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The Guanxi-Compassion model helps to enhance successful guanxi in China

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Abstract

The personal connections and relationships or guanxi in Chinese is important as widely acknowledged among Western academics and business practitioners. As is well known, managing guanxi successfully is crucial for the smooth implementation of the business strategies and activities in the Chinese market. This research paper proposes a new theory of optimizing compassionate virtues in Buddhism to develop long-term sustainable guanxi in B2B (business-to-business) business context in Chinese business environment. In this research, the compassionate virtues (generosity, discipline, patience, diligence, humility and wisdom) will be tested against the types of guanxi (family, sympathy and commercial), guanxi characteristics (reciprocity, face, trust and emotional bonding) and Chinese business culture (intermediary, socializing and business contracts) to find out the interdependence between guanxi and compassion. The qualitative research methods of interviews and case studies and quantitative research analysis of interviews, case studies and customer surveys are used for the research. The article will also make an attempt to provide some guidelines on how to build guanxi strategies, and how to implement them in guanxi-driven B2B Chinese business context.

Keywords: guanxi strategy, guanxi, compassion, Chinese business culture, Intermediaries, Chinese government business

Topic Groups: business strategy, international business and marketing and consumer behavior

INTRODUCTION TO RESEARCH

The past few decades have seen increasing research on guanxi in the People's Republic of China. From these researches, guanxi has been recognized as an important aspect of the Chinese business culture and management practice.

Guanxi means a reciprocal human relationships with implications of a continuous exchange of favors and requires a delicate art of building and nurturing mutually beneficial relationships in China which is vital for any business success and spans a long period of time based on the four principles of trust, favor, dependence and adaptation (Buderi & Huang, 2006, 6-7; Yeung & Tung, 1996). In China, no business will work effectively without the presence of good guanxi with the customers. Having good products is not enough to make successful business in China. In addition, since guanxi building is different than networking in the West (Tung & Worm, 2001), it is difficult for the Western business managers to manage the complexities and subtleties of guanxi systems in China.

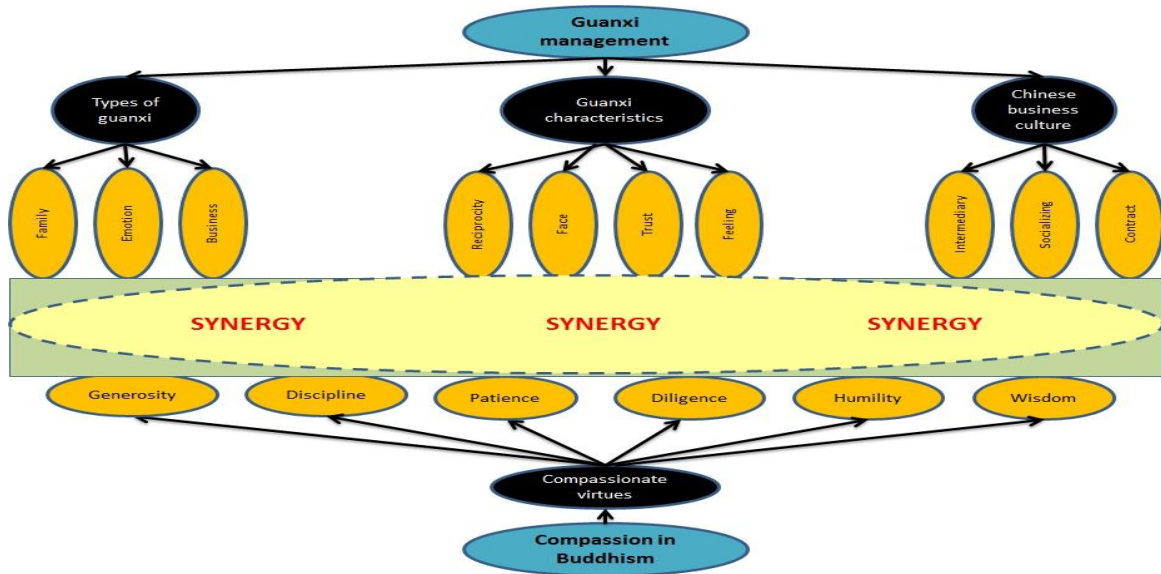
The practice of compassion is important in Buddhist teachings. The Buddhist compassion goes beyond the realization of the pain and sufferings of others and requires engagement in proactive actions to remove them (Tashi & Gration, 2013, 290).

I am doing the doctoral research thesis which is about to be completed on how Western companies can effectively manage guanxi in China utilizing Buddhist compassion.

RESEARCH QUESTIONS AND HYPOTHESES

After completing the research on literature review about guanxi in China and compassion in Buddhism (Tashi & Gration, 2013), I explored further the greater implications of Buddhist compassion on the management of guanxi in China.

Figure 1: Synergy between guanxi management and Buddhist compassion



The two research questions and two hypotheses were formulated:

Research question 1: Why and how Western businesses in the Chinese market should use compassion as a strategic tool for building and managing guanxi with customers in China to achieve long-term business success?

Research question 2: What do Chinese companies do better than Western companies in managing guanxi in context to B2B in China, and what are the lessons to be learnt and applied from the Chinese companies?

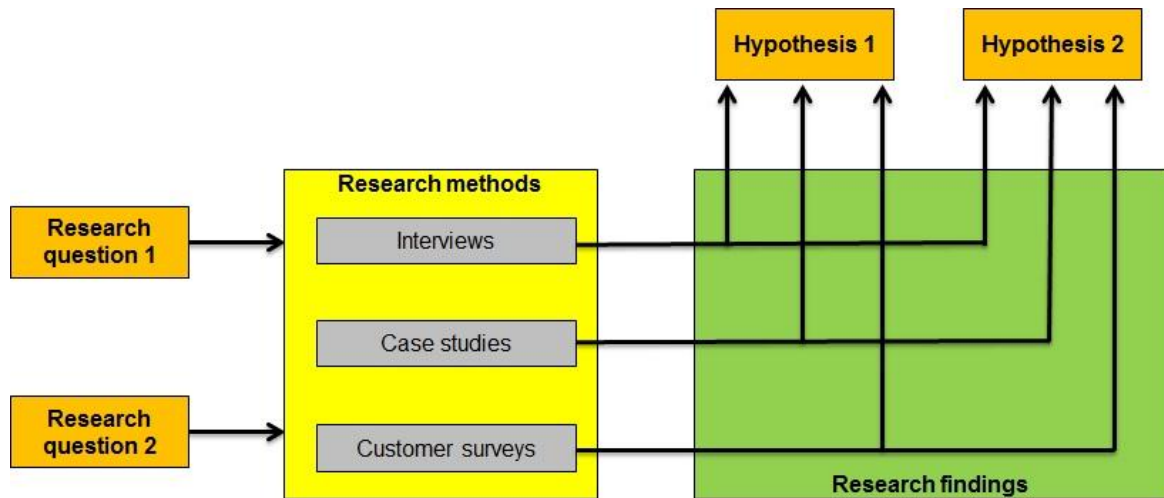
Hypothesis 1: The compassion of Buddhism will help to develop and sustain guanxi in B2B context in China.

Hypothesis 2: The compassion of Buddhism when applied to the management of guanxi in B2B context is relevant in each of the key economic zones of Beijing, Shanghai and Guangzhou-Shenzhen.

RESEARCH METHODOLOGY

The research uses the social constructivism paradigm based on grounded theory using qualitative and quantitative methods to derive meaningful interpretations inductively. In fact, the grounded theory is an inductive research method to study of the phenomenon that to be discovered, developed and verified through systematic data collection and analysis (Strauss and Corbin 1990, 23).

Figure 2: Research methods



The qualitative approach involves collecting a great deal of information in words about relatively small number of subjects. For the interviews, list of main questions were used in order to avoid missing any important topics. In this study, the semi-structured interviews and case studies followed by structured customer surveys were used for the purpose of data triangulation. The data triangulation research method involves the use of more than one approach in a single research to compensate possible weaknesses of one method to another (Veal 2005, 39-40; Denzin and Lincoln 2005, 5; Stake 2005, 454).

The interviews and surveys were conducted in Chinese Mandarin, the participants' native language. Even the case studies developed from the interviews were in Chinese so the participants could express themselves clearly, precisely and fully. The interviews and survey questions were translated to Chinese from English by a native Chinese with an English Major university degree and then back-translation was used to check and verify the accuracy of the translations. Except for the demographic questions, most of the interview questions were open-ended to extract deeper insights of the participants' thinking, experience and cultural values of Chinese business world.

Research samplings

Table 1: Sampling demographics

Research methods	Sampling	Regions
Interviews	20	Beijing, Shanghai, Guangzhou and Shenzhen
Case studies	20	All across China
Customers surveys	62	Beijing, Shanghai, Guangzhou, Shenzhen and others

The interviewees and customers surveys respondents had extensive hands-on business experiences in the Chinese market and ideally in the B2B businesses.

Interviews samplings

The 20 interviews conducted from April to July 2013 included 7 from Beijing (35%), 5 from Shanghai (25%), 7 from Guangzhou-Shenzhen (35%) and 1 from Switzerland (5%). The 15 interviewees were male and 5 were female with an average age of 40.

Case studies samplings

During the course of the 20 interviews, 20 specific interesting and meaningful business cases on guanxi and compassion emerged for special attention, clearer focus and greater elaboration. Chinese business culture and Buddhist compassion were developed by organizing further follow-up discussions with the interviewees.

Surveys samplings

The customers surveys were conducted in August and September 2013 included 40 from Beijing (65%), 3 from Shanghai (5%), 9 from Guangzhou-Shenzhen (15%) and 10 from other cities (16%). The 35 survey respondents were male and 27 were female with an average age of 40.

FINDINGS

- 1. “Guanxi is everything” is the quote from many of the feedbacks from the interviews, and it is not researcher’s phrase.**

Other typical interviews quotes include: “Guanxi is number one in China.... Keep guanxi as the main focus, even more than the products, unless you have monopoly....”; “Guanxi and renmai (social or interpersonal relationship) are very important in China. There is no way to do business without guanxi and renmai...In China, it is still very much driven by people, not guided by legal systems....”; “A Guanxi is the most important aspect for entering the Chinese market...Without proper guanxi in place, no strategy will work in China...Even if you have great product, without great customer guanxi, it’s not possible to become market leader.”

- 2. It takes about a year to build guanxi, depending on circumstances including whether you have a good intermediary or how skillful you are. But it would take a couple of years or more to build deep and lasting guanxi with customers.**

Other interviews quotes include: “If you have a middle person for introduction, the guanxi building will be shorter about 6 months. In absence of a middle person, it will take about 1 year.”; “Difficult to say. Half a year minimum. Visit frequently, just good products is not enough. Invite for dinners on weekly basis and then the customers will ask for more information for products. Longer period is better for guanxi.”; “In government, about 6 months from stranger to more trust. Deeper guanxi will require about 1.5 years to 2 years.”

- 3. Chinese people are more subtle and flexible than Westerners in their relationships and communicating, drawing more interpretations from gesture, facial expression and other “body language” than they draw directly from the actual words used.**

Many Western people—from their more “black and white” culture—tend to behave in a direct and simpler way, and consequently fail to comprehend indirect meanings. Western managers can learn more interpretative approaches from Chinese companies.

For example, an apparently favorable response following a product demonstration does not necessarily mean satisfaction. More significant would be if many questions were asked: this would signify interest. If the questions were numerous, and deep, and the answers were followed by further questions, this would indicate satisfaction. It would not be difficult to develop skills training to help Western managers. The interviewees confirmed that communication is hidden and open to interpretation and that Westerners are too direct while Chinese are more indirect and need to interpret the meanings from the communication.

- 4. There is no single standard guanxi strategy.**

For Chinese, every business case requires a new guanxi strategy which is customized and personalized for a particular customer. First, it is crucial to acquire in-depth understanding of the customer preferences, habits, hobbies, family members, interests, personality and business dealings. Then come up with a customized and effective guanxi strategy for the customer. Finally, during implementation phase, always be flexible to adapt the approach in order to align with the current situations.

For instant one case study built effective guanxi strategy around Ming Dynasty because the dealer was highly interested in this dynasty too. The strategy included discussions about Ming Dynasty, exchange of gifts related to Ming period, and exchange of opinions about different periods of Ming and always related to anecdotal historic events of Ming period during business discussions.

- 5. The top management should invest time and efforts in building guanxi with their senior managers in the company in order to make them feel respected, give them face, build trust and ganqing (emotional bonding). The stronger the ganqing bonding, the stronger will be the guanxi bonding.**

In the absence of ganqing (emotional) bonding for a prolonged period, senior managers leave company and become formidable competitors. In China, senior managers are more closely bonded towards top management personally than with the company. The personal ganqing is crucial for future successful guanxi between management and senior managers of a company. In a case study, a new CEO of a successful Chinese company failed to invest time and efforts to develop guanxi with the senior managers, as result, most of them left and became strong competitors.

- 6. All the interviewees (100%) confirmed that the guanxi-compassion model is relevant in each of the key economic zone of Beijing, Shanghai, Guangzhou-Shenzhen.**

However, there are variations in the different approaches used in these different economic zones. The interviewees indicated that the degree of influence of guanxi is higher in Beijing compared with the other economic zones. For example, it is much more difficult to participate in a government tender in Beijing or Northern China—compared to Shanghai or Guangzhou-Shenzhen—if you do not have a good guanxi with the government officials. Also the interviewee 9 shared that the people in Beijing emphasize more on renqing (emotional bond) in guanxi compared with other economic zones.

- 7. The interviews, case studies and customer surveys results confirm Figure 1 in that compassionate virtues do help to build the three different types of guanxi (family, sympathy and commercial), the four guanxi characteristics (reciprocity, face,**

trust and emotional bonding) and the three features of Chinese business culture (intermediary, socializing after work and business contract).

a. Interviews

Table 2: Summary of 20 interviews samplings

1	Compassion can help to build qingqing (family) guanxi	17 participants (90%) agreed
2	Compassion can help to build renqing (sympathy) guanxi	19 participants (95%) agreed
3	Compassion can help to build jiaoyi (commercial) guanxi	11 participants (55%) agreed
4	Compassion can help to build reciprocity in guanxi	16 participants (80%) agreed
5	Compassion can help to build mianzi (face) in guanxi	16 participants (80%) agreed
6	Compassion can help to build xing (trust) in guanxi	19 participants (95%) agreed
7	Compassion can help to build ganqing (emotional) in guanxi	19 participants (95%) agreed
8	Make use of intermediaries to establish guanxi	20 participants (100%) agreed
9	Compassion can help to build guanxi through intermediaries	16 participants (80%) agreed
10	Socializing after work can help to establish guanxi	20 participants (100%) agreed
11	Compassion can help to build guanxi through socializing after work	18 participants (90%) agreed
12	Business contracts are important for business in China	17 participants (85%) agreed
13	Compassion can help to make successful business contracts	16 participants (80%) agreed

b. Customer surveys

Table 3: Summary of 62 customers surveys samplings

		Disagree	Neutral	Agree	Total
1	Compassion can help to build guanxi	8%	29%	63%	100%
2	Compassion can help to build qingqing (family) guanxi	6%	11%	83%	100%
3	Compassion can help to build renqing (sympathy) guanxi	4%	11%	85%	100%
4	Compassion can help to build jiaoyi (commercial) guanxi	6%	12%	82%	100%
5	Compassion can help to build reciprocity in guanxi	6%	15%	79%	100%
6	Compassion can help to build mianzi (face) in guanxi	9%	21%	70%	100%

7	Compassion can help to build xing (trust) in guanxi	5%	15%	80%	100%
8	Compassion can help to build ganqing (emotional) in guanxi	6%	13%	81%	100%
9	Compassion can help to build guanxi through intermediaries	8%	16%	76%	100%
10	Compassion can help to build guanxi through socializing after work	7%	13%	80%	100%
11	Compassion can help to make successful business contracts	9%	14%	77%	100%

Therefore, the two research questions and the two hypotheses are fully answered and proven through this research as highlighted in the Findings section above.

DISCUSSION

Limitations

- a. The research is limited to mainly B2B context where the distributor or dealer are selling directly to the Chinese government agencies: 75% of interviews and 100% of surveys.
- b. The sampling size of this research covered predominantly the wireless communications security market in China: 70% of interviews and 100% of surveys.
- c. It is not necessarily representative of all the Chinese companies in all other industries.
- d. The interviews and customer surveys were primarily limited to the key economic zones (Beijing, Shanghai, Shenzhen-Guangzhou).

Further research

There is a need for further research in the future. Herein some of the recommended areas of research on guanxi-compassion topic.

- a. Research B2C companies in China.
- b. Research in different industries including Financial industry in China.

OTHER IMPORTANT CONCLUSIONS AND IMPLICATIONS

There are a few other important conclusions and further guidelines.

- a. The key benefit of guanxi with government officials is to get faster business access and market penetration in government business. These officials prefer to work with known friends to minimize risks. It is also important to understand the complex guanxi dynamics within the government departments.
- b. Chinese in general prefer to work with the people in their guanxi network (renmai) in order to minimize the risk from the unknown.
- c. All the 20 interviewees (100%) confirmed that guanxi will be relevant in China for the coming 20 years, and more because it is not possible to change the thousands of years of culture in such a short span of time.
- d. All the 20 interviewees (100%) acknowledged that guanxi is important for entering the Chinese market and for long-term business success in China.
- e. When selecting the right dealer with good guanxi network, it is important to investigate the strength of their guanxi network and look out for possible tongshi (colleague) or pengyou (friend) guanxi. Good products alone are not enough to be successful. Guanxi is very important in China.

Since guanxi will continue to be a dominating factor when conducting business dealings in China, the first and the foremost direct implication to the Western companies, planning to enter the fastest growing Chinese market, is to have a guanxi strategy in place.

Based on the findings from the different research methods, the Western companies can select the right guanxi strategies in context of B2B business to government agencies depending upon their stages of business operations in China.

Table 4: Guidelines for guanxi strategies vs stages of business in China

Business stages in China	First entry of Western companies in China market	Initial years of expansion in China market	Experienced long-term presence of Western companies in China market
Basic trainings on guanxi systems in China	++	++	++
Selection of business partners			
Partners with good guanxi	+++	+++	+++
Use of intermediaries	+++	++	+
Guanxi strategies			
Qingqing (family) guanxi			+
Renqing (sympathy) guanxi	+	++	+++
Jiaoyi (commercial) guanxi	+++	++	+
Reciprocity	+	++	+++
Saving mianzi (face)	++	++	+++
Building xing (trust)	++	++	+++
Building ganqing (emotional)	+	++	+++
Use of intermediaries	+++	++	+
Socializing after work	+++	+++	++
Interpretation of body language	+	++	+++
Guanxi vs ethics	+	++	+++
Guanxi network	+	++	+++
Personalized and customized solutions	+++	+++	+++
Frequent customer visits	+++	+++	+++
Out of office meetings	+	++	+++
Flexible business approaches	+++	+++	+++
Guanxi-Compassion model			
Generosity	+++	+++	+++
Discipline	+	++	++
Patience	+	++	++
Diligence	+	++	++
Humility	+++	+++	+++
Wisdom	+++	+++	+++

+: Necessary

++: Very important

+++ : Essential

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