do you go to eat? E.g. Restaurant, at their home etc.
- 5.12 What is the reason you would go out for a meal with the gallery representative?
  - a) At the initiation of the business relationship.
  - b) When you are developing and maintaining the relationship.
  - c) After the relationship has been consolidated.
- 5.13 At what stage do you feel it is the most important for your business relationship to go out for meals with the gallery representative?
  - a) At the initiation of the business relationship.
  - b) When you are developing and maintaining the relationship.
  - c) After the relationship has been consolidated.
- 5.14 Does going out for meals help you to improve your friendship with the gallery? If so, how?
- 5.15 Does it increase the feelings of *ganqing* between you both? If so, how?
- 5.16 Does eating out with gallery representatives give you any feeling of obligation towards them? This could be through inviting them out for a meal, returning gifts or favours or even ensuring the work you give them is your best.
- 5.17 Has going out for a meal with a gallery representative ever had a negative effect on your relationship? If so, what happened?

***Favours***

<p>5.18 In the past, have you ever helped people from a gallery you have cooperated with? Is so, what kind of help did you offer them during the following stages?</p> <ol style="list-style-type: none"> <li>At the initiation of the business relationship.</li> <li>When you are developing and maintaining the relationship.</li> <li>After the relationship has been consolidated.</li> </ol> <p>5.19 If you help people within the gallery, what are your reasons for doing so? Do your reasons for helping people within the gallery change as your business relationships develop? If so, please explain how.</p> <p>5.20 Do people from the galleries you have cooperated with help you?</p> <ol style="list-style-type: none"> <li>How do they help at the initiation of the business relationship? When? How often?</li> <li>How do they help when you are developing the relationship? When? How often?</li> <li>How do they help after the relationship has been consolidated? When? How often?</li> </ol> <p>5.21 At what point in your business relationship would it be the most important to give or receive help? At the beginning, as it is being developed or after it had been consolidated? Please explain why.</p> <p>5.22 If you help someone from the gallery or conversely they help you, how does this make you feel? Does it increase the feelings of friendship between you? How about <i>ganqing</i>? If so, please explain how.</p> <p>5.23 Does receiving help from people within the gallery you are cooperating with create a feeling of obligation towards them? If so, how do you feel obligated? E.g. return the help, take them out for a meal, provide a gift or provide them with your best art pieces.</p> <p>5.24 Has giving people help within a gallery or receiving help from them ever had a negative impact on your business relationship? If so, could you provide an example and explain how it negatively impacted your relationship.</p>	
<p><b>Part Six: Intangible Features and Overall Importance of Exchange</b></p> <p><i>Intangible Features</i></p> <p>6.1 Think of a gallery representative that you had a particularly strong friendship with in comparison to other employees. What made that friendship stronger than others?</p> <p>6.2 Please describe how your friendship developed in each of the following stages.</p> <ol style="list-style-type: none"> <li>At the initiation of the business relationship.</li> <li>When you are developing and maintaining the relationship.</li> <li>After the relationship has been consolidated.</li> </ol>	

<p>6.3 In regards to the gallery representative you just mentioned, were there any factors that were more difficult to observe such as emotional consideration or other ways of expressing your friendship? If so, please give one or two examples.</p> <p>6.4 Do these less observable features create a deeper friendship between you and the gallery representative? If so, could you explain how?</p> <p>6.5 Do these less observable features create feelings of obligation towards the gallery and its representative? If so, could you please explain how?</p> <p>6.6 At what stage do you think it is most important to cultivate these less observable features between you and the gallery representative? Why?</p> <p>a) At the initiation of the business relationship.</p> <p>b) When you are developing and maintaining the relationship.</p> <p>c) After the relationship has been consolidated.</p> <p>6.7 Have these less observable features ever had a negative impact on your business relationship with that gallery or its representative? If so, please explain how?</p> <p><b><i>Overall Importance of Exchange</i></b></p> <p>6.8 We have just discussed four methods possibly used to develop a business relationship with gallery representatives: giving gifts, eating meals together, helping each other and other less observable features of friendship. Of these four features, which do you think are the most important at each stage of development in your business relationship? Please explain why.</p> <p>a) At the initiation of the business relationship.</p> <p>b) When you are developing and maintaining the relationship.</p> <p>c) After the relationship has been consolidated.</p> <p>6.9 Are there any reasons why you would choose not to consolidate a relationship with a gallery and their representatives? Please explain why.</p>	
<p><b>Part Seven: Personal Opinions on <i>Guanxi</i> and <i>Ganqing</i></b></p> <p><b><i>Guanxi</i></b></p> <p>7.1 The meaning and usage of <i>guanxi</i>.</p> <p>a) If someone uses the word <i>guanxi</i>, what do you think it means?</p> <p>b) How is it used in everyday situations?</p> <p>c) Could you give an example of how you have used <i>guanxi</i> in your personal life?</p> <p>d) Why do you think people use it?</p> <p>7.2 How is <i>guanxi</i> relevant to your dealings with art galleries?</p> <p>a) Have you ever used <i>guanxi</i> in order to connect with an art gallery? If so, please explain how.</p>	

<p>b) How about to continue exhibiting your work in a gallery you have already cooperated with?</p> <p>c) Have you tried to use <i>guanxi</i> with an art gallery to help you in any other way? If so, how?</p> <p>d) Would your business relationships with gallery representatives be counted as “<i>guanxi</i> relationships”? Why or why not?</p> <p>7.3 What factors would contribute to creating a strong <i>guanxi</i> relationship with another person?</p> <p>7.4 What factors would make a <i>guanxi</i> relationship with another person weaker?</p> <p>7.5 From our previous discussion on gifts, banquets, favours and other less observable features,</p> <p>a) Which would be most likely to contribute to the creation of a strong <i>guanxi</i> relationship?</p> <p>b) Would any be likely to make the relationship weaker? If so, what would those features be and how would they make the relationship weaker?</p> <p><b><i>Affection (Ganqing)</i></b></p> <p>7.6 Do feelings of <i>ganqing</i> exist between you and gallery representatives?</p> <p>a) If so, how do you express <i>ganqing</i> to people working at the gallery?</p> <p>b) Do you purposefully act in a way that will produce <i>ganqing</i> between you and gallery workers? If so, why do you do that?</p> <p>c) What do gallery employees or managers do that increase your feeling of <i>ganqing</i> towards them?</p> <p>7.7 Does the development of <i>ganqing</i> between you and gallery workers increase your level of <i>guanxi</i>? If so, how does it make it increase?</p> <p>7.8 Does an increase in <i>ganqing</i> also affect the amount of trust between you and the gallery you are cooperating with? If it does, please explain how it helps you trust them more?</p>	
<p style="text-align: center;"><b>Part Eight: The Importance of Face, <i>Xinren</i> and <i>Xinyong</i></b></p> <p><b><i>Face</i></b></p> <p>8.1 The practice of face in business relationships.</p> <p>a) Have people working in the gallery you cooperate with made you lose face before? If so, how did that happen?</p> <p>b) Have they ever given you face before? If so, how?</p> <p>c) Do you try to give face to people working in galleries you cooperate with? If so, how do you give them face?</p>	

- d) Have you ever made someone in the gallery lose face before? If so, please describe the situation.
- e) Please give one or two examples about how people in China give people face or make people lose face in everyday situations.
- 8.2 Face in relation to other concepts.
- a) Does giving people face contribute to the strengthening of a *guanxi* relationship? If so, how?
- b) Does making people lose face cause a *guanxi* relationship to become more distant? Why?
- c) When face is given to you, does it produce *ganqing* between you and the other person? If so, how?
- d) If a person makes you lose face, does it weaken your *ganqing* with them? If so, please explain how.
- e) Does the giving and losing of face affect how people trust each other? If so, how?
- 8.3 When you are given a gift, go out for a meal, receive help from another person or receive less observable aspects of friendship, does it give you face? Why?
- 8.4 What about when gifts, meals, help or other aspects of friendship have not been offered to you? Does it make you lose face? Why?
- 8.5 Do you give gifts, go out for meals, help others or offer less observable aspects of friendship because you are afraid of losing face? How about with people in galleries you cooperate with?

***Xinren and Xinyong***

- 8.6 What types of actions or behaviour make you trust in the people working at galleries you cooperate at? Please give one or two examples.
- 8.7 What kind of behaviour makes you lose trust in people working at the galleries?
- 8.8 Do you trust people in the galleries you work with based on rational thinking or from a gut feeling? Can you explain why?
- 8.9 Does having *ganqing* with another person help you to trust them? Why or why not?
- 8.10 If a person gives you gifts, takes you out for meals, helps you or offers you their hand in friendship, does it make you trust them more? Have there been instances when these actions have caused you to lose trust in someone?
- 8.11 In your opinion, what is the difference between *xinren* and *xinyong*?
- 8.12 What process do you need to go through before you decide another person has *xinyong*?
- 8.13 Have you ever trusted in a person because someone else recommended them to you? Could you please explain that situation?

<p style="text-align: center;"><b>Part Nine: Background Information</b></p> <p><b>9.1 <i>Personal Details</i></b></p> <p>a) What is your age?</p> <p>b) Where is your hometown?</p> <p>c) Other than your hometown, what other cities have you lived in?  ~ Before graduating from university?  ~ After graduating from university?</p> <p>d) Are you Han Chinese or from another Chinese minority group?</p> <p>e) What is your level of education? Have you attended university? If so where and what was your major?</p> <p>f) How long have you been an artist for?</p> <p>g) Have you had any other work experience? If so, what did you do?</p> <p>h) How many different art galleries have you sold your paintings through? Could you name them?</p> <p>i) How many different auction houses have you used? Are you able to name them?</p>	<p>Gender:</p> <p>Male ( )</p> <p>Female( )</p>
<p style="text-align: center;"><b>Part Ten: Final Thoughts, Questions and Debriefing</b></p>	



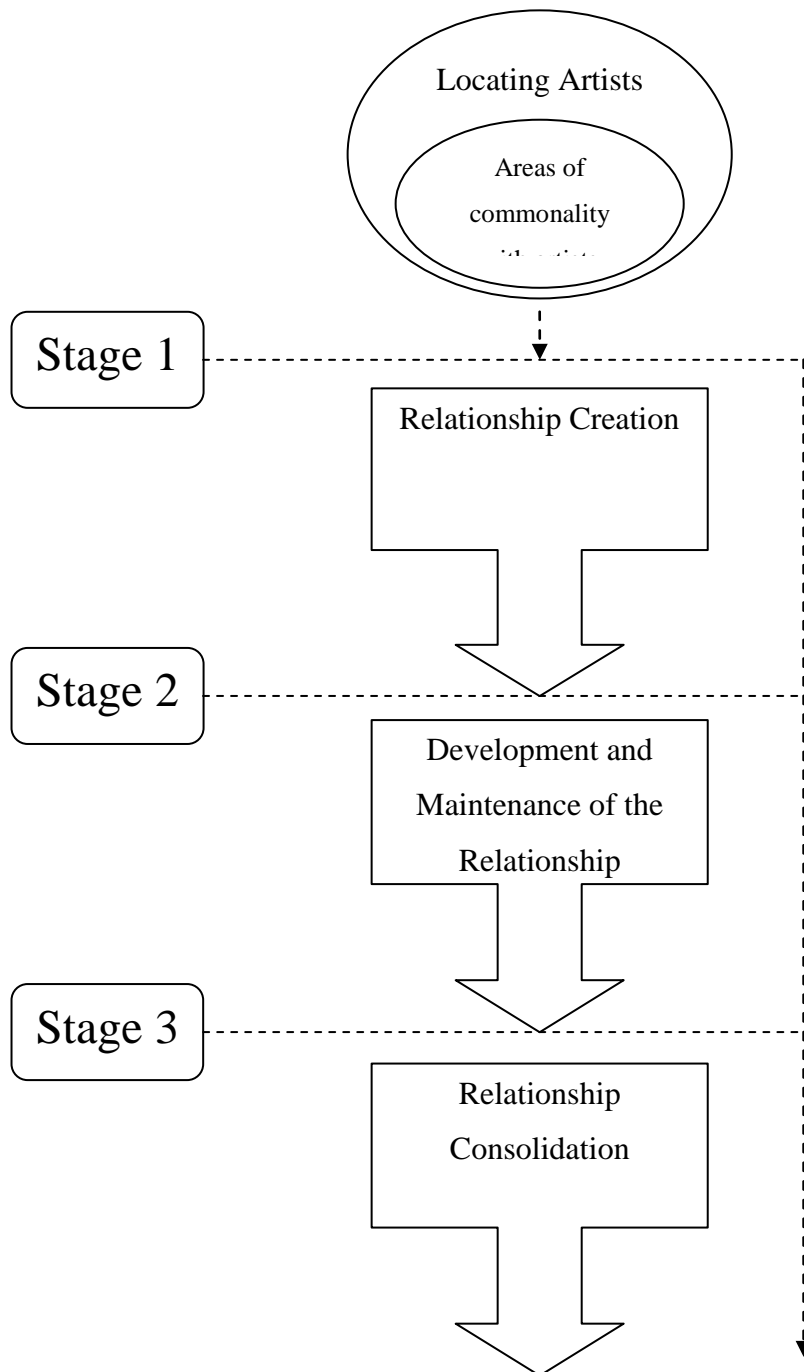
## Appendix J: Four Relationship Building Methods

### Gifts, Banquets, Favours and Intangible Features

The following ideas are examples only. The examples are provided to help you understand the meaning of gifts, banquets, favours and intangible features.

Gifts	Banquets
Money or other presents at a wedding Birthday gift Souvenir at the anniversary of the art dealership Food items from someone's hometown Free tickets to an art exhibition	Eating out together at a restaurant Invited to someone's home for a meal
Favours	Intangible Features
Loaning something to another person <ul style="list-style-type: none"> <li>• E.g. loaning money to someone without charging any interest</li> <li>• E.g. loaning a car and driver to someone for the day</li> </ul> Giving another person useful information they need Introducing friends to each other that may be able to provide help in the future An superior giving special housing benefits or a promotion to an employee they have a good relationship with Doing a task such as cleaning a house together with someone when they need to get the job done quickly	Deep conversations Caring about another person's feelings or emotions Sharing personal secrets with each other Being honest with each other Expressing sympathy for another person when they face difficulties

## Appendix K: Questionnaire Time-line



## Appendix L: Participant Information Form

**Department of Strategy  
and Human Resource  
Management**  
Waikato Management  
School  
The University of Waikato  
Private Bag 3105  
Hamilton, 3240  
New Zealand

Joella Allott (PhD candidate)  
UoW Doctoral Scholar  
Phone: +86 10 5177 4791  
Email:  
jla14@students.waikato.ac.nz  
www.mngt.waikato.ac.nz



THE UNIVERSITY OF  
**WAIKATO**  
*Te Whare Wānanga o Waikato*

### Participant Information Sheet

#### Research Purpose and Title

This research is being undertaken in order to fulfil the requirements for a PhD thesis in Strategic Management at the University of Waikato. The topic the researcher has chosen to investigate is: *The Creation of Successful Business Partnerships in the People's Republic of China: The Significance of Guanxi Characteristics in the Relationship Building Process Between Cultural Entrepreneurs and Art Dealers*. Data for this research will be collected through in-depth interviews.

#### What is this research project about?

In order to fully understand the significance of *guanxi* characteristics in the creation of business partnerships, the elements of *guanxi* as they apply to small businesses today will be carefully examined. Then each element will be appraised to determine its importance in the creation of business partnerships during each stage of the relationship building process. From these findings, a model for practitioners will be developed with recommended partnership strategies.

#### What will you have to do and how long will it take?

The researcher will want you to participate in two in-depth interviews and will return throughout the analysis to clarify details with you. The first in-depth interview will take one and a half to two hours. The second in-depth interview will take no longer than one hour. After the second interview, the researcher will

return to clarify details with you and ask any new questions that might arise during the analysis. If you give your consent, the interview will be tape recorded. Your permission for the tape recording will be sought when meeting arrangements are being made and at the time the interviews take place.

### **What will happen to the information collected?**

The information from the interviews will be used primarily for the PhD thesis and may be used for articles or presentations related to the research. Your interview will be transcribed and you will be able to review the transcript in order to change details you feel were expressed inaccurately or to delete information you do not want to be included in the study. The researcher will also write notes on observations made in your art dealership and about your past business relationships with artists. Your identity will not be revealed in the research publication and pseudonyms will be used during the transcription process to maintain your privacy at all times. The researcher will also ensure that you cannot be identified through information relating to your personal and business activities such as the location of your gallery. All transcripts that relate directly to the thesis or associated articles will be retained indefinitely but only under absolute confidentiality. Tape recordings of the interviews will be wiped and notes that have not been used directly in the thesis will be destroyed.

### **Declaration to participants**

If you choose to participate in this study it is your right to:

- Withdraw from the research at any point before the interview is to be analyzed including after the transcripts have been reviewed.
- Avoid answering any questions you do not want to during the interview or in informal discussion.
- Ask any questions related to the study during your involvement.
- Be provided with a summary of the findings at the final stages of the research.

### **Who's responsible?**

If you have any questions or would like me to clarify some information, please feel free to contact me at any stage of the research on: +86 10 5177 4791 or by email at [jl14@students.waikato.ac.nz](mailto:jl14@students.waikato.ac.nz)

The contact details of my PhD supervisors at Waikato Management School are:

**Chief Supervisor:** Professor Michele Akoorie, Department of Strategy & Human Resource Management

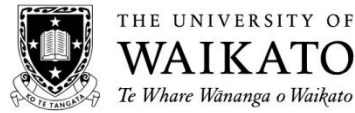
Phone: +64 7 838 466, ext: 8642. Email: [mema@mngt.waikato.ac.nz](mailto:mema@mngt.waikato.ac.nz)

**Second Supervisor:** Dr. Jenny Gibb, Department of Strategy & Human Resource Management

Phone: +64 7 838 4466, ext: 6057. Email: [jennyg@mngt.waikato.ac.nz](mailto:jennyg@mngt.waikato.ac.nz)

## Appendix M: Participant Consent Form

### *Consent Form for Participants*



### **Creating Successful Business Partnerships in the People's Republic of China: The Significance of *Guanxi* Characteristics in the Relationship Building Process Between Cultural Entrepreneurs and Art Dealers**

#### **Consent Form for Participants**

I have read the **Participant Information Sheet** for this study and have had the details of the study explained to me. My questions about the study have been answered to my satisfaction, and I understand that I may ask further questions at any time.

I also understand that I am free to withdraw from the study before, or to decline to answer any particular questions in the study. I understand I can withdraw any information I have provided up until the researcher has commenced analysis on my data. I agree to provide information to the researchers under the conditions of confidentiality set out on the **Participant Information Sheet**.

I agree to participate in this study under the conditions set out in the **Participant Information Sheet**.

Signed: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

#### **Contact Information**

**Researcher:** Joella Allott, 4F, Building 22, Zijing Dormitories, Tsinghua University, Beijing, 100084, People's Republic of China.

Phone: +86 10 5177 4791. Email: [jl14@students.waikato.ac.nz](mailto:jl14@students.waikato.ac.nz)

**Chief Supervisor:** Associate Professor Michele Akoorie, Department of Strategy & Human Resource Management

Phone: +64 7 838 466, ext: 8642. Email: [mema@mngt.waikato.ac.nz](mailto:mema@mngt.waikato.ac.nz)

**Second Supervisor:** Dr. Jenny Gibb, Department of Strategy & Human Resource Management

Phone: +64 7 838 4466, ext: 6057. Email: [jennyg@mngt.waikato.ac.nz](mailto:jennyg@mngt.waikato.ac.nz)

## Appendix N: Gallery Background Information

### 1) Personal Details

- a) What is your age? \_\_\_\_\_
- b) Where is your hometown? \_\_\_\_\_
- c) Have you lived in any cities outside of your hometown? If so, where?  
\_\_\_\_\_

d) Are you Han Chinese, from another minority or from a different country? \_\_\_\_\_

e) What is your educational background?

Middle School

High School

Technical College

University

f) Have you attended university? If so, where and what was your major?  
\_\_\_\_\_

What level of university study did you reach?

Undergraduate

Postgraduate Certificate

Masters

Doctorate

### 2) Work Experience and Gallery Information

a) What previous work experience have you had?  
\_\_\_\_\_

b) Is this the first time you have started your own business?  
\_\_\_\_\_

If it is not the first time, could you describe previous businesses you have worked in? \_\_\_\_\_

c) What date did this gallery open? \_\_\_\_\_

d) How many artists have you sold work on behalf of in the past?  
\_\_\_\_\_

e) Which artists do you currently exhibit and sell works of art on behalf of? \_\_\_\_\_

f) Do you presently sell work of any artists whom you have signed contracts with? If so, how many? \_\_\_\_\_

g) Selling Works of Art: Please fill in the chart below

	2006	2007	2008	2009	2010
Total Number of Works Sold					



h) Please indicate below your yearly sales turnover before expenses.  
 Please include all income from your gallery/dealership not just from artwork sales. For example, renting wall space, sponsorship etc.  
 Monetary values are in Chinese RMB.

	2006	2007	2008	2009	2010
Less than 499,999	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
500,000 – 999,999	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1,000,000 – 1,499,999	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1,500,000 – 1,999,999	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2,000,000 – 2,499,999	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2,500,000 – 2,999,999	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3,000,000 – 3,499,999	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3,500,000 – 3,999,999	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4,000,000 – 4,499,999	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4,500,000 – 4,999,999	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
More than 5,000,000	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Appendix O: Artist Background Information

### 1) Personal Details

- a) What is your age? \_\_\_\_\_
- b) Where is your hometown? \_\_\_\_\_
- c) Other than your hometown, what other cities have you lived in?  
\_\_\_\_\_
- d) Are you Han Chinese or from another Chinese minority group (or country)?  
\_\_\_\_\_
- e) What is your educational background?  
 Middle School   
 High School   
 Technical College   
 University
- f) Have you attended university? If so, where and what was your major?  
\_\_\_\_\_  
 What level of university study did you reach?  
 Undergraduate Certificate   
 Undergraduate   
 Postgraduate Certificate   
 Masters   
 Doctorate
- g) How long have you been an artist for? \_\_\_\_\_
- h) Have you had any other work experience? If so, what did you do?  
\_\_\_\_\_
- i) How many different galleries have you sold your paintings through?  
 Could you name them?  
\_\_\_\_\_  
 \_\_\_\_\_
- j) Have you used auctions before to sell your paintings? \_\_\_\_\_  
 If you have, how many different auction houses have you used? Are  
 you able to name them?  
\_\_\_\_\_

### 2) Selling Works of Art

- a) Please fill in the chart below (it is only necessary to write an approximate number)

	2006	2007	2008	2009	2010
Total Number of					

Works Sold					
------------	--	--	--	--	--

b) Check the box which shows how much you have earned through selling your artwork each year in Chinese RMB. Please don't include income from other sources.

	2006	2007	2008	2009	2010
Less than 49,999	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
50,000 – 99,999	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
100,000 – 149,999	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
150,000 – 199,999	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
250,000 – 249,999	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
300,000 – 349,999	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
350,000 – 399,999	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
400,000 – 449,999	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
450,000 – 499,999	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
More than 500,000	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Appendix P: Importance of Banqueting for Galleries

Below is a chart with the art dealers' responses on eating meals with artists. The term '1<sup>st</sup> Stage' refers to the initiation period. '2<sup>nd</sup> Stage' is the development stage and '3<sup>rd</sup> Stage' is when *gaunxi* was consolidated. 'Yes' is written if they ate meals with artists in that stage and 'no' is written if they did not. 'Gallery Pays' refers to the gallery shouting them meals. 'Artists Pays' is when galleries allowed the artists to pay for their meals. 'Important' refers to whether or not the galleries thought eating out with artists was important.

	1 <sup>st</sup> Stage	2 <sup>nd</sup> Stage	3 <sup>rd</sup> Stage	Gallery Pays	Artist Pays	Important	Gallery Style	Earnings	Gender
<b>Wang Qing</b>	Yes	Yes	Yes	Yes	Yes	Yes	Private International	High	Male
<b>Zhang Shuyi</b>	No	Yes	Yes	Yes	No	Yes	Family/ Co-op	Medium	Female
<b>Tang Juan</b>	No	Yes	Yes	Yes	Yes	No	Private International	High	Female
<b>Wu Min</b>	No	No	No	No	No	No	Private Chinese	Medium	Female
<b>Guo Wen</b>	Yes	Yes	Yes	Yes	Yes	Yes	Private Chinese	Low	Male
<b>Liu Yang</b>	Yes	Yes	No	Yes	Yes	No	Private Chinese	Medium	Male
<b>Liu Qi</b>	Yes	Yes	Yes	Yes	Yes	Yes	Family/ Co-op	High	Female
<b>Huang Lijuan</b>	Yes	Yes	Yes	Yes	Yes	No	Family/ Co-op	Low	Female
<b>Li Qiang</b>	Yes	Yes	Yes	Yes	Yes	Yes	Private Chinese	High	Male

<b>Jin Mei</b>	Yes	Yes	Yes	Yes	Yes	Yes	Private Chinese	Medium	Female
<b>Yu Wei</b>	No	Yes	Yes	Yes	Yes	Yes	Family/ Co-op	Low	Male
<b>Jiang Xinhua</b>	Yes	Yes	Yes	Yes	Yes	No	Private Chinese	Medium	Female
<b>Zheng Jun</b>	Yes	Yes	Yes	Yes	Yes	No	Family/ Co-op	Low	Male
<b>Hu Yao</b>	Yes	Yes	Yes	Yes	Yes	No	Private Chinese	Low	Female
<b>Zhang Chao</b>	No	No	No	No	No	No	Private Chinese	Low	Male
<b>Xia Jun</b>	No	Yes	Yes	Yes	Yes	Yes	Family/ Co-op	Low	Male
<b>Wang Bo</b>	No	No	No	No	No	No	Private Chinese	Medium	Male
<b>Qian Dongmei</b>	No	No	No	No	No	No	Private Chinese	Medium	Female
<b>Sun Xiangxiang</b>	Yes	Yes	Yes	Yes	Yes	Yes	Private Chinese	High	Female
<b>Ye Wen</b>	Yes	Yes	Yes	Yes	Yes	Yes	Private International	Medium	Female

### Appendix Q: Importance of Giving Gifts for Galleries

Below is a chart with the art dealers' responses about giving gifts to artists. The term '1<sup>st</sup> Stage' refers to the initiation period. '2<sup>nd</sup> Stage' is the development stage and '3<sup>rd</sup> Stage' is when *gaunxi* was consolidated. 'Yes' is written if they gave gifts to artists in that stage and 'no' is written if they did not. 'Gallery Gives' refers to the gallery giving them gifts. 'Artists Gives' is when galleries allowed the artists to give them gifts.

'Important' refers to whether or not the galleries thought giving or receiving gifts with artists was important. Some galleries did not give gifts but received them. In those instances 'no' is written for stage one, two and three but 'yes' is written in the space where artists give gifts.

	1 <sup>st</sup> Stage	2 <sup>nd</sup> Stage	3 <sup>rd</sup> Stage	Gallery Gives	Artist Gives	Important	Gallery Style	Earnings	Gender
<b>Wang Qing</b>	No	No	No	No	No	No	Private International	High	Male
<b>Zhang Shuyi</b>	Yes	Yes	Yes	Yes	Yes	Yes	Family/ Co-op	Medium	Female
<b>Tang Juan</b>	Yes	Yes	Yes	Yes	Yes	Yes	Private International	High	Female
<b>Wu Min</b>	No	Yes	Yes	Yes	Yes	No	Private Chinese	Medium	Female
<b>Guo Wen</b>	No	Yes	Yes	No	Yes	No	Private Chinese	Low	Male
<b>Liu Yang</b>	No	Yes	Yes	Yes	Yes	No	Private Chinese	Medium	Male
<b>Liu Qi</b>	Yes	Yes	Yes	Yes	Yes	Yes	Family/ Co-op	High	Female
<b>Huang Lijuan</b>	No	Yes	Yes	Yes	Yes	No	Family/ Co-op	Low	Female
<b>Li Qiang</b>	No	Yes	Yes	No	Yes	Yes	Private Chinese	High	Male

<b>Jin Mei</b>	No	No	No	No	Yes	No	Private Chinese	Medium	Female
<b>Yu Wei</b>	Yes	Yes	Yes	Yes	Yes	Yes	Family/ Co-op	Low	Male
<b>Jiang Xinhua</b>	No	Yes	Yes	Yes	Yes	No	Private Chinese	Medium	Female
<b>Zheng Jun</b>	Yes	Yes	Yes	Yes	Yes	Yes	Family/ Co-op	Low	Male
<b>Hu Yao</b>	No	No	No	No	Yes	No	Private Chinese	Low	Female
<b>Zhang Chao</b>	No	No	No	No	No	No	Private Chinese	Low	Male
<b>Xia Jun</b>	Yes	Yes	Yes	Yes	Yes	Yes	Family/ Co-op	Low	Male
<b>Wang Bo</b>	No	No	No	No	No	No	Private Chinese	Medium	Male
<b>Qian Dongmei</b>	No	No	No	No	Yes	No	Private Chinese	Medium	Female
<b>Sun Xiangxiang</b>	No	No	No	No	Yes	Yes	Private Chinese	High	Female
<b>Ye Wen</b>	No	Yes	Yes	Yes	Yes	No	Private International	Medium	Female

## Appendix R: The Importance of Giving and Receiving Help for Galleries

Below is a chart with the art dealers' responses on giving help to artists. The term '1<sup>st</sup> Stage' refers to the initiation period. '2<sup>nd</sup> Stage' is the development stage and '3<sup>rd</sup> Stage' is when *gaunxi* was consolidated. 'Yes' is written if they gave help to artists in that stage and 'no' is written if they did not. 'Important' refers to whether or not the galleries thought giving help to artists was important. The help referred to in this situation does not include buying, selling and promoting artwork. It refers to situations outside of these cases. This type of help includes housing, financial assistance, advice, career opportunities and in areas of daily life.

	1 <sup>st</sup> Stage	2 <sup>nd</sup> Stage	3 <sup>rd</sup> Stage	Important	Gallery Style	Earnings	Gender
<b>Wang Qing</b>	Yes	Yes	Yes	Yes	Private International	High	Male
<b>Zhang Shuyi</b>	Yes	Yes	Yes	Yes	Family/ Co-op	Medium	Female
<b>Tang Juan</b>	Yes	Yes	Yes	Yes	Private International	High	Female
<b>Wu Min</b>	No	Yes	Yes	Yes	Private Chinese	Medium	Female
<b>Guo Wen</b>	No	Yes	Yes	Yes	Private Chinese	Low	Male
<b>Liu Yang</b>	No	Yes	Yes	Yes	Private Chinese	Medium	Male
<b>Liu Qi</b>	Yes	Yes	Yes	Yes	Family/ Co-op	High	Female
<b>Huang Lijuan</b>	No	Yes	Yes	Yes	Family/ Co-op	Low	Female
<b>Li Qiang</b>	No	Yes	Yes	Unknown	Private Chinese	High	Male



<b>Jin Mei</b>	No	Yes	Yes	Yes	Private Chinese	Medium	Female
<b>Yu Wei</b>	Yes	Yes	Yes	Yes	Family/ Co-op	Low	Male
<b>Jiang Xinhua</b>	No	Yes	Yes	Yes	Private Chinese	Medium	Female
<b>Zheng Jun</b>	Yes	Yes	Yes	Yes	Family/ Co-op	Low	Male
<b>Hu Yao</b>	No	No	No	No	Private Chinese	Low	Female
<b>Zhang Chao</b>	No	No	No	No	Private Chinese	Low	Male
<b>Xia Jun</b>	Yes	Yes	Yes	Yes	Family/ Co-op	Low	Male
<b>Wang Bo</b>	No	No	No	No	Private Chinese	Medium	Male
<b>Qian Dongmei</b>	No	Yes	Yes	Yes	Private Chinese	Medium	Female
<b>Sun Xiangxiang</b>	Yes	Yes	Yes	Yes	Private Chinese	High	Female
<b>Ye Wen</b>	Yes	Yes	Yes	Yes	Private International	Medium	Female