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From Tradition to Modern: Attitudes and applications of guanxi in Chinese Entrepreneurship

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Abstract

Purpose - China's long history of insularity has created a culture and business environment considered to be uniquely based on Confucian values. Yet in the last couple of decades China has opened its doors to globalisation. These forces, in conjunction with what many see as Confucian Dynamism of Chinese entrepreneurship, have generated economic growth levels in excess of 11% per annum. This blending of the old and the new, raises questions about how practices may be changing. We examine one aspect of Chinese culture, guanxi. Guanxi, "special relationships" has long been employed to facilitate business in China. We ask if this is likely to continue in the rapidly changing environment.

Design/methodology/approach –We employed a survey of two groups; middle managers in Hong Kong and young middle class in mainland China. These groups represent the modern, Hong Kong as westernised; the old, but with new perspectives, the affluent middle classes of present day China. We asked open ended questions about perceptions of understanding and use of guanxi.

Findings – We found many contrasts between our respondent groups. The Hong Kong respondents didn't really understand guanxi, but still thought it important in China. The mainland group both understood and used guanxi, but similarly to the

Hong Kong group, did not like it or enjoy its use. Both groups saw a diminishing application of guanxi as China's regulatory and market environment improves.

Originality/value – We established that guanxi persists and may remain essential in China. However guanxi will work in conjunction with markets and regulations, rather than as a replacement.

Keywords - Chinese entrepreneurs; guanxi; culture and change; China.

Paper type Research paper

From Tradition to Modern: Attitudes and applications of guanxi in Chinese Entrepreneurship

Introduction

China is often viewed as a traditional society imbued with a unique culture and where this traditional and conservative way (Tan, 2002) of behaving and acting operates to shape every day activities (Wong and Tam, 2000). Yet China is undergoing remarkable changes in the social and economic spheres. Most spectacular of these is the rate of economic growth, exceeding 11% per annum in 2006. At least some of this spectacular growth is attributed to entrepreneurial activity. As Busenitz and Lau (2001) have argued, the emergence of new and small businesses is now widely recognized as having a significant impact on economic development, and that this has been particularly evident in the People's Republic of China (PRC) since the implementation of economic reforms in 1978. Yet it is still unclear what role cultural attitudes play in this entrepreneurial success and whether entrepreneurial attitudes remain conservative and tradition bound or, in the wake of globalisation, are converging with more universal or at least western approaches. Our focus is one aspect of traditional culture, guanxi, the use of special relationships. In a previous study about the use of guanxi amongst Chinese (PRC) entrepreneurs (Lee and Anderson, 2006) we had found that most entrepreneurs were very aware of the value of using guanxi. However a considerable number expressed dislike of the practice, suggesting that it was old fashioned and not in keeping with modern business practices. In this paper we explore, more broadly, contemporary Chinese attitudes towards the very traditional practice of guanxi, a network arrangement of personal connections (Tsui, 1998), involving reciprocal obligations to exchange favours (Davies, 1995), in furthering entrepreneurship. On the assumption that Hong Kong, although profoundly Chinese,

has been more open to international practices for a longer period of time, respondents might be expected to have a very modern Chinese attitude to *guanxi*. We collected data about *guanxi* from two groups, respectively based in Hong Kong and mainland China. This was intended to allow us to compare responses about *guanxi* attitudes and practice in both modern and more traditional Chinese business environments.

Entrepreneurship is not a new phenomenon in China, although the expansion in the number of new businesses in recent years is remarkable (Anderson et al, 2003). Before the major reforms, pre 1978, entrepreneurship existed in the PRC (the Chinese mainland- Peoples Republic of China), then a closed socialist regime, mainly in the form of the black market and largely as unproductive rent seeking taking advantage of the inefficiencies of the economy (Liao and Soham, 2001). Of course, in Greater China, Hong Kong, Taiwan; indeed in every country where the overseas Chinese had a significant presence, Chinese entrepreneurship flourished. In China itself, however the official incidence of entrepreneurship has been closely associated with political developments. The first tentative political reforms (1978-1983) saw the emergence of *getihu*, small scale entrepreneurship restricted to 7 employees. Many of these businesses were run by individuals excluded from the mainstream and included criminals and illegal immigrants. It was in the second period of reforms, 1984-1993 that entrepreneurship began to flourish. Although still restricted in ownership structure, private business was made easier. Many entrepreneurs took advantage of a nominal and symbolic collective ownership, by paying fees to an official supervisor agency to become a “red hat” company. That is to say these companies, although individualised and profit orientated, wore a “red hat” of collectivism. As Malik (1997, p175) points out, “many private entrepreneurs use the umbrella of collective enterprise, joint ventures and small collective business.” This had some fiscal benefits coupled with perceptions of legitimacy. During this period these entrepreneurial “collectives” (TVEs) grew rapidly in importance, by 1990 they contributed some 20% of Chinese gross output.

The changes, liberating entrepreneurship and private ownership, manifest in the current period are perhaps best characterised by Deng Xiaoping’s famous southern tour in 1992, where he effectively legitimised entrepreneurship by declaring “to get rich is glorious.” Schell (1994, p.342) compares Deng’s appearance in the south to “the shock value of the US president showing up in Las Vegas to proclaim its glittering strip of hotels and gambling casinos was the new American prototype of urban development”. From a position of no official privately owned small businesses in 1979, by 1999 there were more than 10 million SMEs registered in China

representing some 90 percent of all firms (Anderson et al, 2002). According to the Chinese Economic and Trade Committee, these firms provided 60 percent of GNP, 40 percent of profits and taxes and some 68 percent of exports. Significantly, these small firms made an increasingly important contribution to national income and employment at a time of relative decline of the contribution of larger firms, especially state owned enterprises. Moreover, these changes have to be set in the context of an extremely turbulent and uncertain political environment. Remarkable as these epoch changing entrepreneurial events are, Krug and Laszlo (2000), Fukuyama, (1995), and Redding (1990) all suggest that the successes can be explained by culture. They argue that in its extreme version, the cultural explanation proposes that it is the “Chineseness” of the Chinese which allows them to become so entrepreneurial.

Culture in China

However this notion of being “Chinese” and its implications are not straightforward. Culture is itself a problematic concept, indeed Raymond Williams claims it is one of the two or three most complex words in the English language. Understandably, its role in Chinese entrepreneurship has engendered significant debate. For example, Morris and Schindebutte (2005) argued that different cultural backgrounds impact upon entrepreneurs. For Asians, they note a cultural heritage involving Confucian dynamism, collectivism and group based rewards. Similarly, Young and Corzine (2004) draw attention to the traditional Confucian values, proposing that a Confucian philosophy remains relevant today. Cheng and Rosett (1991) claim that the business culture prevalent in China is based on family values or guanxi connections, underpinned by Confucian ethics, (Hutchings and Murray, 2002). Yu and Stough (2006) suggest that the soaring economic growth performance in East Asia during the late 20th century has aroused a great enthusiasm in Oriental culture, especially for Confucianism. The Confucian ethic of hard work, deference, and group-orientedness has been identified as a determinant of the dazzling economic success in East Asia, particularly among ethnic Chinese groups. Nonetheless, they point out that these cultural arguments are weakened when it is noted that they are ahistorical, and unable to account for the fact that a Confucian ideology has existed for thousands of years but did not spur much capitalist activity until the last few decades. Kirby and Ying (1995) also explored Chinese values and found that some; perseverance, diligence, resourcefulness, emotional stability, integrity and, intelligence and harmony has a positive effect on entrepreneurship. However, they point out that creativity, innovation and flexibility were lacking. Moreover, they also noted that a positive response to change, initiative, profit orientation, all qualities associated with

entrepreneurship, were in conflict with Chinese values. Nonetheless, Gannon (1994) saw the Chinese as conservative but with high levels of entrepreneurialism. Interesting, several authors have commented upon the cultural propensity of Chinese to be their own boss. Liao and Sohem (2001:27) cite the proverb, “it is better to be the head of the chicken than the pheonix’ tail”.

Culture, according to Hofstede (1980), is the aggregate of values, beliefs and customs that define the common characteristics of a group, in a similar fashion to the way that personality explains an individual’s identity. Max Weber (1951) studied the effect of cultural values and the rise of capitalism. He contrasted the western “Protestant Work Ethic” with the apparent absence of rationality in Chinese religions. More recently Redding has made a strong case for the positive effects of Confucian aspects such as diligence, frugality and the love of education. Dana (1999) also noted the cultural influence of Confucianism; for him, Confucianism values hard work, diligence and frugality. Hofstede and Bond (1988), in their exploration of cultural differences, also present an “Eastern” dimension, which they title, “Confucian Dynamism” (Anderson et al 2002). Holt (1997) proposes that this may indicate a selective integration of cultural values into organisational behaviour. This view of culture seems to assume that there is one homogenous culture which creates a clear set of personal attributes and institutions and shapes actions. This view has been criticised on a number of counts. First the idea of a single culture is extremely unlikely (Downing et al, 1999), especially for a country as large and diverse as China; secondly it is extremely difficult to demonstrate how this culture will create success (Rozman, 1993). Moreover, Chan (1998) cautions that the value orientation of any cultural dimension must be considered in conjunction with specific sets of historical circumstances. This problematic sets the scene for this study which considers the current and shifting role of one aspect of Chinese culture, guanxi.

Culture, in broad terms, can be understood as some sort of underpinning of the values embedded in a society. By providing meanings, identity and sometimes purpose, it sets the rules of what type of behaviour is accepted and appropriate. Although never hegemonic, and subject to interpretation, we might anticipate a shifting, an accommodation of new circumstances and perhaps even some global convergence. But traditions such as guanxi are deeply embedded, not least because they are an effective way of doing business, but also because they reflect the values held dear in any society. In China, culture and guanxi reflect the values attributed to face and to social and economic positioning. Thus we might expect considerable tensions between the old and the new.

It has been suggested that during the last twenty years in China, the only way to manage to succeed entrepreneurially is through unconventional paths, such as capitalising on relationships, even through bribery and corruption. (Tsang, 1998; Hsiao, 2003; Blackman, 2000). One element of this is *guanxi*, a uniquely Chinese cultural artifact. *Guanxi* is a network of personal relationships emerging from the fundamentals of Chinese culture, traditions and social organization. In China, over 500 years of existing as a closed society allowed these special personal networks, and the mores which govern them, to become a fixed element of culture and society (Wong and Tam, 2000). Historically many Chinese lived in encapsulated communities which were hierarchically organized and where resources were controlled and arbitrarily distributed by a few power figures. More recently, Tsang (1998) considers that these connections remained essential for gaining approval or access to just about anything in China. *Guanxi* can be described as the special relationship that individuals have with each other in which each can make unlimited demands on the other. (Pye, 1992). Buckley et al (2006) suggest that *guanxi* and its associated *mianzi* (face) are the most prominent cultural characteristics for business. This fundamental web of interpersonal relationships is an inseparable part of the Chinese business environment. As Lee and Dawes (2004) put it, without *guanxi* ties there are no obligations and indeed, no rights. Although *guanxi* has a long heritage in China, Fan (2002) notes that it was only in the 1980's that western academics began to consider the importance of *guanxi*. Nonetheless, Leung and Wong (2001) propose that the modern version of *guanxi* is not identical to the traditional Confusion form and should be best seen as a strategic tool to achieve business goals. It has been suggested that *guanxi*-based relationships constitute the most effective and efficient marketing tool (Luo, 1997). However, Chung (2005) argues that while the concept of *Guanxi* networks has the potential to explicate critical processes, the current usage of this concept has been oversimplified. Personal connections are treated as omnipotent forces in securing information, mobilizing resources, and overcoming institutional constraint, which successfully lead to so-called 'network-based entrepreneurship'. *Guanxi* is seen to be different from western ideas and conceptualisations of networking. Indeed, *guanxi* can also be construed as an art that includes ethics, tactics and etiquettes (Yang, 1994). Nonetheless, from a practical and instrumental perspective, *guanxi* can increase sales, help avoid fines or taxes and maintain a competitive advantage (Pearce and Robinson, 2000).

The Chinese phrase “*guan-xi*” consists of two characters; the character “*guan*” means a gate or a hurdle, and “*xi*” refers to a tie, a relationship, or a connection. *Guanxi*

literally means “pass the gate and get connected.” (Lee and Dawes, 2004). Since guanxi requires familiarity or intimacy, it is characterised by strong, rather than weak, ties. But guanxi is not merely the relationship, but also a tie through which the parties exchange valued materials or sentiments. Guanxi is also implicitly based on mutual interests and benefits (Yang 1994). Literally, guanxi means social connection and becomes synonymous with special favours and obligations within the guanxi circle. Sometimes seen, particularly by westerners, as corrupt because of the gifting aspects, these exchanges should not to be seen as equivalent to corruption (Leung and Wong, 2001). In guanxi gifting is not bribery in the western sense, but more about a demonstration of the value placed on the connection. Once guanxi is established between two individuals, each can ask a favour of the other with the expectation that the debt incurred will be repaid sometime in the future. Carlisle and Flynn (2005) suggest that this process operates as a modern Confucian construct, where harmony is achieved through guanxi in life and business. The positive relationships of guanxi can protect dignity or face and allow, affirm and honour the relationships of individuals involved in business (Redding and Ng, 1982). Negatively, issues such as nepotism and corruption (Yeung and Tung, 1996; Pearce and Robinson, 2000) for example, have also been linked closely to guanxi (Wright et al, 2002). At the very least, guanxi or relationship-based business practices can lead to a set of ethical priorities that differs considerably from the Western norm (Steidlmeier, 1997). Like all cultural practices, although guanxi is well established, is also likely to have come under considerable pressure to change in the new context of China’s “open doors”, and its much closer association with westernised business practices.

This issue of anticipated change in attitudes and the application of guanxi forms the basis of this paper. We imagine a possible tension between the old and the new; culture no matter how deeply embedded, is subject to pressures to change when the circumstances and contexts change. Since the 1980s, the Chinese business environment has changed rapidly, markets are increasingly mature and better structured, whilst legislation has improved property rights. Hence contemporary entrepreneurs, who want to be successful, may have to follow a more modern code of business behaviour and practices. Moreover, Chinese scholars, both economic and social, claim that traditional Chinese culture is diminishing (Boi, 1987). Indeed, it was reported (China Security Daily, Zhong Guo Jian Jun Bao, April 20, 2007), that more than 140 Chinese entrepreneurs each owns more than USD 12.5 million in assets. These entrepreneurs have accumulated this wealth through the public listing of their companies in Chinese stock markets. This suggests that in the context of rapid economic growth and gradual maturity of the financial markets in China,

entrepreneurs may be able to create fortunes through formal business channels rather than through guanxi. Thus we have a contrasting modern picture whereby mainland Chinese entrepreneurs may need to be more open minded, more pragmatic and willing to comply with western business practices and norms. To this end we studied attitudes to guanxi in two different locations, Hong Kong and the Chinese mainland. Although both are quintessentially Chinese, Hong Kong has been more “open” for longer and residents are thus more likely to have “modern” views of guanxi. Indeed, Lau et al (2004) have noted how Hong Kong entrepreneurs conducting business in China have commented on the different business practices. Thus our contrasting respondents’ attitudes should prove useful in comparing attitudes, given the geographic and cultural proximity. This paper offers a comparison between mainland and Hong Kong Chinese on their perspective on guanxi. The purpose of this research is to establish the current perceptions of guanxi and thus explore some of the themes that characterise the debates about guanxi as a field of study.

Methodology

Our earlier study about guanxi use (Lee and Anderson, 2006) had highlighted the continuing utility of guanxi amongst entrepreneurs doing business in mainland China. However, we also noted an emerging reluctance to employ guanxi, especially by Hong Kong Chinese and also by younger entrepreneurs. This seemed to indicate that “newer” entrepreneurs may have been responding to the modernisation pressures inherent in globalisation, or more pragmatically, to the effort and expense required to build and maintain good guanxi. Thus the purpose of this study was to try to establish what views were held by new generations to help us determine what role guanxi will play in the future of Chinese entrepreneurship. Since we were unable to find a sample frame of young entrepreneurs and we wanted a sufficiently large sample to justify some generalisation, we elected to survey relatively affluent younger people who were either well established in a business role; our Hong Kong respondents, or who we might expect to have been exposed to cultural mores, the case for our Mainland Chinese respondents. Given that our respondents were middle class and both affluent and well educated, we argue that they are very likely to hold influential positions in the future. So even if they do not become entrepreneurial themselves, they will play key roles with entrepreneurs. Thus their attitudes towards guanxi, may help to explain how entrepreneurs may need to respond in the future.

Survey questionnaires were personally distributed to selected mainland and Hong Kong Chinese respondents. Our sample consisted of 152 ethnic Chinese respondents;

44 and 108 in the mainland and Hong Kong respectively. The survey was conducted face to face to ensure clear understanding of the questions. The mainland Chinese sample consisted of students, aged 20 to 22, studying at the Logistics Department at China Beijing Normal University, Zhuhai campus. China Beijing Normal University-Zhuhai is a private university where fees are about US\$ 2,000 per year, thus most of the students come from China's middle or upper classes. Their parents are either entrepreneurs or senior executives in private enterprises, so we expect these students to have been exposed to business in the family environment but also as students to hold "modern" attitudes. For our Hong Kong sample, 76 and 32 questionnaires were distributed to post-graduate marketing students and MBA students respectively. The 76 marketing class students are part-time students studying for the UK Chartered Institution of Marketing (CIM) certificates. All were post-graduate and middle to senior management. The 32 MBA students studied at Hong Kong Baptist University on the part-time MBA program. All respondents were either middle or senior business executives, aged from 28 to 48 years old, and employed in the private sector or in government organisations. Our sample thus represents the modern face of China. In Hong Kong our respondents are engaged in international trade and part of a modern, thriving entrepreneurial economy. In China, our respondents represent the affluent up-and-coming generation, less experienced in the practicalities of business, but by dint of their position in society, well aware of the changing cultural mores.

The questionnaire was first developed in English and, after amendments for clarity and removal of ambiguity, the finalised questionnaire was translated into Chinese and distributed to the mainland Chinese respondents. For the Hong Kong sample, the English version of the questionnaire was employed. The questionnaire was 7 pages long and contained 14 close-ended questions and 17 open-ended ones. Whenever practical, questions were posed seeking responses on a Likert scale to gauge the extent of the measure. The quantitative data collected were entered and processed using a computer software package, whilst qualitative data, comments and observations in the open ended responses were categorized by themes. Descriptive statistics including percentage distributions and average ratings for specific items being measured were reported.

Findings and discussion

In broad terms, *guanxi* is still perceived as an important element in Chinese business, but we found some quite remarkable differences between our Hong Kong respondents' attitudes and knowledge about *guanxi*, compared to the Chinese

mainland respondents. Interestingly the Chinese mainlanders saw guanxi more in terms of social relationships, albeit instrumentally maintained; in contrast the Hong Kong group emphasised the mercenary aspects of gift giving. Although both groups expressed some distaste towards guanxi, the mainland group was much better informed about guanxi and saw its application as a necessary evil. Both groups saw its role diminishing over time as structures and legislation improve in mainland China and as the business environment becomes more exposed to western business practices.

Many of the Hong Kong group, who it may be recalled, are practicing executives, did not express the meaning of guanxi very clearly, and were much less well informed about the nuances, thus indicating a lack of complete understanding of the concept. In turn, indicating that it may not be very important in their business dealings. Some cited it as the Chinese way of doing business, “to reach effectiveness in relationships with Chinese”. Others saw it as “the same as a relationship with Chinese”; or “unofficial way to gain advantage”. Clearly they were drawing somewhat disparaging assumptions about the “old” traditional ways. In contrast, the mainland respondents were much more familiar with the concept and tended to be able to describe it more fully. Descriptions included, “exchange of benefits”; “a relationship to be built in order to achieve something among people”; “enhanced relationship”; “co-operation”. This we see a quite different focus on the relationship itself, rather than merely on the benefits. They seemed to be drawing attention to the human side of the relationships, the social side with its emphasis on interactions between people. This seems to reflect Confucian ethics, with its emphasis on harmony rather than individualism.

This contrast in the views is possibly related to the relevance and use of guanxi. Our Hong Kong respondents did not seem to get much help through guanxi. Remarkably, 88% (95 respondents) said that it was not helpful. Of the remainder, only 10% saw it as in some measure helpful. We found this surprising, since the literature indicates that western networks are a major benefit in business, at the very least, in terms of improved access to information. Thus we expected to see some acknowledgement of the effectiveness of the more socialised aspects of business. In the western literature about networks trust is seen to play an important role in bonding ties, but interpersonal trust plays a part in guanxi too (Davies, 1995). Given that we were asking specifically about guanxi, we may have detected a distrust of the guanxi system. It may be that given the negative view of guanxi, our respondents saw it differently from westernised notions of networking. Again we saw a sharp contrast with our mainland respondents, none of whom saw guanxi as unhelpful. However a range of views about the utility were evident –

| | | | |
|--------------|---|--------|------------------|
| Very Helpful | 1 | 4.54% | (2 respondents) |
| | 2 | 0% | |
| | 3 | 45.46% | (20 respondents) |
| | 4 | 36.36% | (16 respondents) |
| | 5 | 6.82% | (3 respondents) |
| | 6 | 6.82% | (3 respondents) |
| Not helpful | 7 | 0% | |

Table 1 Responses about utility of guanxi

When asked how it was helpful, the most common response was about “helps save time and costs”; many referred broadly to “good relationships, and renqing” and some told us, “must follow the social trend”.

Our next area of questions was about the maintenance of guanxi. Like western networking, guanxi is not static, but is recognised to require regular renewal. Our Hong Kong respondents saw this maintenance in a similar light, but somewhat more cynically, closer to western notions of networking, “communicate frequently”; “say nice words” or “please them as necessary”; “treat them well”. The mainland Chinese presented a very materialistic view, “buy them gifts”; “give money to them” or “provide reciprocal treatment”. This instrumental view was rather at odds with the views presented about the nature of the guanxi relationship. There we saw that the relationship was between people, but here we see the less pleasant side, that the relationships are dependent upon material exchanges. It is also a somewhat different picture from western networking, where although influence prestige and power play a role in social capital, (Anderson and Jack 2002), the maintenance exchange is more likely to be social or informational. This may be a reflection of the greater need to “buy” influence in the more erratic Chinese environment. Despite considerable advances in fiscal legislation, company law and property rights; local, even individual interpretations may be idiosyncratic.

We turned then to asking about whether guanxi is important, all our respondents agreed that it was important. As the diagrams below indicate, there were considerable variations in their estimation of how important.

We also asked respondents to compare the present situation with that when China first opened her markets in the early 1980’s, the vast majority, both Hong Kong and

Chinese saw its importance diminishing. Some 91% of our mainland Chinese saw it as less important now, whilst 94% of the Hong Kong respondents agreed with this view. Typical explanations for the changes included, “more interaction with western countries; formation of rules and regulations; more western investments which demand fair competition; more competition generally, where product quality matters more than guanxi”. So there is clear evidence that the perception of the use and importance of guanxi has diminished with the westernisation of markets and for a less personalised role in transactions.

Building on the relative importance of guanxi, we asked respondents whether guanxi applied if they had a good or unique product. This was to determine the relative importance of guanxi and conventional, transactional market relationships. There was little difference in perceptions, 82% (n36) of mainland Chinese and 95% (n102) thought guanxi had less application in these circumstances. Many noted that guanxi could provide supplementary assistance, but the core advantage was the product itself. This seems to indicate that although guanxi may open doors it does not guarantee you entry. Market power is determined by the laws of supply and demand rather than any privileged position.

Our questions turned to the application of guanxi and if they relied upon guanxi in their business dealings. Most, (97%) of Hong Kong respondents said they did not rely upon its use. In stark contrast, the role is almost reversed in the mainland, where 98% said they relied upon it to some extent.

| | | | |
|----------------|---|--------|------------------|
| Very Important | 1 | 6.82% | (3 respondents) |
| | 2 | 18.18% | (8 respondents) |
| | 3 | 36.36% | (16 respondents) |
| | 4 | 27.27% | (12 respondents) |
| | 5 | 11.36% | (5 respondents) |
| | 6 | 0% | |
| Not important | 7 | 0% | |

Table 2, responses from Mainland Chinese about reliance upon guanxi.

This results allow us to argue that culturally, guanxi is embedded, and remains embedded, in Chinese society. Even when it is not relied upon, it seems to remain pervasive.

Notwithstanding the Hong Kong view about relying on guanxi, more than a third still

thought it was essential for doing business in China. Exactly half of the Chinese shared this perception. Intriguingly, both groups thought guanxi was important for international dealings. We asked them if they saw any changes in the operation of guanxi since the 1980's, specifically in terms of cultivation and manipulation. Most of the Hong Kong group did not answer, but the 7 who did noted, "more money; higher levels of corruption; ask for bigger benefits". Given the low response to this specific question, it may be that those who responded had suffered from particularly bad experiences. 42 of the Chinese group thought that there were changes in the operation of guanxi; "in the past, guanxi was associated with corruption, now it is only a lubrication"; "more reasonable now, more focus on reciprocity, more human". So we may see a contrast from the old to the new, but this is either ignored or rejected in Hong Kong. Asking about whether the importance of guanxi will diminish as China becomes even more open, 96% of both groups agreed with this statement. Typical comments were, "impact of foreign culture; China will improve its regulation; more fair and equal competition, so quality will become more important". Both groups thought the current role played by guanxi was reducing. However the mainland group were less emphatic about this aspect. Clearly then things are changing, the modernist from Hong Kong, saw much less of a role for guanxi now and in the future. They did acknowledge its current importance, but clearly saw it as old fashioned, a relic of the past. Contrastingly, the mainland Chinese recognised its current importance, but saw this as much about Chinese culture as merely instrumental.

When we asked at what stage in the business was guanxi most important, most indicated at the start of a new business, although some noted "building", the development of the business. Finally we asked them if they enjoyed the "guanxi game". Most, 98% of the Hong Kong group and 91% of the Chinese, said not really. This may be the most significant finding of all in terms of culture. We see an emerging distaste for playing the guanxi game. The extent of this distaste may signal, quite powerfully, the cultural rejection of established practices and indicate a future diminishing of guanxi.

Conclusions and Implications:

Although our study was limited in scope, we believe that the purposeful sample was likely to be broadly representative of the views of future business leaders about changes in guanxi. Our deliberate contrasting of the old and the new, the modern and the more traditional, provides us with some insights and indicators of how guanxi is

perceived and how it is likely to be applied in the future.

We found that few respondents enjoyed guanxi but that most recognised its utility. It is clear that guanxi's role, past, present and future, is about opening doors, but that this function was seen as less important in more westernised Hong Kong. The Hong Kong group appeared to see guanxi as more important within China itself, thus suggesting that the more traditional culture lingers in the business environment. This seemed to be confirmed by the mainland responses, where many considered it currently essential. The study highlighted quite different perceptions about the nature of guanxi. Hong Kong respondents saw it as broadly corrupt and emphasised the financial costs. Contrastingly, the Chinese emphasised the social aspects, drawing attention to the interpersonal links. Interestingly they viewed the maintenance of guanxi in much more material terms.

This difference might be explained by the more cultural embeddedness of the Chinese group. The less familiar Hong Kong group might use it as an initiating technique, to begin to try to develop instrumental relationships. But if guanxi is more taken for granted and an acknowledged structural element of society, as the literature indicates is the case in China, personal ties, rather than transactional elements, may be the focus. Although the Chinese respondents noted the "lubricating" effects of guanxi, they remained ambivalent about its utility in the face of competition based on "quality". Our most significant finding was that all respondents saw a diminishing role for guanxi in the anticipation of increasing openness of Chinese markets and a better regulatory environment. Nonetheless, at least in the shorter term, guanxi will continue to play a significant role in Chinese enterprise.

We conclude that guanxi still plays an important role within business in China today. Culturally, our Chinese respondents referred indirectly to many of the Confucian qualities such as harmony and face and most saw guanxi as inextricably linked to Chinese culture. This seems to show that culture, Chinese culture still underpins the way that business is done. Instrumentally, guanxi remains convenient, perhaps even necessary. Good connections provide access and overcome obstacles, so that guanxi remains part of the social and economic environment. This is not the case for conducting business in Hong Kong. If China's environment becomes less of one country, two systems and converges with the west, as many of our respondents anticipate, we will see a reduction in guanxi use.

We also conclude that culture continues to play a significant role in Chinese business.

Even the respondents who denigrated guanxi, were very aware its implications. Cultures, as we noted earlier, may shift and change in altering circumstances, but the new is written upon the old. This palimpsest suggests that ignoring cultural mores, even when societies are converging, may not be the wisest entrepreneurial practice.

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