

GUANXI IN A SUB-NATIONAL CROSS-CULTURAL SETTING

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Abstract

This paper explores whether Chinese relationship building, Guanxi, is effective in cross-cultural sub-national relationships. Derived from research into Sino-Australian Sister City Type Relationships and using material gathered through interviews in China and Australia, a modified Institutional Guanxi conceptual model has been developed. Some propositions are developed to link the components of the Guanxi conceptual model. Different methodologies are explored to determine the most effective way to test the hypotheses in a cross-cultural environment, and future research is outlined.

Sino-Australian Sister City Type Relationships

The nature and increasing importance of Australia's economic and strategic relationships with the People's Republic of China have been well documented. Reflecting dramatic increases in bilateral trade between the two countries, Australia is now China's seventh largest trading partner. Australia has recently entered into a number of important trade and diplomatic agreements with the People's Republic of China. In contrast to the Cold War period, exchanges of higher level trade and political delegations between Australia and China now occur on a regular basis. In Australia, national media coverage and academic research have focussed on key developments in relations between Canberra and Beijing. However, during the last 20 years, an increasing number of potentially important sub-national relationships have developed between government and non-government organisations in Australia and China, within the general framework of strengthening ties between national governments. Since 1979, an important aspect of this relationship has been the development of 42 Sister City type formal agreements between Australian and Chinese state and local governments (Forth and Howell 2001). However, the objectives, origins, history, and effectiveness of these Sino-Australian Sister City Type Relationships (SCTRs) are not well understood. Although further research is required, the available evidence, including an analysis of economic development strategies, supports the view that Australian and Chinese sub-national government have entered into such agreements as part of their economic development strategies.

Guanxi and Relationship Marketing

There have been various attempts to define Guanxi in marketing terms, and in particular in terms of Relationship Marketing (Arias 1998; Buttery and Wong 1999; Lee *et al.* 2001; Li and Wright 2000; Wong 2000). Guanxi refers to special relationships based on mutual interests and benefits (Yang 1998) and is described as the basis for the networks that underpin the Chinese way of doing business (Buttery and Wong 1999). The traditional view of Guanxi is that it exists between two individuals (King 1991; Tsui and Farh 1997), which is closely aligned to one-to-one relationship marketing (Gronroos 1994). Recently, some authors have proposed that an institutional form of Guanxi exists that is not reliant on personal links (Arias

and Acebon 2001; Li and Wright 2000). This paper is based on institutional Guanxi. Institutional Guanxi differs from traditional Guanxi in that it may originate through personal Guanxi but it evolves to become a close relationship between organisations that continues even after the initiators of the relationship leave the organisations. It is asserted that any foreign marketers wishing to be successful in China need to understand how Guanxi forms (Buttery and Wong 1999; Wong 2000). It is also important to understand how Guanxi operates and how it can be evaluated as to whether it is successful.

Although Guanxi and favour have been linked (Wong 2000), it has also been argued (Leung and Wong 2001) that when it comes to business, although Guanxi is important in making the connections, decisions will be made in accordance with sound business practice. This argument is reinforced in the way that Chinese cities have multiple Sister Cities in many countries, and that trade is undertaken with whichever provides the most favourable terms.

Conceptual Development

A conceptual model of Guanxi has been developed that looks at the antecedents and evaluation of the Guanxi relationship (Lee *et al.* 2001). This model was based on the results of a survey conducted of Chinese and Hong Kong business prior to reunification. Because of the cultural closeness of Hong Kong and Mainland Chinese, the Lee, Pae and Wong model is inappropriate for use when examining Sino-Australian relationships. Figure 1 describes the conceptual model developed for this present paper through interviews in China and Australia of partners in Sister City relationships. The model provides a summary of the key variables addressed in the empirical research, and the major propositions are indicated as linkages between general responses to interview questions. This model has different antecedents and consequences to the model developed by Lee, Pae and Wong. The Lee, Pae, and Wong model has the antecedents of Decision Making Uncertainty, Opportunism, and Perceived Similarity, with the consequences of Guanxi being Relationship Quality and Interdependence.

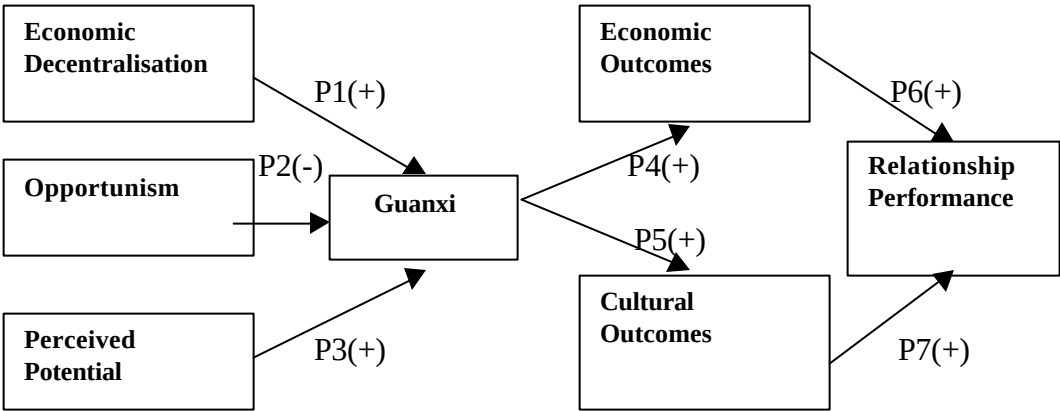


Figure 1: A Conceptual Model of Guanxi in the Sino-Australian Sister City Context

This model has strategic marketing implications for cities in existing relationships as well as for cities contemplating forming relationships. Anecdotal evidence suggests that many of the existing relationships have developed based on opportunism and unrealistic perceived potential. This has resulted in many existing partners expressing dissatisfaction with the lack of economic outcomes and hence, forming a poor assessment of relationship performance. This model provides a structure to enable existing partners to assess the antecedents of their

relationships to determine what appropriate measurable outcomes are possible, and to develop methods of evaluation. Some cities may well determine that they are in inappropriate relationships or have unrealistic expectations, while other cities will be able to use the relationship in a strategic manner for marketing their goods and services. Cities contemplating a relationship will benefit by working through the antecedents described in the model to evaluate which cities will make appropriate partners.

Antecedents

Economic Decentralisation

The growth of Sino-Australian SCTR was largely due to changes in Chinese National Government Policy. The decentralisation of economic decision-making has been an essential antecedent to the development of the Sino-Australian Sister Cities. The Third Plenum of the Eleventh Central Committee of the Chinese Communist Party in December 1978 began reform to decentralise economic management decision-making. In what has been referred to as the "Open Door Policy", the Central Government actively began to encourage direct foreign investment as a means of growing the economy (Goodman 1996). This new found economic determinism facilitated the desire of certain Chinese provincial governments to develop overseas links that would enable them to attract foreign investment, gain technology transfer, and develop export markets for their manufactured goods.

P1: Local Government's ability to facilitate business is positively related to developing Guanxi with the partner

Opportunism

From 1979, a steady flow of Chinese delegations has visited most regional cities in Australia, and in many instances, Sister City Type Relationships have developed as a result. Australian Local Government Authorities have tended to be reactive rather than proactive in entering into Sister City Relationships with China and many inappropriate matches have occurred.

P2: Local Government entering into a relationship in opportunistic circumstances without evaluation of compatibility will be negatively related to developing Guanxi with its partner.

Potential

It has been noted that China cannot be treated as a uniform market, as it is tending to fragment into a series of regional and sub-regional markets, each of which has different characteristics (Senate Foreign Affairs Defence and Trade References Committee 1996). Having a trade office in the heavily saturated markets of Beijing or Shanghai is no longer the best opportunity for creating trade. Increasingly, region-to-region or city-to-city marketing is becoming a more viable and attractive option.

P3: The greater the degree of equivalence in the perception of the potential of the relationship the more positive the perception of Guanxi.

Guanxi

In terms of Sino-Australian Sister City Relationships, the physical manifestations of Institutional Guanxi take a number of forms including facilitation of business relationships,

preferential treatment at trade shows, access to key decision makers, provision of physical resources for joint ventures, planning advice, political advice and legal advice. Preliminary interviews in China and Australia indicate that the development of Institutional Guanxi allows the Sister City Relationships to develop economic and cultural programs against which the relationships are ultimately measured.

Consequences

Economic Outcomes

Though still couched in the language of international diplomacy, both Chinese and Australian organisations involved in such agreements have clearly sought to use Sister Cities to achieve commercial as well cultural and educational outcomes. In many instances, written signed agreements which were developed as part of these SCTR's have not included anticipated commercial outcomes, although both parties have subsequently used these as a benchmark regarding the worth of the relationship. Due to obvious language difficulties and cross-cultural complexities in Sino-Australian SCTR's, what was said in formal discussion and contained in written agreements is frequently not what is meant. It is often difficult to attribute any economic activity directly to Sister City relationships, but there appears to be a correlation between establishing Sister City links with China and increasing trade. For example, Jiangsu Province estimates that trade with Rhine-Westphalia, its Sister Province in Germany, totals \$US 1.12 billion (Yang 1998).

- P4: Local Government's perception of the value of Guanxi is positively related to economic outcomes.

Cultural Outcomes

Within relationships in the case study, there have been substantial cultural exchanges between the Australian and Chinese partners. There are numerous examples of visits by artists, musicians, dance troupes, and school children. During the Sydney 2000 Olympic Torch relay, Gaoyou sent a dance troupe and school children to its Sister City Hamilton to participate in the relay. Jiangsu and Victoria have exchanged dance troupes and artists and some Victorian schools have set up campuses in Jiangsu to provide cultural and language immersion for their students. There have been gifts exchanged between the cities that reflect the culture of the donor city. The gifts have included Chinese lion statues, western park benches, terracotta warriors, and Australian style houses.

- P5: Local Government's perception of the value of Guanxi is positively related to demonstrable cultural outcomes.

Relationship Performance

Local government is acutely aware of negative perceptions that arise amongst its ratepayers and constituents in relation to spending money on entertaining delegations from its sister city or sending delegations to China. Some councils have suffered sustained and virulent attacks by newspapers over trips to Sister Cities that were perceived by the public as junkets (Lamperd and Coffey 1998a; Lamperd and Coffey 1998b). Councils in Australia are now being held accountable for travel and entertainment expenses that are related to Sister Cities and are trying to develop methods for demonstrating the value of the expenditure (Haran 2000; Lamperd and Coffey 1998a; Lamperd and Coffey 1998b).

- P6: Local Government's perception of Relationship performance is positively related to measurable economic outcomes.

Despite many examples of cultural exchanges, both Australian and Chinese interviewees expressed disappointment with the performances of the relationships.

- P7: Local Government's perception of positive cultural outcomes is related to relationship performance.

Future Research

A major difficulty with research into sub-national linkages through Sino-Australian Sister Cities is the sensitivity of the topic in both China and Australia. The initial research in China and Australia that was interview-based provided qualitative data to develop the Guanxi model. However, researching sensitive issues via interviews can lead to non-truthful answers owing to concern for social desirability, the maintenance of image, and cultural and legal constraints (Abhik *et al.* 2001; Bochner 1986). The non-truthful answers lead to difficulty in determining exactly what the parties expect to gain from the relationship, what is important in the relationship, and what is not important. The use of undisguised questions will possibly lead to untruthful answers, so any questionnaire used will need to consist of disguised questions that are structured, and able to evaluate the importance of the different attributes of SCTRs. Conjoint analysis is a useful method for examining Guanxi and Sister City Relationships in a cross-cultural setting as it provides an understanding of the partners' evaluation of predetermined attribute combinations such as those developed in the Guanxi model (Hair *et al.* 1995). In a marketing context, Sister Cities provide a service in facilitating trade and exchange between governments, businesses and individuals. The ability to measure subjectively individual partners' preferences of both tangible and intangible features of the relationship will overcome some of the difficulties of cross-cultural research of a sensitive topic.

A major difficulty in attempting to survey government organisations in Australia and China is getting the questionnaire to the appropriate person to complete it. Non-response error is becoming acute in mail surveys (Zikmund 2000). In an attempt to overcome non-response error, the questionnaire will be delivered via e-mail to appropriate respondents in Australia and China, as e-mail is immediate and more likely to reach the appropriate respondent. Electronic surveys are still relatively new phenomena that are not utilised as much as traditional print based surveys and there is some evidence that people are more candid and more likely to respond to electronic questionnaires (Zikmund 2000). To survey Chinese partners will require the permission and goodwill of the China International Friendship Cities Association (CIFCA), which is a central government authority that oversees and assists the development of Sister City relationships. One area of concern is the practice in some cities in China of officials sharing one e-mail address with hard copies being printed out by administrative staff and distributed to addressees, but the direction and support of CIFCA should help ensure that responses are completed and returned in electronic format. Once the responses to the questionnaire survey has been analysed, they will be useful in assisting Australian and Chinese cities gain the maximum economic, cultural and social potential from their Sister City Relationships. Future research will be undertaken to determine if Sino-Australian Sister Cities' Guanxi is unique, by comparison through further surveys of Chinese Sister City relationships with other Western countries as well as with Asian countries.

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