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A Model of Guanxi Development: Flexibility, Commitment and Capital Exchange

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ABSTRACT *The importance of business relationships is deeply rooted in Chinese society, characterised by Confucian codes of repeated favour-exchanges. Our study aims to explore how a quality business relationship is to be developed and maintained in a Chinese context and to explain the concept of expressive and instrumental ties of a guanxi model incorporating relationship-specific variables (face, favour-exchange and flexibility) and the quality of business relationship (cooperation, continuity and commitment) in the framework of capital exchange. Managerial implications in the form of the face mechanism and Yin-Yang perspective are discussed.*

KEY WORDS: Guanxi, flexibility, commitment, capital exchange, relationship marketing, China

Introduction

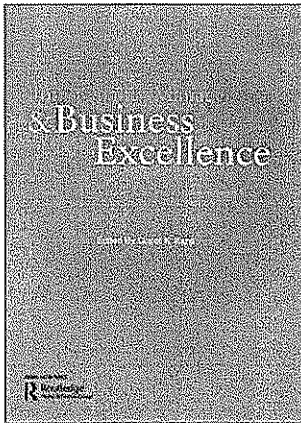
Establishing strong and quality relationships with various stakeholders is an influential element in doing business worldwide. Guanxi (literally means relationship) has a significant impact and powerful implications in almost all aspects of relationships, especially in China. Nevertheless, from the Western concept, this kind of relationship is mainly associated with 'social friendships' or 'family members' rather than with business partners. Some even associate it with negative connotations of unethical, illegal or corrupt behaviour, such as 'influence peddling', 'pork barrel politics', 'nepotism' or 'cronyism' (Khatri *et al.*, 2006: 2).

The focal unit of analysis for the Western concept of business relationship is the inter-organizational level while that for the Chinese is first developed from the interpersonal level. The Western managers define a limited time span for the relationship, albeit long-term relationships are bounded by contractual terms. But, Chinese business

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A Model of Guanxi Development: Flexibility, Commitment and Capital Exchange

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relationships can be lifelong obligations. These obligations require a full understanding of the role of *guanxi* in developing business relationships.

This study aims to explain and elaborate the deep-rooted concept of expressive and instrumental ties of a *guanxi* model, which, in turn, explores the dynamic dimensions of building quality business relationships in a Chinese context by incorporating relationship-specific variables (face, favour-exchange and flexibility) and the quality of business relationships (cooperation, continuity and commitment).

Roles of Guanxi in Business Relationships

As *guanxi* has implications for the continued exchange of favours, it is more than a pure interpersonal relationship. It is a reciprocal obligation to respond to requests for assistance. Normally, it refers to the individual level but it also exists at the organizational level. *Guanxi* can be deemed as a double-entry system, involving a continued exchange of favours and benefits between the two parties involved. What are the benefits?

Benefits of Guanxi

A well-established *guanxi* can provide abundant benefits for managers. The generated flexibility and favours that managers enjoy in business dealings can save much transaction costs in terms of searching cost, contracting cost, information cost and so on. It can be observed that most businesses in China are spending significantly on building *guanxi* with others, as a kind of investment in social capital, to protect them from the weak and unstructured legal system, which is believed to be not protective for personal capital. Efficiency can also be achieved when people use face as a determinant factor in making business decisions.

How can successful *guanxi* improve relationship quality? Our study posits a positive link between *guanxi* and relationship quality. There are two major benefits of strong *guanxi*. Firstly, the reciprocal exchange of favours will likely provide a partner with a high degree of satisfaction in the relationship. Secondly, the relationship-specific nature of exchange will provide a high barrier for other competitors in entering the relationship because of the mechanism of face-saving that precludes any opportunistic behaviour. This mutual close *guanxi* will lead to higher levels of satisfaction and mutual trust, which tend to reflect high levels of relationship quality.

The outcomes of established *guanxi* enhance perceptions of relationship quality. The enhanced relationship quality will tend to improve the future business efficiency (e.g. access to market) and relationship building effectiveness (e.g. less opportunistic switching behaviour of customers) (Sheth & Parvatiyar, 1995).

Developing close relationships is a necessary step to overcome the difficulties of entering the huge market of China (Luo, 1997; Xin & Pearce, 1996). *Guanxi* has often been considered as a necessary condition to start a new business in China (Xin & Pearce, 1996) as it implies preferential treatments to partners in the forms of easy access to controlled resources (particularly those controlled by government-owned enterprises), increased accessibility to limited information, preferential terms including the granting of credit and protection from other competitors, etc (Luo, 1997; Luo & Chen, 1997; Wong, 1997; Xin & Pearce, 1996).

Objectives and Organization

The objectives of this study are: (1) to explore how a quality business relationship can be developed and maintained in a Chinese context and (2) to explain the deep-rooted concept of expressive and instrumental ties of a guanxi framework. The organization of this article is as follows: first, a conceptual framework of expressive and instrumental ties will be elaborated; second, a dynamic model of guanxi building (Face mechanism and Yin-Yang explanation) will be discussed, finally, the future role of guanxi in business relationships in the PRC is explained.

Chinese Guanxi versus Western Relationships

The interpretation of relationships in Chinese and Western theories is very different. Why do Chinese and Western views differ? The best way to answer this question is to contrast the views so as to find out the 'root'. Westerners emphasize fragmented societal values while the Chinese approach focuses more on disciplined and cohesive values. Also, in the Western world, gift-giving (particularly gifts of significant economic value) may often be viewed as illegal but, in the PRC, gift giving has often been regarded as the major part of building guanxi. In addition, Western societal values operate more on a basis of legality while Chinese values rely more on morality (Wee, 1994). In short, the contrasts lie in a major difference in management philosophy: there is a preference in the West for 'Mind' management, while in China more emphasis is placed on the 'Heart'.

Societal Value behind B2B Relationships

The contrast between Western and Chinese views on management can be traced back to basic societal values and practices (such as Western emphasis on individual's rights and freedom versus the Chinese view of society over the individual). In the context of different societal values, the ways of running business generally focus more on short term profit (Western view) versus securing a bigger market share (Chinese view).

The variances in Chinese and Western perspectives can be found in different stages of relationship development. Initially, each party tests each other through initial interactions of transaction exchange. Then, both parties tend to bargain mainly based on their own interest, whilst in the involvement stage, the two parties are inclined to get involved further with each other by exchanging more favours and even face. In the integration stage, both parties are more concerned with committed and strong relationships leading to long-term associations with higher levels of mutual beneficial partnership performance.

The Western literature views strong commitment to a relationship as the creation of a barrier to entry for other firms (Ford, 1980) and the decreased likelihood of a firm to abandon the relationship (Morgan & Hunt, 1994) at the inter-organizational level. However, in the Chinese context, the presence of guanxi does not serve just to improve the firm's current advantage over competitors but to overcome barriers to entry both at the interpersonal and inter-organizational levels. Without guanxi, firms would find it hard to achieve their goals in China. The next section discusses the conceptual framework needed to be considered by firms, which would like to establish good guanxi with their Chinese partners.

Conceptual Framework

Mixed Tie: Expressive and Instrumental

Chinese people in different interpersonal relationships use various rules to obtain favours. Interpersonal relationships can be divided into three types: expressive tie, instrumental tie and mixed tie. The *expressive tie* is generally a relatively permanent and stable social relationship. This kind of tie occurs mostly among members of a primary group such as family, close friends, and other congenial groups.

The *instrumental tie* refers to personal relationships outside or inside the family. These relationships serve only as the means to attain other objectives, and are unstable and temporary. The *mixed tie* is a relationship involving both expressive and instrumental components. In this tie, an individual seeks to use *renqing* (favour) and *mianzi* (face) to influence other people. The mixed tie has a particularistic and personal essence. Each person responsible for resource allocation has to consider the rule of *renqing* (favour) whenever he is asked to distribute a resource in a beneficial way to any other individual sharing the same personal network. In short, once favour is established among two parties, *guanxi* is followed (Hwang, 1987). What are the major dimensions of expressive tie?

Dimensions of Expressive Tie

Face

Face is a social tool to gain esteem and respect from others, and to build and defend self-image. People want to save face when they expect others to perceive them some way. It is especially obvious in Chinese culture. To save face, outsiders who want to become insiders would try to build *guanxi* with people they think benefits can be generated from. They would also like to be insiders of people who possess high social status to gain face. It is believed that concessions, economic benefits and respect from the society will go to people who have face and network with power and authority. That is why face will induce people's desire to develop *guanxi*. Face refers to one's respect, status, and moral reputation and an image of self-delineation in terms of approved social attributes as the recognition by others of one's social standing and situational defined position—rather than a facet of personality. This situation may be influenced also by the actions of those inside the circle of *guanxi*. An exchange partner should not only save his face (related to his own credibility), but also extend face to the other, who has face (related to the latter's reputation, owing to the presence of a certain form of power). Both are of equal importance (Brunner & Wang, 1988).

Mianzi (face) or good reputation bounds people to be responsible, demonstrate integrity, give favours, appear generous, and give a good impression. This makes people in a business relationship become committed. To avoid losing face, everyone in the relationship would foster a sound relationship.

In traditional Chinese society, or even in today's Chinese business society in which businessmen deeply believe in commitment and integrity, it is face-losing if one questions others' commitment worthiness and integrity. It is also damaging to others' face if you do not have commitment in their credibility. In an environment like this, naturally, commitment is the currently observed Chinese business culture. *Mianzi* (face) and *renqing* (favour) are used as tools to bind people to return favours. Once the exchange of

favours is initiated, it is difficult to end this cycle because not reciprocating favours means losing face. In this way, the relationship can become enduring and long-lasting. Thus, it is proposed:

- P1 - 2: Face is positively related to the quality of flexibility and favour-exchange with an exchange partner.

From Face to Favour-exchange

Exchange partners within a guanxi network can enjoy higher flexibility and more convenience in business operations when there is favouritism between the partners. According to Wong & Chan (1999), favouritism is regarded as the flexibility within a transaction or contract, and is an important unseen variable. Yau *et al.* (2000) define favouritism where one party provides or reciprocates allowances to another and expects that similar favours or allowances will be given back by the partner at a later date in return. Indeed, reciprocating allowance becomes a measure of the importance of a particular partner in doing business.

On the contrary, those who do not follow the rule, i.e. returning a favour, are deemed to be not trustworthy and socially unacceptable, and make others lose face (Yau *et al.*, 2000). Therefore, the preservation of 'face' and the accumulation of favours owed (*renqing*) are the key drivers underlying the concept of guanxi (Lee & Ellis, 2000). Commitment is also secured by the potential damage to social position or face (*mianzi*).

'When one party receives a favour from the other, it is expected that the former will reciprocate at some time in future; otherwise the guanxi cannot be sustained. The reciprocation is morally binding and is related to the elements of commitment and credibility. Therefore, whenever a favour is obtained by means of guanxi, an entry should be made on the liability side, as well as on the asset side' (Tsang, 1998: 67). It is expected that guanxi is built on commitment. Reciprocating favour is secure in a guanxi relationship. Thus, it is proposed:

- P3: Favour-exchange is positively related to the quality of flexibility with an exchange partner.

Importance of Flexibility

Flexibility or convenience is usually granted to insiders of the guanxi network. Flexibility can be interpreted as favours and conveniences provided for members in the guanxi network. People gain face when they have the power and authority in, or are capable of providing favours and flexibility for others. It is also face-losing when rejecting others' requests for help in a culture in which social orientation is highly valued. So, providing flexibility has a positive correlation with face.

Favouritism, another interpretation of flexibility, will come to play when favours are given to someone in the relationship or the guanxi circle in which people are willing to make short-term sacrifice and hope for similar treatment from network members in the future. In this sense, guanxi is a kind of social capital that people are inclined to invest in.

For guanxi to be established, commitment among insiders is the antecedent. Commitment is the facilitator in reinforcing a relationship. In a culture of commitment like

China, giving favours to others, providing flexibility, not requiring to come up with black and white agreements, are a sign of commitment built among network members. It is the inborn integrity that the traditional Chinese believe in, which makes flexibility a commonplace in Chinese managerial practice. Based on the above explanation, we therefore propose:

- P 4-5: Flexibility is positively related to the continuity with an exchange partner and the quality of a relationship-specific cooperation.

Instrumental Tie

Relationship-specific Cooperation and Continuity

One of the important constructs in the framework is relationship-specific cooperation. For relationship quality to be created, exchange partners must have experienced commitment, mutual commitment, achieved satisfaction, and expanded their associations. It is a relationship characterized by complete adaptation and flexibility based on a mutual desire to sustain the relationship (Pelton *et al.*, 2002).

Another key construct in the framework is relationship continuity, which is defined as a long-term orientation perceived and expected by the exchange partners in a business relationship in which partners see value in putting efforts and resources on maintaining the relationship further. It implies commitment of parties in the relationship. Dwyer *et al.* (1987) define commitment as an implicit or explicit pledge of relational continuity between exchange partners and it indicates a willingness to make short-term sacrifices to realise longer-term benefits. An exchange partner believes that an ongoing relationship with another is important enough to warrant maximum efforts in maintaining it (Morgan & Hunt, 1994). The increased commitment between parties leads to greater relationship continuity, thus better business performance.

There is no urge to use up all the favours in the relationship in a short period of time. The way to maintain longer relationships is to store favours and to keep the other indebted (Yau *et al.*, 2000). At the end, the degree of asset-specific investment will be increased. People use *guanxi*, mixed tie relationship, personal connections and reciprocating favours to sustain and maintain a relationship.

Crosby *et al.* (1990) found that commitment and satisfaction are important aspects of relationship quality, and that high relationship quality leads to future purchase intentions. Relationship quality can be deemed as an antecedent of relationship continuity. Ganesan (1994) found that relationship quality (e.g. satisfaction with the relationship) and long-term orientation, i.e. relationship continuity, are positively related. We therefore propose:

- P6: Relationship-specific cooperation is positively correlated to the quality of business continuity with an exchange partner.

Commitment

Commitment is defined as 'a willingness to rely on an exchange partner in whom one has confidence' (Moorman *et al.*, 1993: 2). Dwyer *et al.* (1987) theorize that shared

values contribute to the development of commitment. Morgan & Hunt (1994: 27) define shared-values as 'the extent to which partners have beliefs in common about what behaviours, goals, and policies are important or unimportant, appropriate or inappropriate'. It is believed that commitment has to be built on frequent social interaction; closeness and friendship. This social bonding can assist partners to exchange more resources. Once partners interact, the more their shared values can be generated and they become more committed to the relationship (Morgan & Hunt, 1994).

Commitment exists 'when one party has confidence in an exchange partner's reliability and integrity' (Morgan & Hunt, 1994: 38). Confidence in commitment stems from a belief that the committed party is reliable and has high integrity, which is associated with qualities such as consistent, competent, honest, fair, responsible, helpful and benevolent. Therefore, commitment is important in relational exchange. Without commitment, further development in a relationship may not be possible. Commitment is a key construct influencing parties to commit themselves to their relationships. Because commitment entails vulnerability, parties will seek only commitment-worthy partners. Mistrust breeds less commitment and as such would serve to decrease commitment in the relationship and shift the transaction to one or more direct short-term exchanges (Morgan & Hunt, 1994). Without commitment, relationship continuity is not possible. Thus, we propose:

P7: Relationship-specific continuity is positively related to Commitment.

The above propositions in the conceptual framework are developed for this study to analyse the complex relationships. Undoubtedly, favour-exchange is an important factor leading to a long lasting, quality business relationship and can provide flexibility for network members. With favours, parties can create flexibility and convenience among one another. Flexibility tends to play an important role in creating commitment especially among Chinese people. Our proposed framework and propositions are shown in Figures 1 and 2.

In summary, in order to build a long lasting, quality network, guanxi has to be established as a condition. It is believed that guanxi is established when commitment has been developed. Such relationships can pose a positive impact on the overall business performance of a company. Table 1 summarizes the major dimensions of face and favour-exchange, flexibility, relation-specific cooperation, continuity and commitment.

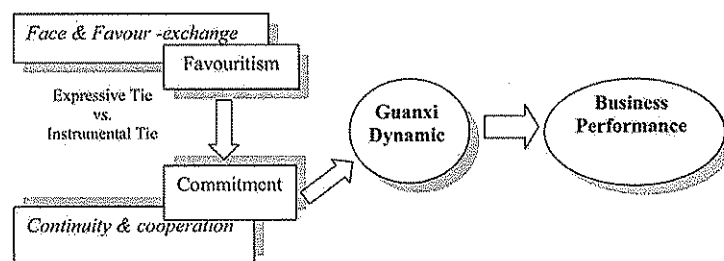


Figure 1. Conceptual framework of guanxi building

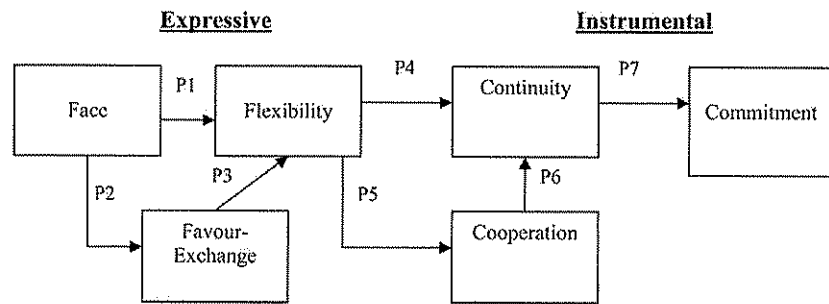


Figure 2. Propositions for guanxi building

A Dynamic Model of Guanxi

A comprehensive understanding of guanxi can help managers to manage their business relationships better, with the ultimate goal of achieving high performance in the industry. Foreign businessmen may find guanxi ridiculous in the sense that gift-giving can be exchanged for business deals. This is deemed as unethical and illegal when it is considered as corrupt behaviour. However, human relationships are not as simple as people see. The different societal values between the Western and Chinese pave the

Table 1. Major dimensions behind Chinese business relationship building

Dimension	Mind	Heart
Face and Favour-exchange Negotiation Behaviour	Based on concept of profit motive:	Based on concept of reputation & future interest:
Social Bonding <i>Favouritism</i>	Mutuality <i>Less favouritism, limited obligation and equal give- and-take</i>	Face saving <i>More favouritism, lifelong obligation and may be less equality at the starting stage</i>
Flexibility Role expectation <i>Role boundaries</i>	Explicit <i>Within the pre-determined role expectations</i>	Implicit <i>Beyond the existing role expectations</i>
Cooperation and Continuity Dependency of Cooperation	Based on the concept of conflict resolution and profit motive	Based on the concept of harmony, flexibility and may emphasize social objectives
Guiding principle in shared- value	Less emphasis on social closeness and friendship (based on legality and rule)	More emphasis on friendship (based on morality and social norms)
<i>Involvement in Continuity</i> Commitment	<i>Economic</i> Based on calculated risks	<i>Affective</i> Based on social sanction and personal network
<i>Type of commitment</i>	<i>Calculated commitment</i>	<i>Affective commitment</i>

road leading to different business practices and social behaviour. The following sections (face mechanism and yin-yang dynamic) explain how relationships are differently developed in the two places.

Face Mechanism

There is no doubt that 'face' is an important socio-psychological factor in Chinese relationship building. However, it is not that directly and positively correlated with establishing mutual commitment, and a committed relationship with high quality. Face is a tool that helps in deciding, judging and allocating resources. Chinese people are pragmatic and they save face by isolating themselves from bad names, to associate themselves with a good reputation, purposely to shape a good image for them, and protect their own face. Face may positively lead to commitment and relationship quality. With the existence of commitment among network members, face will be, in effect, when people want to position themselves as commitment worthy in the group.

Similar for relationship quality, the face mechanism would not operate if there is not a quality relationship in the first place, since it is believed that there is no face to lose regarding being helpful in a quality relationship. Face requires conditions for it to come in to play. These conditions are where good reputation and face can be gained.

Yin-Yang Interpretation

How can the Yin and Yang concept be employed in explaining Chinese relationships? Yin and Yang can be perceived as instrumental and expressive approaches, as mentioned earlier. Face, favour-exchange and flexibility are treated as an expressive tie approach. In contrast, cooperation, continuity and commitment can be regarded as an instrumental tie approach. Relationship-specific cooperation and commitment are integrated in continuity, whereas face and favour-exchange are built with flexibility. The issues are perceived to be composed of two polar opposites corresponding to the ancient Chinese symbols 'yin and yang', which are themselves self-sufficient and fuse to form a harmonious dynamism. The concept is illustrated in Figure 3.

Indeed, the yin-yang interpretation is more appropriate to understand the Chinese perspective. It can help managers to develop clearer perspectives about guanxi in China. The key point is 'harmony'—that is, all the factors are related to each other in harmony. Mostly, Chinese culture emphasizes the value of maintaining personal harmony and social order in hierarchically structured personal relationships. Flexibility and commitment are in two 'polar' sides, i.e. one is in the heart and another is in the mind. But the Chinese may tend to put emphasis on human feeling (Heart). If they face a conflict between mind and heart, they will tend to retain feeling and surrender reason (Huang, 1994). The importance of feeling has been the root of Confucian benevolence. The Chinese character for the word 'benevolence' represents 'two people'. This implies the harmonious relationship of two people with human feeling. Hence, even though each variable is significant in establishing guanxi, enhancing harmony with the other player is very important. One may question how this 'yin and yang' can be explained by understanding different types of capital in business relationships.

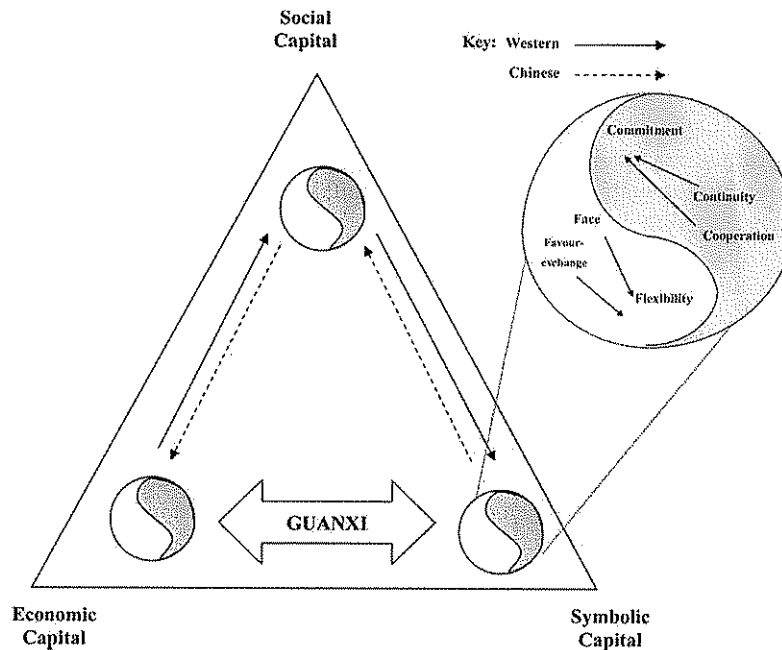


Figure 3. Relationship dynamic in guanxi continuum

Exchange of Capital

The exchange process in most business-to-business (B2B) relationship building involves various capitals. Bourdieu (1986) refers the three forms of capital as economic, social and symbolic. Economic capital implies money, commodities, means of material production, and other material assets. Whilst, social capital is 'the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition ... a "credential" which entitles them to credit, in the various senses of the word' (Bourdieu 1986: 249).

Symbolic capital refers to the 'prestige and renown attached to a family and a name in a form of credit as a sort of advance which the group alone can grant to those who give it the best material and symbolic guarantee. The exhibition of symbolic capital is one of the mechanisms which 'make capital go to capital' (Bourdieu, 1977: 179).

Having social and/or symbolic capital may probably lower transaction costs, allowing quicker access to resources and providing convenience under informal business channels. Even though the symbolic capital is legally unenforceable, it is a substantial resource as one's social status is influential within Chinese society and those who possess this status can build a web of commitments among the parties in the network.

Figure 3 shows the Western and Chinese processes of guanxi development, which involves three types of capital for developing guanxi. Generally speaking, the Western way to build up business networking starts from the bargaining power of accumulated economic capital, which then reinforces social capital in the form of a good business network. Eventually, the image or goodwill of a company or an individual businessman

is established in a form of symbolic capital. In China, the process is reversed. Because of the poor legal system of property rights and the patrimonial government style, most Chinese people prefer to build up symbolic capital in the form of favour instead of building economic capital (Moore, 1988).

Arising from the symbolic capital, they can easily use their social capital in the form of a guanxi network for getting more economic capital, as having social and/or symbolic capital may probably lower transaction costs, allowing quicker access to resources under informal business channels. The symbolic capital shall be a substantial resource if one's social status is influential within Chinese society.

Managerial Implications

This article offers three guidelines for practitioners to develop quality business relationships. First, our discussion has shown that guanxi has both expressive and instrumental ties. Guanxi development requires different mindsets in understanding its future role. Second, we will discuss the impact of WTO on guanxi. Third, we highlight the efficiency of guanxi in realising the joint cooperation between exchange partners.

Future Role of Guanxi

The internet and other electronic commerce provide highly efficient search mechanisms for finding competitive advantage in terms of suppliers. Will e-commerce replace guanxi? The answer is that guanxi can be regarded as the Chinese version of Western customer relationship management/marketing (CRM) and is a catalyst for getting things accomplished in China. It can also be viewed as an equally formidable advantage in any electronic CRM. A Chinese person still works on his own guanxi system and assumes the rest of the world works with the same principle. He does businesses or establishes relationships with foreigners because they can be 'windows' of benefits outside China. The expectation is that a foreigner, when doing business in China, would integrate into the rules and understand different expectations and returns. Failure to do so is deemed to be 'not enough of a friend'. Therefore, a foreigner needs to know the ways that a Chinese uses to ask favours in the level of delicacy and understands that he always feels more free to ask favours.

Impact of the World Trade Organization (WTO)

Face is important to a person's reputation, dignity and prestige. The Chinese are adept at adding to face-enhancing and esteem through compliments, and showing respect. Since China's membership of the WTO, Chinese markets are now in direct competition with the World's top business players. The Chinese would surely learn from ways associated with Western business, just as they expect the Westerner to learn ways of building guanxi.

However, as the Chinese economy opens up, international managers should pay attention to the essential differences in the concept of mutual interest, favouritism employed, social and relational norms, by understanding their partners' hidden needs. Through a favour exchange process it is possible to maintain close guanxi with strategic key customers (Wong, 1998a, b). Being an insider within your Chinese exchange

partner is crucial for success in doing business in China. This takes time and resources in investing social capital. However, once *guanxi* is well established, it is secure and life-long.

Efficiency of the Guanxi Network

Chinese people are concerned about *mianzi* (face), so they are likely to associate themselves with reputable names and people, when forming *guanxi* or networks. In China, the concept of *guanxi* is deeply rooted in people's mindset, and it is the approach by which people traditionally are used to do business. In order to secure a long-term business relationship with Chinese businessmen, a *guanxi* network is required for survival. If you have good *guanxi*, you have business performance. Business effectiveness and efficiency will be guaranteed.

Favour is about the practices of giving advantages to people on the basis of personal likes and dislikes. When one uses *guanxi* to obtain a favour, one is expected to repay this at a later stage. *Guanxi* and favour (*renqing*) are often used to obtain scarce goods and benefits, but only if relationships are developed with some norms of reciprocity. The reciprocity includes give-and-take between the parties; one party grants favours to the other in exchange for the same treatment. This exchange process involves various capitals. In the *guanxi* network, the Chinese prefer to apply moral and social sanctions, e.g. depriving one's social and/or symbolic capital, rather than to employ legal sanctions. In the modern Chinese legal system, it is common for the court to persuade any disputants to use mediation, even though the case has already been brought to the court.

In short, having social and/or symbolic capital may probably lower transaction costs, allowing quicker access to resources and providing convenience under informal business channels. Even though the symbolic capital is legally unenforceable, it is a substantial resource as one's social status is influential within Chinese society and those who possess this status can build a web of commitments among the parties in the network.

Conclusion

Although many models and empirical research of *guanxi* have been produced, few studies have been done in building an integrative model. This research is intended to fill the gap of understanding deep-rooted socio-psychological dimensions of *guanxi* by explaining the dyadic relationship process and how it can lead to quality *guanxi*. This study offers a unique perspective on a Yin-Yang dynamic, which is particularly useful when buyer and seller interact with each other with different conflicting perceptions, expectations and experience. These differences or conflicts may shift in relative power and competition, particularly when they are in an unstable relationship. The Mind approach (Continuity and Cooperation) versus the Heart approach (Face and Favour-exchange) integrates both social and behavioural perspectives by taking into account Chinese cultural background. The conceptual framework helps businessmen to restructure their portfolios of CRM strategies so they can enhance their CRM programs efficiently and effectively. The model also assists them to have a deeper understanding on the interplays among organizational and individual expectations by recognising the value of a long-lasting *guanxi*.

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