

**School of Management
Curtin Business School**

**The Dynamics of Guanxi in the Business Context Under China's
Economic Transition**

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DECLARATION

To the best of my knowledge and belief this thesis contains no material previously published by any other person except where due acknowledgement has been made. This thesis contains no material which has been accepted for the award of any other degree or diploma in any university.

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ABSTRACT

Numerous popular business publications and academic literature have highlighted that the Chinese cultural phenomenon of guanxi has made noticeable impacts on the economic efficiency in China's economic transition. Despite the pervasive belief of the significance of guanxi for facilitating Chinese business transaction, few empirical efforts have been dedicated to comprehensively investigate the dynamics of guanxi in the mainland Chinese business context. Specifically, there is a dearth of empirical evidence to support the anecdotal claims that the guanxi construct and the business strategy orientations are strategically collaborated with the vertical and the horizontal guanxi network, and these operations are influenced by the attributes of organizations and individuals. Consequently, the purpose of this research was to investigate the interactions between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi network, as well as the moderating effects that the organizational properties and individual attributes have on the posited interactions.

A cross cultural study was conducted in six large coastal and inland cities of Guangzhou, Foshan, Xiamen, Kunming, Hefei and Dalian of mainland China. These six research cities are located in the five large provinces of Guangdong, Fujian, Yunnan, Anhui and Liaoning, which are geographically dispersed from southeastern, southwestern, northeastern to southern China. The six research cities, which were purposely selected across the 'early' to 'late' open economic regions, are the major centers of the five provinces that have embarked on a modernization policy and market liberalization of the Chinese economy while maintaining traditional values.

This study was undertaken with 1033 Chinese business executives who were positioned at the top five senior managerial levels of 480 Chinese organizations across four major industrial fields in the six study cities. The four major industrial fields that were selected in this study were 1) Trading, 2) Building/Construction, 3) Manufacturing, and 4) Service. Although there has been extensive attention on the relevance of guanxi in a relationship based society of China (Gold et al. 2002), few empirical studies that have been conducted in the industrial sectors and across several regional locations that are enmeshed in the revitalization of the Chinese economy. Hence, it is claimed that this study is the first project of its kind that was implemented to empirically investigate the dynamics of guanxi amongst four industrial fields across six cities of mainland China.

The study respondents were senior business executives who have overall successful business and managerial careers in directing and developing businesses in mainland China. Many of them have traveled to Western countries frequently, and they possess extensive experience and proven records in global business dealings. More than half of the business executives had at least five years experience in their current industrial fields while nearly half had no less than five years experience in senior managerial levels. One third of the study organizations had existed for five to 10 years, while more than 30 percent of the study organizations had a longer history of more than ten years. And almost one third of the study organizations employed 100 to 500 people, while nearly 20 percent of the organizations have cadres of more than 500 employees. All of the study business executives completed a complex questionnaire for examining a model of the dynamics of guanxi in the business context. The questionnaire was comprised a total of 83 items. Demographic information was

sought from the first 12 items of the questionnaire, and a further 72 items that were comprised in three interval instruments that were used to capture the perceptual data of the study.

The three interval instruments that were employed in this study included the guanxi construct, the business strategy orientation, and the guanxi network. The instrument of the guanxi construct was developed by two of the guanxi leading scholars (Wong & Leung 2001), and the scale of the guanxi network was developed by several well known guanxi researchers (Davies, Leung, Luk & Wong 1995). These instruments were deliberately chosen because they have shown acceptable psychometric properties (i.e. validity and reliability) in similar assessments, and thus, they were considered appropriated to be adapted and modified for the present study. The modification of these two instruments were undertaken after a systematically study of numerous leading publications pertaining Chinese culture and Chinese Values (e.g., Hofstede 1988; Redding 1990; Luo 2000; Seng & Lim 2004; Xin & Pearce 1996), and thorough consultations with several Chinese Professors of Economics as well as some prominent business people in mainland China. The instrument, which was employed to assess the business strategy orientation in this study, was developed by the researcher. This approach was carried out after a careful study of reputable academic journals and relevant literature (e.g., Aaker 1992; Barnett & Wilsted 1988; Digman 1986; Miles & Snow 1978; Porter 1980; 1985; Pearce & Robinson 1991; Rajagopalan 1997). The development of the instrument involved two separate empirical studies engaging 314 indigenous Chinese managers, who were exclusive of the 1033 study business executives of the main study, in a number of industrial domains in seven large cities of mainland China. In general, the inaugural established

instrument of the business strategy orientation and the two adapted scales of guanxi construct and guanxi network were found to have acceptable internal consistencies.

A comprehensive pluralist methodology was applied to evaluate the hypotheses of this study. Relevant literature pertaining to the examined variables was reviewed. In light of the literature review, a number of hypotheses and a conceptual model were developed. A quantitative methodology was employed to assess the postulations and qualitative methodology was sought to provide explanations and clarifications of the results. This pluralist methodology is gaining currency in contemporary cross country research. A number of commentators (De Ruyter Moorman & Lemmink 2001; Pearson & Entekin 1998; Zotteri & Verganti 2001) have contended that a richer and more trustworthy result is likely to be gained by simultaneously pursuing both a quantitative and a qualitative methodology. In total of 1313 questionnaires, which were administrated for completion over six weeks, a total of 1071 questionnaires were returned. However, 38 questionnaires were discarded due to incomplete information provided. The remaining 1033 useful questionnaires generated an overall response rate of 78.67 percent for the six research cities. Comparatively, the response rate of this survey is considerably higher than most of the earlier studies in guanxi research area. More importantly, the high response rate avoids the non response bias in results.

Several statistical analyses were employed to evaluate the data. For instance, exploratory factor analysis and reliability analysis were used to assess the psychometric properties of the instruments. The results of psychometric assessments indicated that the scales had good validities and reliabilities, which had potential for robust results. In addition, correlation analysis was applied to evaluate the

hypothesized bivariate correlations of the conceptual model. Path analysis was then utilized to test the hypotheses, which were postulated in Chapter Two. The results of path analysis demonstrated that certain facets of the guanxi construct had strong influence on the application of both of the vertical and the horizontal network, whereas particular business strategic approaches had intense interactions with the vertical and the horizontal guanxi network. Moreover, regression analysis was applied to further examine the hypothesized relationships of the conceptual model. The results of the regress analysis illustrated a substantial convergence with the results of path analysis. Furthermore, hierarchical multiple regression analysis was undertaken to determine the moderating effects that the organizational properties and personal attributes have on the hypothesized interactions between the guanxi construct and the business strategy orientation and the vertical and the horizontal guanxi network. The results of these analyses indicated that the attributes of organization and individual played significant moderating roles on a number of the tested correlations. Lastly, the analyses of T-test and ANOVA were employed to evaluate the extent of difference in the demographic elements and structure properties. The results of these tests depicted that there was a considerable degree of consensus for all the tested variables of the study model across the demographic elements and structure properties.

A salient feature of this study is the application of qualitative analysis to enhance the understanding of quantitative results. The researcher visited each of the six researched cities again to conduct focus group meetings, which were mainly held in the languages of Mandarin and Cantonese. Most of the meetings were approximately 90 to 120 minutes in duration. Focus group meetings that were conducted in the cities of Kunming, Foshan, Xiamen, Hefei and Dalian were videotaped and subsequently

replicated into DVD plates, whilst feedback sections that were carried out in Guangzhou were completed recorded by written notes. A total of 90 business executives participated in 20 focus group meetings, which were recorded in Chinese and accredited English translations were subsequently arranged. The Chinese meeting record contains almost 160,000 words in 240 pages, and the English translation had 248 pages with approximately 100,000 words. General details of the focus group meetings are reported in Chapter Four.

The subjects that were discussed in the qualitative feedback sessions mainly encompassed six aspects. First, respondents' comprehension of the instruments and the suitability of the scales employed in this study were discussed. Second, the results of factor and reliability analyses, particularly relating to some certain emerged patterns and the dimensionalities of instruments were elucidated. Third, extensive comments about the empirical findings in relation to the correlations that were predicted in the studied model and the unexpected relationships were sought, and clarifications to the phenomena caused were also documented. Fourth, the outputs of the analyses of T-test, ANOVA, path analysis, and regression for descriptive statistic and correlation were discussed. Finally, opinions on the discovery of the moderating effects that the moderating variables had on the tested relationships were attained and elucidation to the results were clarified. In general, the qualitative analytical results have broadly enriched the comprehension to the quantitative findings. With extensive reference to the contribution of the 90 business executives in the qualitative analytical sections, a lengthy discussion of the results of the study is elucidated. Following the discussion of results, an outline of the key findings of this research is presented in Chapter Five.

A number of theoretical and practical contributions have constructed in this study. The first theoretical contribution of this study is an advancement of the currently available knowledge relating to the operations amongst the guanxi construct with the vertical and the horizontal guanxi network, as well as the interactions between the business strategy orientation with the vertical and the horizontal guanxi network in the business context. A second theoretical contribution of the study is to evaluate Western based theoretical notions in a non Western context. Next, evaluation of the study model has the potential to make further theoretical contribution in terms of enhancing the understanding of Multi National Companies (MNCs) and overseas investors on the imperativeness of the cultural phenomenon of guanxi. The first practical contribution is the investigation of the moderating effects that the attributes of organizations and individuals have on the relationships between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi network has significant potential to make contribution to international management in an Asian context. Moreover, the inaugural developed seven point Likert scale instrument for assessing the business strategy orientation in the Chinese business organization is likely to facilitate practical contribution to the development of an universal scale. A further practical contribution is to provide a greater comprehensive insight of the dynamics of guanxi in the business context, which would be beneficial to overseas investors and MNCs when they explore their possible Chinese business ventures. Implications of the findings for business practitioners and the theory developments are comprehensively documented in Chapter Six.

This research has merged two salient concluding observations. Firstly, it highlighted the importance of the application of a pluralist methodology in implementing cross

cultural studies. The findings of this study suggested that the qualitative investigation technique is essential to capture information that was not attainable through the quantitative assessments and that the qualitative dimension complements the quantitative results. In addition, an extended remark in relation to sampling method was offered for further research in mainland China. Preferably, the guanxi ideology is more practical than the Western traditional 'mail out' system when conducting a comprehensive survey in China. Especially, guanxi plays a significant role in attaining genuine and liberated comments for qualitative analysis. Secondly, the results of this study suggested that the global environment has reshaped the quality and mindset of Chinese people and this has resulted in the substantial consensus in conceptualizing the theories of the present study. The salient observations and suggestions for future research are discussed in Chapter Six.

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Katherine Su Nie

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CHAPTER ONE

INTRODUCTION

Guan original meant a door, and its extended meaning is 'to close up'. The word is used as part of a geographic name to mean a pass through mountains, for example- and from that to organizations such as the Customs. Xi means to tie up and extends into relationships, such as kinship (Shi Xi). It implies formalization and hierarchy.

Ambler (1995, p.1)

THE RESEARCH ENIGMA

Despite the widespread recognised significance of guanxi for facilitating business engagements in Asian contexts, few empirical efforts have been dedicated to comprehensively examine the phenomenon of guanxi in the mainland Chinese context. Indeed, much of the guanxi research has been devoted in relatively narrow perspectives and has been dependent upon either of the few reported qualitative investigations or normative analyses. A notable feature of most of the research has

been the limited empirical investigation of the dynamics of guanxi in the Chinese business context. Nevertheless, the paradox is that Chinese business practices, which include paternalism, nepotism, cronyism and particularly guanxi, have been identified as important strategies in ethnic business communities (e.g., Chatterjee 2001; Hwang 1987; Luo 2000; Redding 1994; Su & Littlefield 2001; Seng & Lim 2004; Wong & Leung 2001). Moreover, the ramifications of the 1997 South East Asian financial crisis are consistently compelling regional businesses to refocus their entrepreneurial paradigms as the global imperatives increasingly underpin managerial action frames. Thus, the lack of a comprehensive examination of these unique cultural dimensions of Chinese Diaspora, that has historically given distinct business advantages, is somewhat surprising.

Yet, understanding the cultural phenomenon of guanxi and the relationship based system in today's Chinese marketplace has become the biggest obstacle for most of the overseas investors when they explore their business ventures in China (Einborn 2000; Vanhonacker 2004; Wolff 2000). Indeed, the unique Chinese cultural dimensions that rest on the ambiguity in the 'rules of the game' and the relationship based system of a much earlier period, that underpinned the trade and cultural barriers, is one of the major challenges confronting foreign investors in exploring business ventures in China (Cohen 2001; Conrad 2003; *The king of guanxi* 2004). Hence, further pressure to understand the dynamics of guanxi, particularly in the business context under China's economic transition, has, therefore, compelled argument for field empirical work to be invested in the guanxi research domain.

A feature of management related guanxi research has been the considerable interest in the construct of guanxi. Much of the endeavour has been invested to identify what

constitutes the phenomenon of guanxi in the cultural context. The salient findings from the previous research effort were two fold. First, the cultural constituents of the guanxi construct have been theoretically determined. Second, the interaction of the guanxi construct and the guanxi network was identified. An observation of the previous studies is that the guanxi construct was the precursor of the guanxi network, and the manipulation of the business strategic functions of the guanxi network is fundamentally in the command of the constituents of the guanxi construct (Buttery & Wong 1999; Hutchings & Murray 2003; Hwang 1987; Luo 2000; Seng & Lim 2004; Wong 1998a, 1998c; Wong & Leung 2001). Indeed, the relationship of the guanxi construct and the guanxi network is decisive to the dynamics of guanxi in the business context. Nevertheless, most of the previous researchers have not attempted to empirically investigate the interaction of the guanxi construct and the guanxi network, and thus, the lack of empirical examinations to this relationship, has, consequently, lead to the first research question of the present study.

Over the last two decades there has been an increased awareness that the business strategy orientation is collaborated with the guanxi network in the Chinese business context (e.g., Dayal – Gulati & Lee 2004; Luo 2000; Luo & Chen 1996; Park & Luo 2001; Roehrig 1994). One salient outcome of these studies is that the guanxi network has culturally become part of the business strategy for successful business in the transactional economic environment of China. Particularly, the ultimate realization of the guanxi potential from the guanxi network depends upon the application of the organizational business strategic approach, such that the interaction between the business strategy orientation and the guanxi network is influential to the dynamics of guanxi in the business context (Luo 2000; Park & Luo 2001). Nonetheless, with

limited examination the collaborations between certain business strategic moves and the guanxi network (e.g., Luo 2000; Park & Luo 2001), empirical effort that dedicates investigation to the interaction between the business strategy orientation and the guanxi network remains scarce. Consequently, further empirical efforts to comprehensively investigate the collaboration between the business strategy orientation and the guanxi network that have a predominant effect to the dynamics of guanxi in the business context, is, therefore, warranted. Accordingly, the second research question of this study is on the subject of the collaboration between the business strategy orientation and the guanxi network.

A growing body of studies have dedicated endeavour in the investigation of the guanxi network in the business context (e.g., Davies, Leung, Luk & Wong 1995; Leung, Wong & Wong 1996; Luo & Chen 1996; Luo 2000; Wong 1998a, 1998b, 1998c; Wong & Leung 2001; Yeung & Tung 1996). A noticeable discovery from these efforts is that the guanxi network has been identified as an effective tool to gain business success; particularly, the four business strategic roles of the guanxi network have been theoretically determined (Davies et al. 1995). Further empirical effort on the categorization of the guanxi network and its strategic functions into the vertical and the horizontal domains was, subsequently, dedicated by two leading researchers in the guanxi related research field (Luo & Chen 1996). Indeed, the combined assessment that was traditionally made on both of the vertical and the horizontal guanxi network may no longer be considered appropriate in the ever changing business environment within China's economic transition. Nevertheless, such a valuable finding has received little attention in the current literature, and the lack of research effort on this aspect has subsequently drawn the attention of the present

study to fill in this research gap. In this study, the guanxi network is to be empirically assessed from the respective vertical and the horizontal guanxi domains.

Recent efforts in management related guanxi research has demonstrated that the dynamics of guanxi in the business context is affected by the attributes of organizations and job incumbents (e.g., Gold, Guthrie & Wank 2002; Nee & Cao 2005; Luo 2000; Park & Luo 2001). These studies have conveyed findings that the application and operation of guanxi network varies according to the attributes of organizations (i.e. ownership structure, regional location, industrial affiliation, administrative hierarchy, size, history, resources) and job incumbents (i.e. educational level, age, tenure, industrial experience, managerial experience). Additional findings (e.g., Chan, Cheng & Szeto 2002; Hutchings & Murray 2003; Yueng & Tung 1996) have supplemented that the attributes of organizations and individuals are intensively related to the command of the guanxi process, which subsequently affects the dynamics of guanxi. Although these studies have revealed that the attributes of organizations and job incumbents have an impact on the dynamics of guanxi, unfortunately, most of the previous researchers have not attempted to theoretically evaluate the guanxi network from the respective vertical and the horizontal domains. In addition, an observed attribute of the previous studies has been limited empirical inspection to the moderating effects that the attributes of organizations and individuals have on the relationships between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi network. Yet, an empirical effort to investigate this research enigma is imperative for a comprehensive insight of the dynamics of guanxi in the business context. The lack of empirical endeavour in this unexplored research field has, consequently, stimulated the present

study to explore this research enigma. In summary, this study has three research questions:

- 1) *Are the dynamics of the guanxi construct with the vertical and the horizontal guanxi relationships both explorative and experiential as Chinese organizations attempt to enhance their ability to compete globally?*
- 2) *In what way the dynamics of the vertical and the horizontal guanxi relationships are linked to the business strategy orientation in Chinese companies as is allows these institutions to accomplish business success in the dynamic business world?*
- 3) *How are the relationships between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi networks moderated by the organizational properties and personal attributes?*

Having uncovered the research enigmas and prudently examined the guanxi and business management related academic literature of the last three decades; a simplified conceptual model was purposely developed for the present study. The simplified conceptual model, which was particularly designed to inspect the dynamics of guanxi in the business context, is presented with the delineation of focus of this study in the next section.

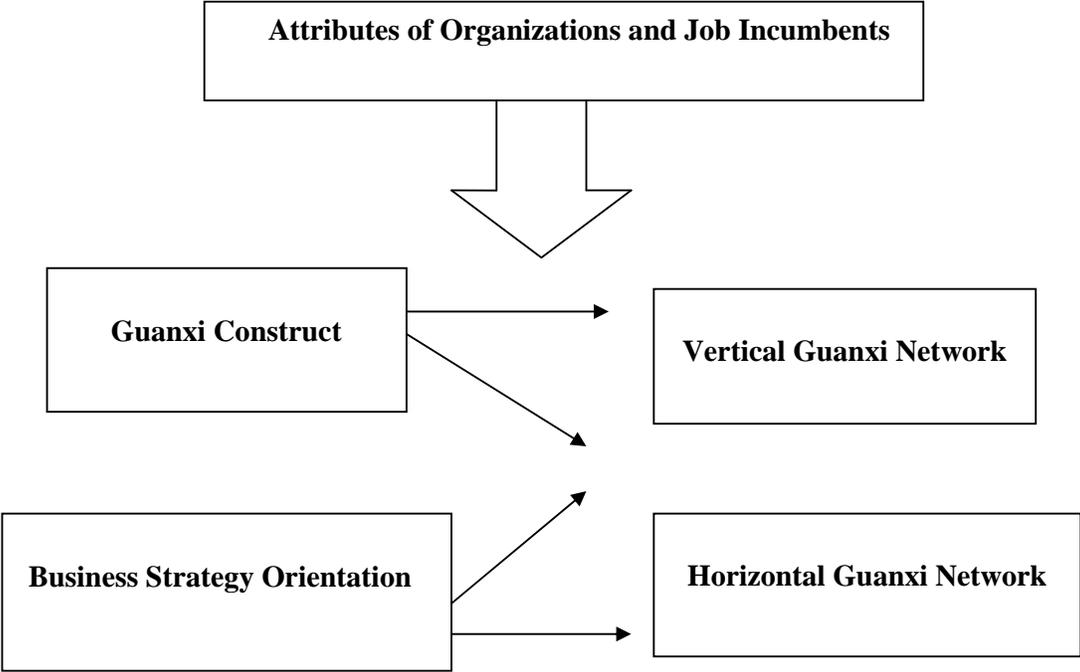
FOCUS OF THE STUDY

In the Chinese business culture, there is a great emphasis on the guanxi network as a

mechanism for developing business opportunities (Li 2001; Baker 2000). Indeed, in the relationship based society of China (Gold et al. 2002), the guanxi network has been recognized as a business strategy to navigate the institutionally uncertain environment (Dayal-Gulati & Lee 2004), and utilized as a cultural strategy in mobilizing resources for goal attainment (Roehrig 1994). On the one hand, the concept of guanxi is perceived as an essential element of Chinese culture and an indispensable cultural phenomenon that has been deeply rooted in the Chinese psyche. On the other hand, it is contended that the ambiguity of the rule of law and the lack of structure has driven the emergence of the guanxi phenomenon to a widespread practice from a long history to the modern China (Gold et al. 2002). Having generated from the existing literature and considered the research enigmas of the present study, a simplified conceptual model underlying this research is shown as Figure 1.

In the simplified conceptual model of the dynamics of guanxi in the business context (Figure1), it is postulated that the guanxi construct is operated with the vertical and the horizontal guanxi network. It is also predicted that the business strategy orientation in Chinese business organizations is collaborated with the vertical and the horizontal guanxi network. In addition, it is envisaged that the attributes of organizations and job incumbents would moderate the relationships between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi network. In general, Figure 1 presents four main hypotheses and the notion of these postulations is moderated by the relevant organizational and personal attributes.

Figure 1: A Simplified Conceptual Model of the Dynamics of Guanxi in the Business Context



Understanding the cultural divergence is particularly important for people engaged in global business ventures (Milton-Smith 1989). With the globalisation of world business, China has become a fascinating market for foreign investors to explore their business ventures (Zhang 2005). It is suggested that Chinese culture, especially the ‘rules of the game’ is a continuing need and of high interest to Multinational Companies (MNCs) and overseas investors who seek to do business in China (Andersen & Nicholson 1999; Lo & Everett 2001). To explore the dynamics of guanxi in the business context under China’s economic transition has, therefore, prompted the implementation of this research, which is to be conducted in four major industrial fields among six inland and coastal cities across the ‘early’ to ‘late’ open economic regions in five large provinces in mainland China from southeastern,

southwestern, northeastern, and southern so as to be geographically representative. In summary, a better comprehension of the dynamics of guanxi in business context has potential benefits for overseas investors and MNCs when they explore their business ventures in China's marketplace. Therefore, the focus of this study is to empirically investigate the comprehensive insight of the dynamics of guanxi in the business context under China's economic transition.

Having considered the focus of the study and prudently examined the guanxi and business management related academic literature of the last three decades, an overview of the previous research is integrated. First, the operations between the guanxi construct and the respective vertical guanxi network and the horizontal guanxi network were inspected. Second, the collaborations of the business strategy orientation and both the vertical and the horizontal guanxi network were scrutinized. Third, the moderating effects that the attributes of organizations and job incumbents have on the collaborations between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi network were observed. The dialogue of an overview of previous research begins with the guanxi construct.

OVERVIEW OF PREVIOUS RESEARCH

GUANXI CONSTRUCT

Numerous scholars have extensively identified the construct of guanxi under various theoretical points of views (e.g., Hwang 1987; Hutchings & Murray 2003; Su & Littlefield 2001; Seng & Lim 2004; Wong 1998a; Wong & Leung 2001). To some commentators guanxi consists of four factors, which have been widely reported as 1) favour, 2) trust, 3) dependence, and 4) adaptation (Buttery & Wong 1999; Wong 1998a). Hwang (1987) contended that the social mechanism of face and favour are culturally reinforcing guanxi. More recently, Hutchings and Murray (2003) perceived that the characteristics that underpin the concept of guanxi include the cultural elements of mianzi (face), reciprocity, xinyong (trust) and renqing (favours). Comparatively, the study by Wong and Leung (2001) offered a more theoretical analysis to the construct of guanxi with supporting empirical evidence that revealed that the construct of guanxi is comprised of three major components namely, 1) personal value, 2) attitude, and 3) behaviour. Among these three components, personal value relates to favour, opportunism and trust; attitude reflects uncertainty and dependence whilst behaviour refers to adaptation.

In spite of the wide documentation to the construct of guanxi, little empirical work has been undertaken within the Chinese context in mainland China. There has, however, been some reporting of empirical research of the guanxi construct that has been implemented in Hong Kong. Yet, the chosen subjects of these studies were mainly executives of overseas and Hong Kong companies in a limited industrial field, although those managers were responsible for trade with China, or the Heads of these managers in the China operations were ethnic Chinese. Nonetheless, a cultural barrier exists between Overseas Chinese and indigenous Chinese, even though they share the same Confucian tradition and culture to a certain extent. This point was argued by

Tang and Ward (2003) who asserted that research results yielded from the regions, which are not in mainland China, probably provides an incomprehensive insight to the phenomenon of guanxi. Thus, it is contended that an empirical study into the construct of guanxi within the mainland Chinese context is likely to provide a more comprehensive insight to the dynamics of business guanxi. Moreover, the construct of guanxi is an antecedent of the guanxi network, and the constituents of the guanxi construct are in fact the inducements that stimulate the application of the guanxi network (Buttery & Wong 1999; Hwang 1987; Hutchings & Murray 2003; Luo 2000; Su & Littlefield 2001; Seng & Lim 2004; Wong 1998a; Wong & Leung 2001). Indeed, the collaboration between the guanxi construct and the guanxi network is vital to the dynamics of guanxi. Nevertheless, there has, so far, been scant reporting of empirical work that has been dedicated to explore the identified relationship between the guanxi construct and the guanxi network. In view of the significant social and economic value, and to shed light in this research area, this study has become the first project of its kind to be undertaken in this research domain. As a result, the first objective of this study is to determine the relationships of the guanxi construct and the guanxi network from the respective vertical and the horizontal dimensions in the business context.

BUSINESS STRATEGY ORIENTATION

Increasing interest has been dedicated to the collaborations between the business strategy orientation and the guanxi network in a Chinese business context. There have been reported finding (Dayal-Gulati & Lee 2004; Roehrig 1994) that the guanxi network has culturally become part of the business strategy in Chinese business engagements. The contention provided maybe essentially attributed to the fact that

business strategy orientation is strategically bounded with the guanxi network to defeat the environmental uncertainty in a guanxi based marketplace (Luo & Chen 1997; Luo 2000; Park & Luo 2001). A number of studies have expressed contentions that certain business strategic approaches collaborate with the respective vertical and the horizontal guanxi network intensively, and some business strategic moves have different necessity to acquire support from respective guanxi network domains (Luo 2000; Park & Luo 2001). Apparently, the business strategy orientation is interactive with the respective vertical and the horizontal guanxi network (Luo & Chen 1997; Luo 2000; Park & Luo 2001; Wong 1998b, 1998c). Nevertheless, with limited investigation to the interactions between the guanxi network and certain business strategies (Luo 2000; Park & Luo 2001), little empirical support has been dedicated to further validate the operations between the vertical and the horizontal guanxi network with the business strategy orientation in Chinese business organizations. Hence, there is a fascinating opportunity for researchers to investigate the relationships between the vertical and the horizontal guanxi network with the business strategy orientation in Chinese business organizations. Accordingly, the second objective of this research is to determine the relationships between the business strategy orientation with the vertical and the horizontal guanxi network in the business context.

The business strategy orientation in Chinese business organizations has seldom been evaluated in previous research. Over the last two decades substantial studies have mainly focused on formulation and implementation of Western business strategy (e.g., Aaker 1992; Barnett & Wilsted 1988; Digman 1986; Miles & Snow 1978; Porter 1980, 1985; Pearce & Robinson 1991; Rajagopalan 1997). For example, Porter's (1980, 1985) three business strategic frameworks and Aaker's (1992)

preemptive move theory have been empirically defined and prevailingly implemented in the West. Nevertheless, it appears there is still a great deal to be learned about the evaluation of business strategy, particularly for Chinese business organizations. The paradox is that the Chinese business environment is particularly unique to the Western business context, a point argued by Wong and Chan (1999) in their study, which identified that being a high context culture the Chinese needed to be understood within its own context. Especially, the findings yielded from previous research that was conducted within a Western context environment cannot be easily generalized to a Chinese high context environment, which demands a context laden approach for a comprehensive empirical study. That there is a large research gap in the current literature and the lack of empirical endeavour on this aspect has compelled an unique contribution to be made on this unexplored area. Thus, a systematic inspection to the business strategy orientation in Chinese business organizations has great potential to fill in this large research gap, and most importantly, help to facilitate the accomplishment of the second objective of the present study.

GUANXI NETWORK

The guanxi network has made noticeable impacts on the economic efficiency in China's economic transition. Consequently, numerous popular business publications and academic literature (Davies et al. 1995; Kipnis 1997; Leung, Wong & Tam 1995a; Leung, Wong & Tam 1995b; Leung et al. 1996; Luo & Chen 1996; Luo 2000; Park & Luo 2001; Wong 1998a, 1998b, 1998c; Wong & Leung 2001; Yeung & Tung 1996) have contended that the guanxi network facilitates Chinese business transactions. A salient outcome from this body of literature is that major positive roles of the guanxi network that enhance business success have also been well identified.

The findings from these studies indicated a high level of consensus that the guanxi network has culturally become a key competitive strategic factor for conducting successful business in the ever changing business environment in China. Additionally, the guanxi network has been recognized as a business strategy to bypass inefficient bureaucratic process and navigate the institutionally uncertain environment and insecure Chinese legal system in China (Dayal-Gulati & Lee 2004; Roehrig 1994). Yet, in spite of the widespread belief of the significance of the guanxi network in facilitating business performance and market position, very little empirical investigation has been dedicated to evaluate the relationship of the guanxi network and the business strategy orientation. This is surprising, as the guanxi network has culturally become part of the business strategy for doing successful business in the Chinese marketplace. Indeed, the relationship between the guanxi network and the business strategy orientation is essential to the dynamics of guanxi in the business context under China's economic transition (Luo 2000; Park & Luo 2001; Wong 1998a, 1998c). Thus, an empirical study to this relationship has the potential to provide a better insight into the dynamics of guanxi in the Chinese business context.

Controversy surrounds the dynamics of guanxi in the contemporary China. Some commentators (Dunfee & Warren 2001; Guthrie 1998; Joseph 2002) have argued that the dynamics of guanxi is related to the degree of openness of the market segment. That is to say that the more free the market the weaker will be the role of guanxi. Since the economic opening reforms over the past three decades, China has undergone massive economic change and become more liberal in the economic system. Arguably, with China's membership of WTO, the Chinese marketplace will be 'pressured' to become transparent, and it has been postulated this 'openness' will eventually reduce

the significance of guanxi (Guthrie 1998). The 'rules of the game', particularly in relation to greater transparency, may have to be adopted, and this will necessitate a greater distinction than in the past. In fact, the traditional forms of the guanxi network may no longer be considered appropriate and may need to be modified in order for China to play a larger role in the global economy (Dunfee & Warren 2001). In fact, a strong inference of the evidence of recent studies is that the inertia of guanxi may be quite resilient in contemporary business context (e.g., Balfour & Einborn 2002; Einborn 2000; Roberts & Barbathan 1997; Khanna 2000). Nonetheless, given the key role of guanxi in the Chinese society and the Confucian social and cultural background that has been rooted in Chinese history for more than 2500 years, the guanxi based system does require a much longer period of time to transfer to a rule based system. For instance, Gold et al. (2002) reported that guanxi is still present in many aspects of today's Chinese social and business interactions, and the role of guanxi and its significance will still remain under the path of massive institutional change (Conrad, 2003). Furthermore, the study by Vanhonacker (2004) provided findings that the guanxi relationship is an unique code of ethics of the Chinese people and an inevitable ingredient of doing business in the contemporary Chinese marketplace.

In practice, the dynamics of guanxi in a transforming economic marketplace of China remains a strong influence to the Chinese business engagements (Child, Chung, Davies & Ng 2000; *Chinese business culture* 2004; Deagon 2005; Lo & Everett 2001; *Guanxi: The world's gateway to pacific rim agribusiness*, 2005). Particularly, the effect of the dynamics of guanxi to an organization varies according to the business strategy orientation that individual institutions adopt, as the business strategic approach is one of the key determinants that affect a firm's necessity for support from committee

guanxi network in task environment and bureaucratic channels, respectively (Luo 2000; Park & Luo 2001). The findings reported in these studies have shown that the dynamic market transformation has led to the division of the guanxi network into vertical and the horizontal dimensions, which, in turn, the business strategic functions in the guanxi network have been categorized into the vertical and the horizontal domains, respectively (Luo & Chen 1996). As a result, the business strategic roles, which were identified by several guanxi leading researchers (Davies et al.1995) have been partitioned into the vertical and the horizontal guanxi network. That is, vertically, the guanxi network enhances 1) source of information, 2) source of resources, 3) source of procurement; horizontally, the guanxi network promotes company image building, logistic and payment. Nonetheless, with limited exception (e.g., Luo 2000; Park & Luo 2001), empirical research that provides assessment to the guanxi network on the vertical and the horizontal dimensions, respectively, remains scarce. Particularly, there has been little empirical research to inspect the relationships between the business strategy orientation with the vertical and the horizontal guanxi network. Such research endeavours have received little attention, and thus, there is little empirical data in this research field. That there is a large research gap in the existing literature and the lack of empirical research on this aspect has motivated the researcher to make a primary contribution to this unexplored area. Hence, this research has become the first of its kind to make an empirical effort to contribute to reducing this research gap.

ATTRIBUTES OF ORGANIZATIONS AND JOB INCUMBENTS

Substantial efforts have been dedicated to identify the relevance of the attributes of the organizations and job incumbents in the application of the guanxi network (e.g., Gold et al. 2002; Luo 2000; Nee & Cao 2005; Park & Luo 2001; Yeung & Tung

1996). These studies have conveyed findings that the dynamics of guanxi in the business context relates to the attributes of organizations and job incumbents, which reflect the structural positions of organizations and employees. Under China's economic transition, the attributes of organizations have deviated according to institutional, organizational and strategic factors that are unique to the firms. Whereas, the institutional, organizational and strategic factors of firms vary according to differences of policies, treatments and resources that are assigned by Central and Provincial governments and relevant levels of authorities to individual regions. Being associated with the vertical guanxi network, organizations have privileges to attain favourable interpretation of the policies, superior treatments and scarce resources as desired. The institutional factors of organizations are relevant to ownership structure, regional location and industrial affiliation of organization, while the organizational factors are in relation to the administrative hierarchy or industrial hierarchy of the organization, as well as its size, resources and length of operations (Gold et al. 2002; Luo 2000; Park & Luo 2001). The attributes of job incumbents relates to decision makers of the firms. It is contended that managers play a significant role in the practice of the guanxi network, and manager's education level, age, gender, tenure, industrial and managerial experience are particularly relevant to the practice of the guanxi network (Luo 2000; Yeung & Tung 1996).

The impact that the structural positions of the organizations and job incumbents have on the application of guanxi network has been documented. For example, in the early 1990s, Shan and Hamilton (1991) revealed the organizational size has an impact on the engagement of guanxi network for doing business in China. Later, Yeung and Tung (1996) supplemented that the industrial affiliation and organizational history

have an individual effect on firms' involvement with guanxi network to facilitate business success. More recently, the findings yielded from the respective studies (e.g., Gold et al. 2002, Hutchings & Murray 2003, Luo 2000; Park & Luo 2001) further supported the contention expressed by Yeung and Tung (1996), who reported that the educational level of job incumbents is negatively related to the dependence on the guanxi network. Moreover, the tenure of job incumbents is also negatively connected to the reliance of the guanxi network (Chan et al. 2002; Grainger 2002). The study of Luo (2000) further revealed that the tenure, industrial experience and managerial experience of job incumbents have negative relationships to the practice of guanxi.

The impact that the attributes of organizations and job incumbents have on the operation of the guanxi network has been extensively documented in previous literature. However, there is a lack of empirical endeavour on the moderating effects that the attributes of organizations and job incumbents have on the relationships between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi network. In order to make a contribution to this research area, with the aim of obtaining a more comprehensive insight into the dynamics of guanxi in the business context, this study has purposely designed the attributes of organizations and individuals (with selected demographic elements) as moderating variables to empirically evaluate the moderating effects of the attributes of organizations (i.e. history, size, regional location, industry) and job incumbents (i.e. managerial experience, educational level) on the relationships between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi network. Consequently, it becomes the third objective of this research. Having integrated an overview of the existing literature and considered the research

objectives of the present study, an outline of investigation techniques for this study is proposed.

OUTLINE OF INVESTIGATION TECHNIQUES

This research is a cross sectional, descriptive, non-experimental study design that employed a pluralist methodology. This method is a blend of quantitative and qualitative procedures. An increasing number of scholars (Chan et al. 2002; Leung et al. 1995a, 1995b; Leung et al. 1996; Luo 2000; Park & Luo 2001; Su, Sirgy & Littlefield 2003; Yeung & Tung 1996; Wong & Leung 2001) have employed both quantitative and qualitative approaches for their investigations. The reason for applying a pluralist approach is the increasing recognition of a necessity to compliment quantitative studies with qualitative research as a hybrid technique, which provides researchers with a deeper comprehension of the pattern of statistical results (De Ruyter, Moorman & Lemmink 2001; Pearson & Entreakin 1998; Sower, Kilbourne, Kohers & Jones 2001; Zotteri & Verganti 2001). Accordingly, the multi method approach is arguably a better approach than a single paradigm. Hence, in order to achieve richer and more robust results, this study employs a pluralist methodology. In practice, the major research tool in this study was a self administrated questionnaire survey supplemented with in depth interviews, entailing both quantitative and qualitative analyses.

The study design features a meshing of quantitative and qualitative elements. For instance, after a comprehensive examination of the study conceptual model it was evident there was not a suitable instrument for assessing the construct of business

strategy orientation, and hence, a scale was created. Specifically, a number of prominent mainland Chinese business managers were individually engaged in lengthy telephone conversations (from Australia) to obtain their perspectives of the fundamental properties of business strategy orientation and the items that had been generated for its assessment. Next, quantitative procedures were applied by administering this inaugural 19 item scale to a bevy of Chinese business managers and evaluating their responses with exploratory factor analysis. Refinements to this instrument were then undertaken first, with qualitative practices in terms of employing focus groups (in China) to resolve measurement issues, and then further quantitative actions by the administration of and evaluation (factor analyses and reliability assessments) of a newer 24 item scale.

The investigation techniques entailed seven characteristic phases. In the first phase, a questionnaire of 19 items was developed from extensive interviews with eight prominent indigenous Chinese business people. The second phase was the empirical examination to the instrument involving 202 indigenous Chinese business executives from seven cities. In the third phase, data were analyzed first, by a quantitative process to assess the dimensionality of the instrument; then second, with qualitative procedures to evaluate responses from four feedback sessions with 16 successful Chinese business people in mainland China. The inaugural 19 item instrument was consequently refined and extended to a 24 item scale. The fourth phase was the second empirical examination with the newer 24 item scale engaging 76 experienced Chinese managers. In the fifth phase further amendments and purification were made to the refined instrument and other adapted scales that were to be employed in the recent study. This action was undertaken by in depth interviews with 22 successful

Chinese business people through five focus group meetings. A pilot study was conducted in the sixth phase to examine the developed instrument and the adapted instruments that were employed for the current study. This process was implemented initially, with a quantitative study that involved 151 prominent Chinese business executives from 46 Chinese business organizations in Dalian city, and then further qualitative action by in depth interviews with 24 business people in the same city. The actual fieldwork was carried out in the final phase employing blended quantitative and qualitative analytical techniques. A quantitative procedure was then applied to assess the data collected from 1033 Chinese business executives from the top five senior managerial levels of 480 Chinese organizations in the six research cities, and these findings were then evaluated by a qualitative technique through 20 feedback sessions with 90 Chinese senior executives in each of the research cities. Fuller details of the investigation techniques for the study are presented in Chapter Three. It is considered that a combined quantitative and qualitative approach is a more robust investigation technique to attain richer and comprehensive results, which help achieve the main purpose of this research. That is to make contributions to the relevant theoretical and practical research gaps.

SIGNIFICANCE OF THE STUDY

The significance of this study can be justified by theoretical and practical contribution. The theoretical contributions include a new knowledge in relation to the linkages amongst the guanxi construct with the vertical and the horizontal guanxi

network, as well as the relationships between the business strategy orientation with the vertical and the horizontal guanxi network in the business context. An important theoretical component of the study is to evaluate Western based theoretical notions in a non Western context. Evaluation of the conceptual model, which was developed for this study, has the potential to make further theoretical contribution in terms of enhancing overseas investors and MNCs' understanding of the imperativeness of the cultural phenomenon of guanxi. In terms of the practical contributions, the evaluation of the impacts of the attributes of organizations and job incumbents on the relationships between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi network in the business context has great potential to make contribution to international management in an Asian context. Moreover, the newly developed seven point Likert scale measurement instrument that has been purposely designed for assessing the business strategy orientation in the Chinese business organization (in this study) is likely to facilitate practical contribution to the development of an universal scale. A further practical contribution is to provide a greater comprehensive insight of the dynamic of guanxi in the business context, which would be beneficial to overseas investors and MNCs when they explore their possible business ventures in China's marketplace. The specific theoretical and practical contributions of this study are discussed in the next section, which commences with the theoretical contribution.

THEORETICAL CONTRIBUTIONS

The study has the potential to advance the current theoretical knowledge about the dynamics of guanxi in the business context. A salient contribution of the study is to advance knowledge about the relationships between the construct of guanxi and the

respective vertical and the horizontal guanxi network. It has been contended that the guanxi construct and both the vertical guanxi and the horizontal guanxi network are the crucial constituents of the dynamics of guanxi. Contributions to this perspective have been made by several social scientists (Davies et al. 1995), who have systematically determined the strategic roles of the guanxi network in the business context. Extending these notions numerous social scientists and numerous guanxi leading scholars (Buttery & Wong 1999; Hutching & Murray 2003; Hwang 1987; Luo 2000; Leung et al.1996; Seng & Lim 2004; Wong 1998a, 1998c; Wong & Leung 2001) have theoretically analyzed the construct of guanxi and signified the collaboration between the guanxi construct and the guanxi network. Further research endeavour was, subsequently, dedicated by another two leading scholars (Luo & Chen 1996), who have collectively, empirically defined the guanxi network into the vertical and the horizontal dimensions. However, the relationships of the guanxi construct with the vertical and the horizontal guanxi network, which forms a crucial part to the dynamics of guanxi, has received little attention in the literature. Thus, little is known about how these identified relationships are operationalized, as few of the empirical investigations have examined this unexplored area. It is important to examine the relationships between the guanxi construct and both the vertical and the horizontal guanxi network in the business context in order to make an unique contribution to the theories of the guanxi construct and the guanxi network. Accordingly, it is contended that this study has the potential to contribute to the current theoretical knowledge about the cultural phenomenon of guanxi.

A systematic investigation into the linkages of the business strategy orientation and the respective vertical and the horizontal guanxi network has the capability to

advance understanding about the guanxi network theory. Indeed, some authors (Luo & Chen 1997; Luo 2000; Park & Luo 2001; Wong 1998a, 1998c) have reported that the business strategy orientation in Chinese organizations is related to the practice of guanxi that in turn links to the guanxi network. Besides business strategy as a central role in facilitating business engagements, is considered to be more important than the management of day to day operation (Aaker 1992; Barnett & Wilsted 1988; Digman 1986; Miles & Snow 1978; Porter 1980, 1985; John & Richard 1991; Rajagopalan 1997). Nevertheless, and surprisingly, given the recognized importance of these connections a dearth of empirical work has been invested to test these relationships. Logically, it is of the essence to assess the relationships between the linkages between the business strategy orientation and the guanxi network from the vertical and the horizontal domains individually so as to make an unique contribution to this unexplored research area. Hence, a preliminary field empirical examination of the relationships between the business strategy orientation with the vertical and the horizontal guanxi network has great potential in advancing the guanxi literature.

A further theoretical contribution of this study is to give an unprecedented and comprehensive insight of the dynamics of guanxi within mainland China. Since gaining membership to the WTO China has attracted considerable Foreign Direct Investments because of its enormous size and rapid economic growth. However, penetration of the Chinese market, by overseas investors and MNCs, is always described as frustrating and difficult due to the lack of understanding of the phenomenon of guanxi and the ambiguity of the 'rules of the game' in this relationship based society (Brunner, Chen, Sun & Zhou 1989; Balfour & Einborn 2002; Conrad 2003; Fan 2002a, 2002b; Pye 1982, 1986; Joseph 2002; Su et al. 2003;

The king of guanxi 2004; Vanhonacker 2004; Wong 1997; 1998a, 1998b; Wolff 2000). Accordingly, the cultural phenomenon of guanxi, particularly in the business context under China's economic transition, is of the highest interest to overseas investors and MNCs. It is believed that the conceptual model, developed for this study, will make a theoretical contribution by providing overseas investors and MNCs with assistance in understanding the 'rules of the game' when they explore their possible business ventures in China's transitional marketplace. In addition to theoretical benefits this study has the capacity to add to the store of practical benefits.

PRACTICAL CONTRIBUTIONS

In response to rapid changes in the transforming Chinese business environment, a growing body of management related studies have repeatedly contended the significance of the Chinese cultural phenomenon of guanxi (e.g., Abramson & Ai 1996, 1997, 1999; Ambler & Styles 2000; Dunfee & Warren 2001; Lovett, Simmons & Kali 1999; Xin & Pearce 1996; Yeung & Tung 1996). Indeed, guanxi has been regarded as "...the glue that holds Chinese society together..." (Dunfee & Warren 2001, p.2), and it is widely believed to be one of the key factors leading to business success in modern China (Abramson & Ai 1999; Lovett et al. 1999; Tsang 1998; Yeung & Tung 1996; Xin & Pearce 1996). Nevertheless, much the guanxi studies have typically depended on limited reported qualitative research endeavours or normative analyses. There has been scant research undertaken in Hong Kong, and to a lesser degree, in only one or two cities in Northern and Southern mainland China. Consequently, this study has the potential to make a practical contribution by enriching knowledge about the impact of the structural positions of the organizations

and individuals on relationships between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi network.

A salient practical contribution of the study is in terms of the assessment. Specifically, by developing a seven point Likert scale instrument for assessing the business strategy orientation in Chinese business organizations. In spite of the concentrated research attention that has been devoted to the implementation of the business strategy (Aaker 1992; Barnett & Wilsted 1988; Digman 1986; Miles & Snow 1978; Porter 1980; 1985; Pearce & Robinson 1991; Rajagopalan 1997), there has been little or no reported evidence of studies measuring the business strategy orientation, particularly in Chinese business organizations. Nonetheless, a global scale instrument is an indispensable tool in this study in order to make the proposed model measurable. In order to examine the relationships between the business strategy orientation with the vertical and the horizontal guanxi network, and to shed some light in this research gap, having comprehensively reviewed the guanxi and the business strategy related literature, and conducted two empirical studies involving a total of 314 indigenous Chinese managers from six cities in mainland China, a seven point Likert scale measurement instrument with 24 items has been purposely developed for this study to evaluate the six generic business strategy orientation in Chinese organizations. This newly developed instrument is believed to be able to provide new and valuable knowledge to the development of a global scale instrument for assessing the business strategy orientations in Chinese organizations. Hence, it is considered that this study has the potential to make a preliminary and distinctive contribution to the business strategy literature.

The research, reported in the dissertation, is likely to provide useful information in facilitating cross cultural business engagement. This study is the first project of its kind to be implemented in four major industrial fields across the ‘early’ to ‘late’ open economic regions amongst five large provinces in mainland China. Six inland and coastal cities were selected particularly from provinces situated in southeastern, southwestern, northeastern, and southern China to enhance the sample population size and to reduce the effects of province bias and the uneven status in economic development in the result. It is believed that this study has a grand opportunity to observe a large number of relationships between complex variables, which is considered as an invaluable asset to help facilitate further practical contributions toward a greater comprehensive insight of the dynamic of guanxi. Indeed, a comprehensive insight of the dynamics of guanxi in the business context, on one hand, would be advantageous to overseas investors and MNCs in facilitating business success in China, and on the other hand, would provide overseas investors and MNCs with assistance in lowering the cultural barriers when they step into this guanxi based society and in turn enhance their business competitive advantage.

CONCLUSION

This study has unique theoretical and practical contributions. There is a fascinating opportunity to advance the appraisal of the relationships between the variables in this study. A concerted effort in assessing the relationships between the various constructs and psychometric properties of the instruments in a setting of four industrial fields is

believed to present an initial effort. The quality of the global scale instruments employed in this study are relatively established as they are obtained from leading academic literature and are adapted and modified for the study after many consultations and discussions with prominent Chinese businessmen in focus groups. Additionally, the self developed instrument that was applied to test the business strategy orientation in Chinese organizations in this study is developed through a lengthy professional process under the conscientious supervision of expertise, with duly diligent effort by a bevy of prominent Chinese people, several Professors of Economics in China and the researcher. The instrument was found to be practical and valuable in this study.

In this chapter, the research enigma in relation to the research questions of this study was presented. Particularly, the focus of this study was documented. Moreover, an overview of the previous research in respect to the objectives of this research was integrated. Furthermore, the investigation techniques that were applied in this study were delineated. Finally, the significance of the study and the potential theoretical and practical contributions provided by this research was delineated. The following chapter, Chapter Two, will present a review of existing literature in relation to the three objectives proposed in this study.

CHAPTER TWO

LITERATURE REVIEW

Within the Chinese business context, guanxi is more important than connections, having necessitated a very close personal interaction with others and involving a reciprocal obligation. Guanxi is developed with ingenuity, creativity, supplementing by flexibility. It is cultivated through a person's networking of connection.

Leung et al. (1996, p.749)

The acceleration of China's integration towards the global economy and the ever changing business environment under its economic transition (*Economic Analytical Unit, Department of Foreign Affairs and Trade* 2002) has heightened the need for foreign investors and MNCs to understand the guanxi system in the Chinese relationship based society (Cohen 2001; Conrad 2003; *The king of guanxi* 2004). Moreover, a preliminary review of the guanxi literature shows there is a lack of comprehensive examination of the cultural phenomenon of guanxi in the business context. In this chapter, a comprehensive review of the relevant literature and related theories to the dynamics of guanxi is presented. Specifically, the relationships between the guanxi construct and the business strategy orientation with the guanxi network in both the vertical and the horizontal domains will be explored. The research reported in this dissertation also examines the

moderating effects of the attributes of the study organizations (regional location, industry affiliation, size, history) and the study job incumbents (managerial experience, educational level) on the relationships between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi network. Arguably, this project is the first of its kind in the relevant research field, and subsequently, it is contended that this study can provide a preliminary and distinctive contribution to the business strategy literature in the Asian context. Specifically, the research findings have the potential to advance the Asian management in terms of guanxi theory. Having prudently examined the guanxi and business management literature and related academic literature of the last three decades, an overview of the theoretical framework for the present study is integrated. Delineation of a review of the literature is presented, next. An elucidation commences with a conceptual model, which was purposely developed for this research.

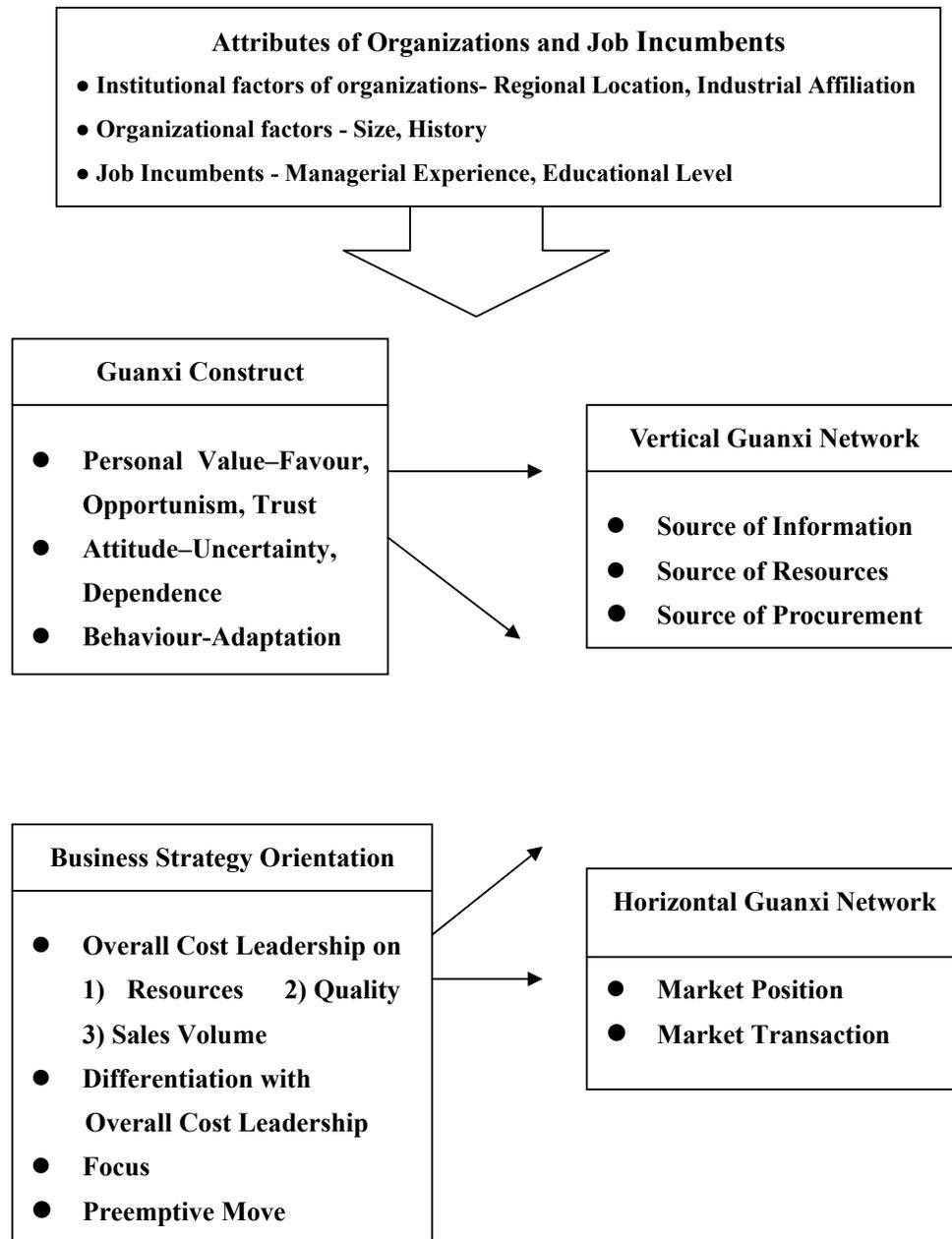
THEORETICAL FRAMEWORK

A CONCEPTUAL MODEL OF THE DYNAMICS OF GUANXI IN THE BUSINESS CONTEXT

The conceptual model, shown as Figure 2, was generated from the existing literature. This conceptual model has four core elements, which have been delineated as 1) guanxi construct, 2) business strategy orientation, 3) vertical guanxi network, and 4) horizontal guanxi network. The theoretical underpinning of this conceptual model is on the

premise that the guanxi construct is culturally associated with the guanxi network, and the business strategy orientation is tactically collaborated with the guanxi network. Accordingly, it is postulated that the guanxi construct elements are operationalized with the vertical and the horizontal guanxi network facets, while the business strategy orientation dimensions are strategically interacted with the vertical and the horizontal guanxi network facets. In addition, the dynamics of guanxi in the business context varies according to the attributes of the organizations and the job incumbents. Hence, as suggested in Figure 2, the attributes of organizations (i.e. regional location, industry affiliation, size, history) and job incumbents (i.e. managerial experience, educational level) are forecasted to moderate the relationships between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi network. Essentially, relationships between variables, instead of causality, are tested in the conceptual model. For the purpose of brevity, the paths between the main constructs are shown as single arrow headed lines and specific paths between the sub variables of the main constructs are not presented, but are implied. Subsequent to Figure 2, an inspection to the theorized relationships between the four main variables of the conceptual model, as well as the postulated moderating effects that the organizational and personal attributes have on the hypothesized relationships is elucidated in the next section. The dialogue commences with a description of the cultural context of guanxi, which provides a primary insight into the phenomenon of guanxi that underlies this research.

Figure 2: A Conceptual Model of the Dynamics of Guanxi in the Business Context



Sources for this thesis

Inspiration: Guanxi construct (Wong & Leung 2001).

Business strategy orientation (Aaker, 1992; Porter 1980, 1985).

Vertical and horizontal guanxi network (Davies et al. 1995; Luo & Chen 1996).

Attributes of organizations and individuals (Gold et al. 2002; Luo 2000; Park & Luo 2001).

GUANXI IN THE CULTURAL CONTEXT

Guanxi, an unique social and historical cultural phenomenon, has been deeply rooted in Chinese society under the predominant ideology of Confucianism for over 2500 years (Hackley & Dong 2001). Indeed, guanxi is the main building block in Confucian society (Chatterjee 2001) and the phenomenon still plays a significant role in the daily lives of Chinese people and business dealings in modern China, which is undergoing economic transition (Conrad 2003). Nevertheless, guanxi is a phrase of recent origin. Although guanxi appears in speech since the beginning of the last century, it does not exist in either of the classic Chinese Dictionaries of Ci Yuan, the Source of Word published in 1915 or Ci Hai, the Word Sa published in 1936. It was not until 1949, that the term guanxi gradually substituted by the jargon of *going through the back door*, which initially meant the utilization of personal contact to get things accomplished in a highly centralized bureaucratic Chinese society. However, this modern phrase has become commonly used in speech and discussions in the Chinese public media since the middle of the 1970s (Ambler 1995). Internationally, there is not a good correspondence of guanxi in Chinese and English nomenclatures. Hence, because of the ubiquity of the term it was just accepted universally till the present century despite not being a precise translation (Chen 2001; Hackely & Dong 2001).

Over the last two decades substantial efforts have been made to define the phrase of guanxi in marketing terms, and particularly relative to relationship marketing (Arias 1998; Buttery & Wong 1999; Li & Wright 2000; Lee, Pae & Wong 2001; Wong & Tam 2000). In fact, some authors have theoretically described guanxi as "... a general term to describe social networking, relation, connection, gate or pass, tight, close-knit networks ..." (Yeung & Tung 1996, p.55), or as "... a special kind of social connection

that links two individuals to enable a social interaction and exchange ...” (Hackley & Dong 2001, p.2), and as “...a special interpersonal relationship, a connection, and informal networking ...”(Xin & Pearce 1996, p. 2). The study by Bian (1994) determined that guanxi is actually a connection with and a frequent contact between people. Yang (1994) further contended that guanxi, is a special interpersonal relationship, which is based on mutual interest and benefits. Later, Tsui and Farh (1997) supplemented this notion by contending that guanxi refers to the existence of particularistic ties between two or more individuals. More recently, Chang (1998, p.1) asserted “... personal relationship-guanxi-relative to arm’s length transactions ...”, and Li and Wright (2000, p.37) contended “... a Chinese word for intricate and pervasive networks of social relationships...”. Apparently, scholars differ in their perception to the phenomenon of guanxi.

Additional definitions have been provided by various eminent social scientists. For instance, the study of Leung, Wong and Wong (1996) revealed that guanxi goes beyond the connection in Chinese context, and this finding was supported by Tsang (1998, p.65) who pointed out that “... guanxi is something more than a pure interpersonal relationship; it is a reciprocal obligation to respond to requests for assistance ...”. In contrast, Bell (2000) disagreed with the perspective of Tsang (1998) and contended that guanxi only refers to a relationship, not a connection. Given the fact that connection is not really a direct translation of guanxi from one language to another, and also connection probably refers to political manifestation, guanxi, indeed, is exactly the same Chinese word as relationship. In a typical Chinese context, guanxi, in point of fact, has a far deeper meaning (Brunner et al.1989) and more than a simple connection (Wong 1998a). The empirical finding yielded in the study of Yi and Ellis (2000) indicated that guanxi is strongly perceived as a personal relationship amongst both

Hong Kong Chinese and PRC Chinese. Essentially, the general consensus in the guanxi literature is that guanxi refers to a typical type of interpersonal relationship (Chatterjee 2001).

Appendix 1 of the dissertation summarizes the definitions/interpretation of guanxi that have been given by a number of leading scholars under various theoretical conceptualizations. A closer inspection of the definitions, illustrated in Appendix 1, reveals that guanxi is largely seen as a special interpersonal relationship. Nevertheless, the various researchers (e.g., Buttery & Wong 1999; Hwang 1987; Hutchings & Murray 2003; Su & Littlefield 2001; Seng & Lim 2004; Wong 1998a; Wong & Leung 2001) have different opinions as to what constitutes the guanxi, resulting in a lack of an encompassing definition. However, a common theme found in the definition of the guanxi construct appears to be a cultural value that is characterized by Confucian ideology. A review of the various delineations of the guanxi construct, which is the first core element of this research model, is elucidated, next.

GUANXI CONSTRUCT

There have been numerous attempts to define the construct of guanxi from various theoretical points of view (Buttery & Wong 1999; Hwang 1987; Hutchings & Murray 2003; Su & Littlefield 2001; Seng & Lim 2004; Wong 1998a; Wong & Leung 2001). Some scholars claimed that the guanxi construct consists of four factors; they are: favour, trust, dependence and adaptation (Buttery & Wong 1999; Wong 1998a). These notions were further supported by Yoong (2001), who advanced that guanxi is centered by the Confucian value of 'Renqing' (human feeling), which emphasizes the 'give and take' attitude concerning the relationship of people. More recently, Seng and Lim

(2004) considered that face, hierarchy and power distance are cultural values that underlie the concept of guanxi. In comparison to this perspective, Wong and Leung (2001) provided a more systematic investigation to the construct of guanxi. As identified in the theory of 'DFAT' (dependence, favour, adaptation, trust) that was developed in their study, the construct of guanxi comprises three major components, which are 1) personal value, 2) attitude, and 3) behaviour. In turn, it has been contended (Wong & Leung 2001) that personal value consists of three factors: favour, opportunism and trust; attitude encompasses uncertainty and dependence, whereas behaviour relates to adaptation. And these three major components (with six facets) are fundamentally contended to be the incentives that stimulate the operation of the guanxi network. That is, the manipulation of the guanxi network depends on the constituents of the guanxi construct, and thus, an operative correlation exists between the guanxi construct and the guanxi network.

In spite of the general recognition of the construct of guanxi (in the previous literature over the last three decades), few empirical studies have been dedicated to investigate the relationships of the guanxi construct with the guanxi network. Yet, the guanxi construct is an antecedent of the guanxi network, and the ultimate realization of the guanxi network is fundamentally in the command of the constituents of the guanxi construct, such that the collaboration between the guanxi construct and the guanxi network is influential to the dynamics of guanxi (Buttery & Wong 1999; Hwang 1987; Hutchings & Murray 2003; Su & Littlefield 2001; Seng & Lim 2004; Wong 1998a; Wong & Leung 2001). Moreover, most of the previous researchers have not attempted to respectively evaluate the guanxi network from the vertical and the horizontal angles. It is contended that the traditional combined assessment to the guanxi network is no longer appropriate under the China economic transition (Luo 2000; Park & Luo 2001).

Hence, it is of essence to investigate the unexplored relationships of the guanxi construct and the vertical and the horizontal guanxi network in the business context in mainland China to provide a more comprehensive insight to the current guanxi theory. Having delineated the construct of guanxi, an overview of the existing literature and relevant theories pertaining to the business strategy orientation, which is the second core element of the present study model, is presented, next.

BUSINESS STRATEGY ORIENTATION

During the past two decades, business strategy orientation has been extensively assessed in the Western studies (e.g., Aaker 1992; Miles & Snow 1978; Porter 1980, 1985; Pearce & Robinson 1991). Most of these studies (e.g., Miles & Snow 1978; Porter 1980; 1985) have employed the configuration approach, which mainly focused on market effectiveness against operational efficiency. For instance, the philosophy of Miles and Snow (1978) characterizes business strategies into three typical categories, such as 1) defender, 2) prospectors and 3) analyzers. Conversely, in Porter's theory (1980; 1985), business strategy mainly reflects three generic strategies, namely 1) overall cost leadership strategy, 2) differentiation strategy, and 3) focus strategy. Each of these generic strategies employs a distinctive move toward competitive advantage. In essence, the overall cost leadership (e.g., defender strategy/ efficiency-orientated strategy/operational-efficiency strategy) and differentiation strategies (e.g., prospector strategy/market-oriented strategy/market-effectiveness strategy) strive for competitive advantage in a wide spectrum of industrial segments. Alternatively, focus strategy has two variants, which are 1) cost focus strategy, and 2) differentiation focus. Cost focus is a strategy for cost advantage, while the differentiation focus strategy targets a narrower market domain (Porter 1985). However, it is possible for firms to employ both the

differentiation strategy and the overall cost leadership strategy simultaneously, under certain market conditions. Moreover, there is one more business strategy namely preemptive move, which was not theorized in Porter's (1980; 1985) three generic strategies and the strategic framework of Miles and Snow (1978). It is contended that firms applying a preemptive move strategy aim at the first move advantage by responding to the market swiftly for market opportunity (Aaker 1992). Noticeably, the Western business strategic framework has been systematically established and generally accustomed to Western business organizations.

Despite the extensive studies on the formulation and implementation of Western business strategies (Miles & Snow 1978; Porter 1980, 1985; Digman 1986; Pearce & Robinson 1991; Aaker 1992; Rajagopalan 1997; Barnett & Wilsted 1988), few empirical studies have been conducted to examine the business strategy orientation in Chinese business organizations. Yet, the globalization of business has accentuated the difference in business strategy orientation between Chinese and Western organizations, a point noted by Wong and Chan (1999) that the low context Western paradigms may not be easily generalized to a Chinese high context environment under its economic transition. The lack of the empirical evaluation in the Chinese business strategies has become evident that there were no standard scales that can be adapted or modified to assess the business strategy orientation in Chinese business organizations from Western theoretical underpinning. Yet, an Asian scale instrument is an indispensable tool to assess the business strategy orientation in the Chinese business organizations. In order to enable the conceptual research model of the current study (reported in this dissertation) to be evaluated, an instrument that incorporated the three generic business strategies of Porter (1980, 1985), and the preemptive move strategic approach of Aaker (1992) was purposely developed to evaluate the business strategy orientation in Chinese

organizations. The detailed process of the development of this instrument is reported in the Methodology section.

The interaction between the business strategy orientation and the guanxi network has been observed in recent years (Luo & Chen 1997; Luo 2000; Park & Luo 2001; Wong 1998b, 1998c). Previous researchers (Luo 2000; Park & Luo 2001) have reported that firms applying an overall cost leadership strategy are disinclined to utilize either the vertical guanxi network or the horizontal guanxi network. Alternatively, firms applying a differentiation strategy are inclined to seek a robust guanxi network from both the vertical and horizontal domains to reduce the institutional uncertainty in order to ride on the right trend in a dynamic market. These findings indicated that in the Chinese marketplace, the application and operation with the vertical and the horizontal guanxi network varies from an individual business strategic approach that a firm adopts. Indeed, the guanxi network has been recognized as a business strategy to navigate a firm through an institutionally uncertain environment and insecure system (Dayal-Gulati & Lee 2004). Inexorably, business strategy is strategically collaborated with the guanxi network to gain success in the Chinese business environment. Nonetheless, with limited empirical studies to inspect the linkages between the vertical and the horizontal guanxi network and overall cost leadership strategy, and differentiation strategy (e.g., Luo 2000; Park & Luo 2001), little empirical effort has been dedicated to investigate the relationships between the guanxi network and other business strategic moves. Thus, an empirical investigation to the relationships between the business strategy orientation with the vertical and the horizontal guanxi network has the potential to provide a more comprehensive insight of the dynamics of guanxi in the business context. Accordingly, a review of previous studies in relation to the guanxi network is delineated, next.

GUANXI NETWORK

Guanxi network is the essential basis for doing successful business in mainland China (Abramson & Ai 1997; 1999; Davies et al. 1995; Fock & Woo 1998; Luo & Chen 1996; Luo 2000; Park & Luo 2001; Tsang 1998; Wong 1998a, 1998c; Wong & Leung 2001; Yeung & Tung 1996). Such contention has been supported by various empirical findings reported in the literature. For instance, Graham (2000) contended that to have a guanxi network would bring a distinct advantage in doing business in China. And Lovett et al. (1999) considered that the guanxi network might serve as a means of signaling trust and integrity in a system that lacks strong background institutions. Moreover, Xin and Pearce (1996) asserted that the guanxi network might constitute an informal network allowing individuals to bypass the inefficiencies inherent in a communist bureaucracy. In addition, Murphy (1996) even noted that nothing would ever happen in China without a guanxi network, and it is a necessary requirement for 'moving along' and when getting approval to do business in China. Additionally, Seligman (1999) advanced that without a guanxi network little will be accomplished and life will be confronted with a succession of inconvenience and frustration due to the maze of administration and bureaucratic hassles. Furthermore, Buttery and Wong (1999, p.4) also stated Chinese people "... they have found alternatives to personal wealth and security in the form of guanxi which may be described as symbolic capital and mutual obligation and trust, and are alternatives to contracts and legal right ...". Dunfee and Warren (2001) even argued that the guanxi network would gain importance in international transactions because it provides a more effective means of conveying trust than formal legal contracts. Indeed, these previous claims have led to a profound conclusion that the guanxi network is culturally a key competitive strategic factor to

enhance business success in the rapidly changing Chinese business environment.

Additional empirical findings have been reported by various prominent social scientists. In earlier years, there has been reported evidence (e.g., Davies et al. 1995; Leung et al. 1996; Luo & Chen 1996; Luo & Chen 1997; Yeung & Tung 1996) that organizations need to have a robust guanxi network to gain a smooth and better access to scarce resources, and to strengthen long term survival and growth in the Chinese business environment. Later, the studies of Tsang (1998) and Lovett et al. (1999) have supplemented a contention that compared to firms with low guanxi, high guanxi firms tend to possess a sustained competitive advantage and are more efficient for business transactions. In recent years there has been increasing recognition that the strategic factors of the guanxi network provide sustained competitive advantages for doing successful business in mainland China (e.g., Ahlstrom, Bruton & Lui 2000; Gold et al. 2002; Luo 2000; Park & Luo 2001; Wong & Leung 2001). Noticeably, one of the most prominent contributions of the previous research endeavour was that the business strategic functions of the guanxi network have been empirically defined. Such an invaluable finding was reported by several management and guanxi related leading scholars (Davies et al.1995), who have determined that the guanxi network has four key business strategic roles, which have been delineated as 1) source of information, 2) source of resources, 3) source of procurement, and 4) other essential areas in relation to building of company image and logistic smoothness. Indeed, the guanxi network is perceived as a major determinant and an effective tool for successful business in mainland China.

The philosophy of the four strategic roles (Davies et al.1995) has been advanced in the literature. Further empirical effort was, subsequently, dedicated by Luo and Chen

(1996), another two leading scholars in the relevant research field, who have theoretically segregated the guanxi network into the vertical and the horizontal domains. That is, the vertically guanxi network, and the horizontal guanxi network. Vertically, the guanxi network links with various levels of governments and regulatory authorities mainly for resource attainment; and horizontally, the guanxi network connects with other organizations in various task environments such as suppliers, buyers, competitors, distributors, subcontractors, business connections, and business associates that are in relation to market achievement. As a result, the business strategic functions in the guanxi network have been partitioned into the vertical and the horizontal guanxi network, respectively. Vertically, the guanxi network benefits 1) source of information, 2) source of resources, and 3) source of procurement; horizontally, the guanxi network enhances a company's image building, logistic and payment. In addition, it is contended (Luo 2000; Park & Luo 2001) that strategic factors in the vertical guanxi network can strengthen a firm's competence to navigate bureaucracy; and the positive roles in the horizontal guanxi network are likely to lead to higher firm performance, and may benefit a firm's market expansion and competitive positioning.

Despite the theoretical division of the guanxi network into the respective vertical and horizontal domain, most of the previous researchers have not attempted to empirically assess the guanxi network from the individual vertical and horizontal dimension. Yet, it is argued that in the ever changing business environment under China's economic transition, instead of the traditional combined assessment, the guanxi network needs to be evaluated individually from the individual vertical and the horizontal perspectives. Hence, an empirical investigation to the vertical and the horizontal guanxi network, particularly their relationships with the guanxi construct and the business strategy

orientation is imperative to gain a comprehensive insight of the dynamics of guanxi in the business context. Having reviewed the previous research of the guanxi network, an elucidation of examination of the literature concerning the attributes of organizations and job incumbents, which are moderating variables of this research model, is presented in the next section.

ATTRIBUTES OF ORGANIZATIONS AND JOB INCUMBENTS

The impacts that the attributes of organizations and job incumbents have on the utilization of the guanxi network have been widely documented in the existing literature. With respect to the organizational attributes, there have been substantial findings that the operation of the guanxi network in the business context varies according to the attributes of organizations, which are mainly interrelated to the organizational ownership structure, regional location, industrial affiliation, administrative hierarchy, resources, size and history (Chan et al. 2002; Gold et al. 2002; Luo 2000; Nee & Cao 2005; Park & Luo 2001; Punnett & Yu 1990; Yeung & Tung 1996). Supplementary findings further contended that organizational attributes are the crucial elements that determine a firm's requisite for application of the guanxi network to enhance competitive edge (Chandler & Hanks 1993; Luo 1995; Luo 2000; Park & Luo 2001). Overall, these findings suggest that the attributes of organizations have a noticeable impact on the dynamics of guanxi in the business context.

The relevance of attributes of job incumbents to the dynamics of guanxi has been extensively discussed by a great deal of management and guanxi related studies (e.g., Chan et al. 2002; Gold et al. 2002; Luo 2000; Nee & Cao 2005; Park & Luo 2001; Xin & Pearce 1996; Yeung & Tung 1996). There has been reported evidence that

manipulations of guanxi potential are essentially dependent on the attributes of the job incumbents, which are mainly related to age, tenure, educational level, industrial experience and managerial experience of the individual (Gold et al. 2002; Hutchings & Murray, 2003; Luo 2000). Further empirical findings have supported that the tenure, educational level, industrial and managerial experience of job incumbents have effects on the command of the guanxi network (Chan et al. 2002; Yeung & Tung 1996). Indeed, the job incumbents are the fundamental performers who engage in the guanxi network with the command of personal attributes (e.g., Gold et al. 2002; Luo 2000; Wong & Leung 2001; Yeung & Tung 1996). Although the impact of the attributes of the organizations and the job incumbents on the utilization of the guanxi network have been extensively documented, previous researchers have not attempted to empirically examine the moderating effects that the attributes of the organizations and the job incumbents have on the relationships between the guanxi construct and the business strategy orientation with the vertical and horizontal guanxi network. Thus, an empirical investigation to inspect this unexplored field is vital for a more comprehensive insight of the dynamics of guanxi. Consequently, the present study has become one of the first of its kind to treat the attributes of organizations and job incumbents as moderating variables to evaluate their moderating effects on the relationships between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi network.

SUMMARY

To summarise, the conceptual model of the dynamics of guanxi in the business context necessitates three core operations underlying this research. The first manipulation involves the guanxi construct with the vertical and the horizontal guanxi network; the

second collaboration entails the business strategy orientation with the vertical and the horizontal guanxi network; and the third consideration is the first hypothesized alliances and the second postulated coalitions are moderated by the attributes of the study organizations and job incumbents. Having delineated the overview of the theoretical framework that underpins this conceptual model of this study, a development of the hypotheses is elucidated in the next section.

HYPOTHESES UNDERPINNING

In this section, the process of the development of the hypotheses will be discussed. The blocks of variables shown in the conceptual model (Figure 2) are connected by hypotheses and the underpinning for them is given by the relevant literature. These hypotheses will be generated by evaluating the conceptual model in a logical sequence (from left to right and from top to bottom of the conceptual model), as is the convention. The generation of the hypotheses is undertaken by a two stage procedure. In the first stage a set of hypotheses will be generated by examining the predicted connections between the block of variables labeled the guanxi construct, and first, the block of variables that are categorized as the vertical guanxi network; and then second, the block of variables that are identified as the horizontal guanxi network. The second stage will be presented as the discussion of the relevant literature and the formulation of hypotheses between the block of variables that are nominated as the business strategy orientation; and first, the block of variables termed the vertical guanxi network; and then second, the block of variables of the horizontal guanxi network. Figure 2 presents

four main blocks of variables linked by hypotheses, and the notion that these postulations are moderated by the block of moderating variables that are termed the attributes of organizations and the job incumbents. Each of these five blocks of variables has a number of sub variables that are identified in the conceptual model. In the generation of the hypotheses all of the sub variable connections will be incorporated with the relevant literature. A delineation of the two stage procedure that was employed in the process of the development of the hypotheses in this study is presented, next, beginning with the relationships between the guanxi construct, with the vertical guanxi network, and then with the horizontal guanxi network.

GUANXI CONSTRUCT WITH VERTICAL AND HORIZONTAL GUANXI NETWORK

The guanxi construct is interactive with the vertical guanxi network and horizontal guanxi network. The block of the variable of the guanxi construct has six sub variables, which have been identified as 1) favour, 2) opportunism, 3) trust, 4) uncertainty, 5) dependence, and 6) adaptation. In the block of the variable of the vertical guanxi network, there are three sub variables, which have been delineated as 1) source of information, 2) source of resources, and 3) source of procurement. Whereas in the block of variables of the horizontal guanxi network, there are two sub variables, which have been identified as 1) market position, and 2) market transaction. The conceptual model, shown as Figure 2, infers there is an arrangement of hypotheses between all the sub variables of the guanxi construct, and all the sub variables of the vertical and the horizontal guanxi network. The interactions between the postulated relationships are addressed in linear sequence, which will lead to the generation of relevant hypotheses and the process begins with the operations of the sub variable of favour and the sub

variables of the vertical guanxi network.

Interactions Between Favour and Source of Information, Source of Resources, and Source of Procurement

In the Chinese cultural context, favour means renqing (Wong 1998a), which is a cardinal element and crucial concept for both understanding and cultivating guanxi relationships (Chen & Godkin 2001). Renqing refers to the bond of reciprocity norm and mutual assistance between people that is based on emotional affection or awareness of obligation and indebtedness (Yang 1994). Indeed, the reciprocation of greetings, favours and gifts is one of the important Chinese cultural values underpinning the establishment and development of interpersonal relationship (Fan 2000). Specifically, the Confucian social norm has always encouraged people to meet the expectation of others by the exchange of favours (Hackley & Dong 2001). Indeed, renqing is a humanized obligation, which involves the payback process of returning a favour (Chen 1995; Kipnis 1997; Wong & Leung 2001). Moreover, the Confucian virtue of 'ren' (kindness, humanity, benevolence) encourages people to become a righteous person, happy to help others and also to be honoured to repay the other's favour (Yeung & Tung 1996). Also the spirit of 'ren' encourages people to return and increase the value of the original favour to the favour given (Hackley & Dong 2001). That is "... if someone pays you an honour of a linear foot, you should reciprocate by honouring the giver with ten linear foot..." (Yeung & Tung 1996, p.55). The virtue and spirit of 'ren', which, on one hand, helps cultivate people's personal positive attitude towards each other, and on the other hand, creates an environment for the development of guanxi (Hackley & Dong 2001). Guanxi, as denoted by Kipnis (1997) and Luo (2000), is implanted in the continued favour (renqing) exchange process that is reinforced by the principles of social obligations and reciprocal commitments.

The accumulation of favour (renqing) exchange that is exercised is a key driver underlying the notion of guanxi (Yi & Ellis 2000). Indeed, the continued reciprocal obligation has been traditionally inbuilt into the Chinese concept of guanxi (Davies et al. 1995; Kipnis 1997), which implies a reciprocal relationship and in turn motivates favouritism (Hackley & Dong 2001). In particular, tendering favour is one of the essential strategies for maintaining guanxi relationships (Yeung & Tung 1996; Luo 2000), and doing favour is one of the major mechanisms by which people establish, cultivate and expand their guanxi relationship (Su & Littlefield 2001). Apparently, exchange of favour appears to be an unavoidable practice in the daily life of most people and in a great deal of business transactions in China (Chatterjee 2001; Wong & Leung 2001). Incontrovertibly, favour and guanxi is linked (Howell & Shaw 2001; Wong & Tam 2000; Wu 1998). Put more simply, favour may lead to a guanxi relationship and guanxi may lead to favour (Ang & Leong 2000), which creates the first step in a series of exchange and the continued mutual indebtedness underlies the foundation for the development of a guanxi based relationship (Chen & Godkin 2001; Standifird & Marshall 2000). Yet, the cultivation of favour, in fact, provides social resources, structure and status for guanxi to take root (Hackely & Dong 2001). And the continual process of favour seeking and favour giving is the thread that binds and sustains the relationship of guanxi in the guanxi network. Indeed, favour is culturally attached to the guanxi network.

In the Chinese business context, favour is strategically collaborated with the vertical guanxi network, which links to the various levels of governmental and regulated authorities. This societal phenomenon is fundamentally attributed to the incomplete economic and legal systems (Luo 1997b; Hwang 1987; Leung & Wong 2001; Wong &

Chan 1999; Wong 1998a). In view of the economic system, the Chinese central and local governments are no longer playing a dictating role in controlling business administration, especially the central governmental planned economy has been gradually substituted by the market economy as a result of the economic reform. However, the various levels of governmental and regulatory authorities still exercise major control over policy regulation and implementation, resources redistribution, investment size, industry structure, bank loans, and business formation in strategic sectors. Particularly, the allocation of scarce resources is largely distributed through *guanxi* channels rather than bureaucratic rules (Simmons & Munch 1996; Luo 1997b). Viewed from the legal perspective, although there have been thousands of laws, rules and regulations enacted by the Chinese government under its economic transition over the last two decades, unfortunately almost none of these policies are completely implemented due to the legal interpretations that are usually superseded by personal and favourable interpretations of numerous levels of influential governmental officials to insiders within the *guanxi* network (Luo 1997b). Indeed, having superior relationships with the vertical *guanxi* network, which executes as a Resource Allocator, firms are advantaged to attain 1) source of information, 2) source of resources, and 3) source of procurement for business success.

The distinct advantages of the source of information, source of resources and the source of procurement, which inspire the prevalent manipulations in the vertical *guanxi* network, have been extensively identified in the literature. First, the strategic function of the source of information provides firms with positive interpretation to relevant rules, such as upcoming changes of policy, trading regulations and restrictions, economic trends for business opportunity leads, which subsequently assists firms to reduce legal and societal uncertainty and benefits the survival of a business (Child et al. 2000; Fock

& Woo 1998; Luo 2000; Tsang 1998; Wong & Leung 2001; Yi & Ellis 2000). Second, the positive role of the source of resources helps firms in gaining government support for the approval of a desired project, restricted licenses and regulated promotion, which in turn, on the one hand, strengthens a firm's competitive advantage in the rapidly changing business environment of China (Davies et al. 1995; Fock & Woo 1998; Luo 2000; Park & Luo 2001; Wong & Leung 2001); and on the other hand, provides certain protection to the business against organizational and environmental uncertainties (Luo 2000; Park & Luo 2001). Third, the advantages of the source of procurement would assist a firm in attaining limited goods and services, or favourable lending terms for bank loans, and taxation privileges; securing tangible resources with preferred usage, controlled utilities and raw materials; and protecting individuals and firms from unreasonable fines and unexpected charges (Ahlstrom, Bruton, & Lui 2000; *Chinese culture* 2004; Davies et al. 1995; Fock & Woo 1998; Kipnis 1997; Luo 2000; Park & Luo 2001; Lo & Everett 2001; Saxenian 2003; Tsang 1998; Wong & Leung, 2001). Yet, when acquiring these three business strategic advantages, firms must enter into the vertical guanxi network and become insiders. In order to gain access into this constructive web, favour has tactically become the first step that creates a reciprocal obligation, which underpins the development of a guanxi based relationship (Chen & Godkin 2001; Gold et al. 2002; Luo 2000; Standifird & Marshall 2000; Wong & Leung 2001). In other words, favour initiates a guanxi relationship with the vertical guanxi network facets.

The interactions between favour and the vertical guanxi network facets are ethnically ruled by the Confucian ideologies of reciprocity, equity, and harmony (Hwang 1987; Luo 1997b; Luo 2000; Wong & Chan 1999). This assertion is primarily attributed to the fact that "... people who share a guanxi relationship are committed to one another by an

invisible and unwritten code of reciprocity and equity...” (Luo & Chen 1996, p.295). Indeed, any unpaid obligation of favour or violation ignorance of the rule of equity while exchanging favour will cause a humiliating loss of ‘social status’ or ‘code of honor’ (Gries 1999, p.67), which leads to be defined as untrustworthy. What is worse is their guanxi relationship deems to be jeopardized (Hwang 1987; Luo & Chen 1996; Luo 1997b). In short, the recipient owes favour to the benefactor and must be obligated to repay the debt of renqing in the future (Wong 1998a). Moreover, the Chinese culture emphasizes the value of maintaining a harmonious society and the appropriate arrangement of interpersonal relationships. Particularly, the prevalent nepotism, which is a historical inheritance of Confucian, still predominates the Chinese business force (*Chinese culture* 2004; Luo 2000; Seng & Lim 2004).

Surviving in such a guanxi-based society and under the driving force of Confucian philosophies and social obligations, even the Resource Allocators cannot help following the rule of reciprocity and equity (Davies et al. 1995; Gold et al. 2002; Hwang 1987). Indeed, favour provides the moral foundation for the social norms of reciprocity and equity in a harmonious community. Theoretically, the web of an interpersonal relationship network with the vertical guanxi domain is weaved over a continued process of reciprocity and equity of favour with harmony (Davies et al. 1995; Luo & Chen 1996; Luo 2000; Wong & Leung 2001). This notion can perhaps be best elucidated by what two of the guanxi leading scholars have defined “ ... favour, to a certain extent, refers to the use of an individual holding office to control resources or to provide special treatment regarding resources allocation of physical or invisible asset, such as the permission to import or export ...” (Wong & Leung 2001, p.95). In this context, favour is tactically operated with the vertical guanxi network, which benefits a firm with a 1) source of information, 2) source of resources, and 3) source of

procurement. Thus, the following forecasts are made for testing.

Hypothesis 1a. Favour will be associated with the source of information.

Hypothesis 1b. Favour will be associated with the source of resources.

Hypothesis 1c. Favour will be associated with the source of procurement.

Interactions Between Favour and Market Position and Market Transaction

To inspect the interactions between favour, and market position and market transaction in the horizontal guanxi network, an overview to the insight of the unique Chinese business practicing must be elucidated. In a relationship-based society, the cultivation of guanxi is an integral part of doing business, as business deals grows out from relationships (Vanhonacker 2004). The elucidation to this assertion is perhaps best articulated by Jiang (2003, p.116) who denoted "... sales force marketing, and activity heavily dependent in guanxi, has become an increasingly popular and effective marketing means ...", as well as Luo (1995, p.13) who claimed "... guanxi, the fertile soil for sales force marketing, binds literally millions of Chinese firms into an expensive network of relations that can be particularly useful when expanding market shares ...". Firms are bound in the horizontal guanxi network called guanxi hu, which is a Chinese term that is applied to business connections in the task environment (Davies et al. 1995; Luo & Chen 1997). The bond and obligation between guanxi hu (guanxi member) lead them to dedicate the most beneficial treatments to other guanxi hu and vice versa in the guanxi network (Pearce & Robinson 2000). This Chinese business structure has been defined to what is so called a 'business family' (Chen 2001). This 'business family' generates mutual benefits with firms in an abundance of aspects such as building up company reputation, exchanging market information and increasing

prospecting (Davies et al. 1995; Kipnis 1997; Han 2003; Luo, 1997; Luo 2000; Park & Luo 2001; Leung et al. 1995a; Yau, Lee, Chow, Sin & Tse 2000; Yi & Ellis 2000). Most importantly, these mutual benefits would strengthen a firm's core competence and distinctive competitive advantage (Luo & Chen 1997), and enhance business efficiency and effectiveness that can ultimately lead to higher performance (Ambler, Styles & Wang 1999; Luo 1997b; Luo 2000; Park & Luo 2001; Yau et al. 2000). Indeed, the guanxi network is the characteristic basis for all business dealings and the success of relationship marketing in China (Pearce & Robinson 2000). Yet, weaving an interpersonal network in the horizontal guanxi domain, the exchange of favour (renqing) is determined as one of the major tactics, which helps maintain a durable and quality guanxi relationship (Hwang 1987; Hackley & Dong 2001; Luo 2000; Wong & Leung 2001; Yeung & Tung 1996). In essence, favour is advantageously interacted with the horizontal guanxi network, which enhances a firm's market position and market transaction.

A number of guanxi leading researchers have theoretically identified the collaboration between favour and market position and market transaction in the horizontal guanxi network (e.g., Gold et al. 2002; Hwang 1987; Luo 2000; Wong & Leung 2001; Yeung & Tung 1996). The prominent finding from these studies is that the rule of reciprocity and equity is prevailing in the Chinese business community, and thus, exchange of favour is one of the indispensable approaches to cultivate a guanxi relationship in the competitive force environment for business effectiveness. This societal phenomenon is attributed to the Chinese cultural value, which has been shaped by the Confucian social norms. Psychologically, Chinese people deeply believe that the rule of reciprocity and equity is as true as a cause and effect relationship, such that favour giving is commonly regarded as a social investment in which return of favour is expected when the

circumstance is permitted (Yau et al. 2000). Indeed, "... favouritism is regarded as the flexibility within a transaction or contracting, and it is an important unseen variable ..."

(Wong & Leung 2001, p.108). Besides, Chinese strongly believe the notion that "... providing convenience for others also means giving convenience to you ..."

(Leung et al.1995b). This is one of the psychologies underpinning the exercise of favouritism in the horizontal guanxi network.

In a business context, favour links to market position and market transaction on both an individual and an organizational basis. Individually, a favour giving may initiate on an individual basis by ways of offering a special pricing benefit or extra services, introducing a business associate or providing personal assistance to business connections. In return, future businesses facilitation is expected (Yau et al. 2000). Organizationally, favour may be granted by providing faster logistic routine, or offering an extension of time for repayment or granting higher credit. However, return of favour is expected in the future (Luo 2000). Indeed, favoritism is customary in most business activities in the horizontal guanxi network, which in turn facilitates a firm's market position and market transaction (Wong & Leung 2001). In other words, favour relates to the enhancement of a firm's market position and market transaction in the horizontal guanxi network. Accordingly, there is a prediction that favour will be related to market position and market transaction in the horizontal guanxi network.

Hypothesis 1d. Favour will be associated with the market position.

Hypothesis 1e. Favour will be associated with the market transaction.

Interactions Between Opportunism and Source of Information, Source of Resources, and Source of Procurement

Opportunism is interactive with 1) source of information, 2) source of resources, and 3) source of procurement through the vertical guanxi network. The notion of this assertion is perhaps best elucidated by the statement "...opportunism is a form of favour exchange, and to a certain extent, involves the use of the influence of an individual who is in the position to control resources, or to provide preferential treatment to a person in the allocation of physical or invisible assets, such as permission of import or export goods ..." (Wong & Chan 1999, p. 114). This contention is mainly attributed to the poor institutional legal system and the unstable political system in contemporary China. In particular, the individual or corporate rights are not being properly protected by a reliable legal infrastructure. Although substantial changes have been made through the gradually marketization of the economy (Davies et al. 1995) under the combined planned and market systems (Luo 2000; Park & Luo 2001), the Chinese state regulatory regime remains the most powerful and most multifaceted, but least predictable. This condition has resulted in the disbelief that the government policy is like the moon as it is different in the middle of the month than it is on the first day of the month (Saxenian 2003). Predominantly, the essential resources are still under the major control of various levels of administrative authorities. As a consequence, many Chinese business people have become opportunists (So 2004), and have placed a high emphasis on pragmatism for business, which may persuade opportunism, and sequentially, rely on the vertical guanxi network to attain a greater source of information, enhanced source of resources, and attractive source of procurement (Wong & Leung 2001). Indisputably, opportunism links to source of information, source of resources and sources of procurement through the vertical guanxi domain. This leads to the following

hypotheses for testing.

Hypothesis 2a. Opportunism will be associated with the source of information.

Hypothesis 2b. Opportunism will be associated with the source of resources.

Hypothesis 2c. Opportunism will be associated with the source of procurement.

Interactions Between Opportunism and Market Position and Market Transaction

The interactions of opportunism and the horizontal guanxi network, which facilitates a firm's market position and market transaction, have been theoretically documented in the literature. Numerous guanxi scholars (Luo 2000; Park & Luo 2001; Wong & Leung 2001) have contended that in the transitional economy of China, which is still a relationship based society coping with non transparency of rules and lack of regulation on market competition, firms have been largely relying on a guanxi network to minimize risk, to overcome bureaucratic obstacles and minimize transaction costs. In turn these outcomes enhance business image building and market efficiency. Indeed, entering into the horizontal guanxi network, that glues Chinese firms into a vast social and business web, is a defensive strategy, which is one of the reactions to opportunistic behaviour for goal accomplishment. This is consistent to the Transaction Cost Analysis (TCA) theory (Williamson 1975), which defined that the business decision makers may pursue their self interest with incomplete or misleading information disclosure (opportunism). Such an approach was mainly attributed to the limited information (bounded rationality) the market may provide. These boundary limitations can be demonstrated as insufficient services and goods allocation caused by market and regulatory barriers (Kogut 1988; Teece 1986). Overall, the contentions that are generated from the literature (Luo 2000; Park & Luo 2001; Wong & Leung 2001)

indicate that opportunism is strategically attached to the horizontal guanxi network to strengthen a firm's market position and market transaction. Hence, it is hypothesized.

Hypothesis 2d. Opportunism will be associated with the market position.

Hypothesis 2e. Opportunism will be associated with the market transaction.

Interactions Between Trust and Source of Information, Source of Resources, and Source of Procurement

Trust interacts with 1) source of information, 2) source of resources, and 3) source of procurement through the vertical guanxi network based on a cause and effect relationship. This logic perhaps is best elucidated by a dialogue, which was provided by Photronics ECO in the interview with Wickenheiser (2002) where it was contended “ ... every thing is done on handshake...”. After a government official at one level trusts you, this official will introduce you to a superior, who has the capacity to extend the relationship to greater hierarchical levels. Such continued introductions are likely to give substantial contacts with governmental authorities (Resource Allocators), which will bring to people immense benefits. Simply put the Chinese business rules and regulations are often vague, conflict, and can even change at ‘lightening speed’ (Lo & Everett 2001), but the bureaucrats possess enormous interpretative powers to the policies that can easily guide to various shades of gray within their guanxi web (Vanhonacker 2000). In particular, the scarce resources are under the control of powerful officials who often give project approval, advance critical resource and desire material allocation, financing and distribution arrangement, and have access to infrastructure and legislative decisions (Luo 2000; Peng & Luo 2000; Park & Luo 2001). Indeed, the government policy is similar to the sun, people flourish when it shines on them (Saxenian 2003). A somewhat equivalent notion was made by Karen

Sutter, the Director of Business Advisory Services for the US-China Business Council. She stated that a successful business in China is more likely to be conducted by those that have a deep institutional relationship (Wickenheiser 2002). This evidence would suggest it is, therefore, vital to cultivate trust with the vertical guanxi network. This contention has been endorsed as an indispensable strategic tool that can help firms keep 'above the water' in navigating the turbulent environment of Communist China (Luo 1995; Luo 1997b; Shenkar 1990). In effect, trust is related to the vertical guanxi network for accomplishment of 1) source of information, 2) source of resources, and 3) source of procurement. Thus, in this study, it is expected.

Hypothesis 3a. Trust will be associated with the source of information.

Hypothesis 3b. Trust will be associated with the source of resources.

Hypothesis 3c. Trust will be associated with the source of procurement.

Interactions Between Trust and Market Position and Market Transaction

Chinese business people place high value on the notion of interpersonal trust to ensure certainty in market position and command in market transactions (Davies et al. 1995; Tong & Yong 1998; Luo 2000; Wong & Leung 2001). This cultural phenomenon is mainly attributed to the distrust of the legal system and the Chinese business structures. While the incomplete legal sanctions are neither supportive for exchange of performance, nor functional for contractual contingencies, the institution of interpersonal trust has become a form of compensatory coping mechanism for navigating the bureaucratic irritation (Tong & Yong 1998). Moreover, the Chinese business structure is predominantly built around clan like networks, with immediate family and kinship at the core (Yau et al. 2000). Trust is defined as a cultural and

business feature upon which people can base on honesty and integrity of others to bypass external agencies or contractual commitments. Consequently, trust is based on shared values and this phenomenon operates on the basis of role obligation, moral obligation, and duty towards the business community network (Blackman 2000). Furthermore, in business transactions, trust is regarded as the basis of successful negotiation (Woo & Prud'homme 1999). And when trust has been established, 'one's word' can be taken in a business transaction (Wong & Leung 2001). For example, Tindal (2003, p.3) contended "...without guanxi and trust, you would find your Chinese venture short-lived...". Moreover, empirical evidence (Wong 1998a; Wong & Leung 2001) has further supported that trust is positively related to sales performance. Indeed, this is the Chinese way of relationship marketing, in which, trust takes the place of an unstable legal and regulatory environment and facilitates business engagements (Yau et al. 2000). Often trust is reciprocally interacted with the market position and market transaction in the competitive task environment. In this manner, it is logical to generate the following hypotheses for assessment.

Hypothesis 3d. Trust will be associated with the market position.

Hypothesis 3e. Trust will be associated with the market transaction.

Interactions Between Uncertainty and Source of Information, Source of Resources, and Source of Procurement

Numerous guanxi researchers have identified that the connections between uncertainty with 1) source of information, 2) source of resources, and 3) source of procurement in the vertical guanxi domain (Davies et al. 1995; Luo 2000; Tong & Yong 1998; Vanhonacker 2000; Wong & Leung 2001). The prominent finding from these studies has led to a conclusion that due to the widespread distrust and great uncertainty to the

ambiguity of the Chinese legal and economic systems, business people have rarely depended on the law and regulations, but prefer to store social resources in the form of guanxi for business accomplishment (Tong & Yong 1998; Vanhoner 2000; Wong & Leung 2001). The best elucidation to this unique societal phenomenon is probably "... Chinese people have found alternatives to personal wealth and security in the form of guanxi, which may be described as symbolic capital and mutual obligation and trust, and are alternatives to contracts and legal rights ..." (Buttery & Wong (1999, p.4). Indeed, in a relationship-based society, with juxtaposition of the relatively insufficient infrastructure development and the incomplete commercial laws, particularly, the general absence of source of information and resources that are still under control of various levels of powerful Resource Allocators (Hwang 1987; Redding 1995), people have inescapably relied on personal power to advance personal interest and achieve business goals (Wan, MacAulay, Zhou & Chudleigh 2000). As a consequence, guanxi has become a coping mechanism that people use to substitute for the formal institution (Pye 1995; Gold et al. 2002), most importantly, to attain reliable information and limited resources in an environment that was insufficiently protected by a proper legal system (Kidd & Richter 2003).

Undeniably, the psychology of uncertainty has been generated from the lack of a strong judiciary (Wilson 2001). This situation has in fact led to the prevalence of personal power (Gold et al. 2002; Schramm & Taube n.d; Grainger 2003), which consequently, creates a substantial tie for reliance on the guanxi network (Li 2004; *Chinese culture* 2004). Taken together, the previous research demonstrate that uncertainty is compellingly dependent on the vertical guanxi network for attaining 1) source of information, 2) source of resources and 3) source of procurement. This leads to the following hypotheses for testing.

Hypothesis 4a. Uncertainty will be associated with the source of information.

Hypothesis 4b. Uncertainty will be associated with the source of resources.

Hypothesis 4c. Uncertainty will be associated with the source of procurement.

Interactions Between Uncertainty and Market Position and Market Transaction

Substantial interest has been dedicated to examine the association between uncertainty and the horizontal guanxi network, which benefits a firm's market position and market transaction (Davies et al. 1995; Kidd & Richter 2003; Luo 2000; Wong & Leung 2001). A distinctive discovery from this research has led to a contention that the psychology of uncertainty, which was generated from the high level of institutional uncertainty and the unprotected intellectual property right, has, consequently, instituted the prevailing corroboration of interpersonal relationship for capital pooling, as well as information and risk sharing in a competitive task environment (Redding 1995; Wong & Leung 2001; Seng & Lim 2004). The notion of this contention perhaps is best explicated as "... information market imperfection in a transitional or uncertain environment necessitates the emergence of guanxi hu ..." (Luo 2000, p.45), and "... guanxi networks can be seen as clubs that guarantee their members the enforceability of available property rights in an institutionally disorderly environment, thus lowering transaction costs (in the form of contract and especially control costs) ..." (Kidd & Richter 2003, p.278). In essence, information circulated around guanxi hu from dependable sources is more trustworthy and valuable, which, in turn, saves transaction costs in terms of market research and allows informed decisions to be made by guanxi hu partners (Luo 2000) through "guanxi wang" (Pablos 2005).

Most importantly, the business network of the guanxi hu provides their members with

competitive advantages. This advantage can be exercised as reduced market uncertainty, and increased market efficiency and effectiveness. These outcomes have potential to enhance a firm's market positioning and transaction smoothness. It can thus, be contended that this informal networking system is likely to "...remain a central role for the exchange of information, protection of property and enforcement of contracts in the foreseeable future..." (Wilson 2001, p.9). The logic presented in the existing studies has suggested (e.g., Davies et al. 1995; Kidd & Richter 2003; Luo 2000; Wong & Leung 2001) that uncertainty is strategically attached to the horizontal guanxi network, which benefits a firm with market position and market transaction. Accordingly, it is predicted.

Hypothesis 4d. Uncertainty will be associated with the market position.

Hypothesis 4e. Uncertainty will be associated with the market transaction.

Interactions Between Dependence and Source of Information, Source of Resources, and Source of Procurement

The correlation between dependence and the vertical guanxi network for attainment of 1) source of information, 2) source of resources, and 3) source of procurement is claimed to be one of important features of Chinese environments (Davies et al. 1995; Luo 2000; Wong & Leung 2001). Such contention is probably attributed to the fact that China's economy is still in a shortage condition (*Understanding the Chinese business networking concept: "Guanxi"* 2004), and the main power for taxation privilege, speedy approval, restricted license, and resource allocation is still restrained by various levels of bureaucratic administration (Leung et al. 1995b; Luo 2000; Wong & Leung 2001), which has led people to the psychology of self protection, which has, subsequently, stimulated the dependence on interpersonal relationship for defense. Self

protection in a society, that is typified by a weak legal system and social insecurity, has resulted in the building of 'informal' ties and communally dependent on the guanxi network as a substitute for institutional codes (Fock & Woo 1998; Li, Tsui & Weldon 2000). Yet, such a defense mechanism that has resulted from disbelief of the legal and political system, and the dependence on 'informal' ties was fundamentally the force elements, which lead strong bonds to the growth of the guanxi network (Wong & Leung 2001).

Relying on the right connections with the Resource Allocators in the vertical guanxi network has capacity to benefit business success in various aspects. The advanced information and essential resources yielded from the vertical guanxi web has potential to help firms to defeat the redundant bureaucratic hassles and problem of insufficient resource that arise from internal operations, as well as to increase business efficiency and enhance business success (Fock & Woo 1998; Tsang 1998; Luo 2000; Park & Luo 2001; Wong & Leung 2001). The ignorance to the Resource Allocators, who have a high degree of interference in decision making, might cause numerous unexpected obstacles and disadvantages to the business venture (Saxenian 2003). Indeed, Chinese organizations have been dependent on the vertical guanxi network to gain access to the source of information and accomplish essential resources for facilitating business success (*Chinese business culture* 2004; *Chinese culture* 2004; Fock & Woo 1998). In this way, dependence is strategically associated the vertical guanxi network, which provides firms with a vital source of information and essential operational resources. Consequently, there is an expectation that dependence will be related to these three vertical guanxi network facets.

Hypothesis 5a. Dependence will be associated with the source of information.

Hypothesis 5b. Dependence will be associated with the source of resources.

Hypothesis 5c. Dependence will be associated with the source of procurement.

Interactions Between Dependence and Market Position and Market Transaction

There have been reported findings that dependence is linked with the horizontal guanxi network for achievement of market position and market transaction (Davies et al. 1995; Luo 2000; Wong 1998a; Wong & Leung 2001). It is contended that dependence is inevitable in the competitive task environment. Simply put, few organizations can generate all the required resources and functions that are demanded internally to sustain the business processes (Wong & Leung 2001). Hence, organizations inescapably endeavor to compete for better resources that probably are under the control of other parties, particularly, in the ever changing Chinese business environment, the process of competition for better resources involves a certain extent of uncertainty (Davies et al. 1995). To avoid being controlled by other parties, and to secure the stability and assurance for resources, organizations in business relationships are inevitably linked with each other according to a certain degree of mutual dependence in the guanxi network (Wong & Leung 2001). Mutual dependence, on the one hand, is one of the reasons for business cooperation and one of the key elements for business relationships. On the other hand, mutual dependence may help firms survive in an environment that is characterized by social insecurity and distrust of formal institutions and laws (Leung et al. 1995a). Indeed, the weak legal environment and the lack of transparency have spurred people to depend on the guanxi system reciprocity to accomplish business goals (Fock & Woo 1998; Pye 1995; Stuttard 2000; Koenig Tith & Ludlum 2004). As a consequence, the approach of mutual dependence, which was induced by the unstable economic environment and incomplete legal system, promotes the reliance of the

guanxi network for business success. Empirical findings (Wong 1998a; Wong & Leung 2001) have further supported that dependence is positively correlated with sales stability. Taken together, these previous studies indicated that dependence is tactically associated with the horizontal guanxi network, which promotes market position and market transaction. Thus, the following postulated relationships are worthy of examination.

Hypothesis 5d. Dependence will be associated with the market position.

Hypothesis 5e. Dependence will be associated with the market transaction.

Interactions Between Adaptation and Source of Information, Source of Resources, and Source of Procurement

Adaptation is regarded as a flexible tool to attain reliable information and valuable resources through the vertical guanxi network in a Chinese economic transitory environment that is lacking of fixed rules and regulations (Wong 1998a; Wong & Leung 2001). In spite of the speedy change and development in the Chinese economy, since the reform policy that has taken place in 1978, the realization of a completely functioning legal system with limited government interference will be likely to take decades (Saxenian 2003). In essence, the Chinese political environment has been an autocratic type ruling within a benevolent and administrative manner (Wong 1998c). Paradoxically, strategies have to be frequently changed to react to the changing circumstances and policies. In this context, swift action is achieved by adaptability (Wong & Leung 2001). And in particular, the Chinese cultural emphasizes on maintaining internal harmony, which is to be achieved by compromising individual interests, maintaining social conformity, adopting non offensive strategies, and

submission to social expectations (Hwang 1987). In the circumstance that information and resources are in shortage, Chinese business people would usually make a petition to the relevant Resource Allocators through a guanxi relationship. When permitted, the Resource Allocators are inclined to follow the rule of renqing and compromise to the request. In the process of such an usual practice, adaptation occurred to both parties, in which, Chinese business people respect the 'rules of the game' whereas the Resource Allocators are adjustable to the 'renqing' rule (Hwang 1987; Wong & Leung 2001). Indeed, in a business environment that has a lack of transparency of information and complete polices, the prevailing business success in Chinese society reflects the ability to be flexible and adaptable within the network based on the Confusion social norms (Hwang 1987; Luo 2000; Wong & Leung 2001). Drawing from this literature, adaptation is virtually interacted with the vertical guanxi domain, which provides 1) source of information, 2) source of resources, and 3) source of procurement to enhance business success. Consequently, it is hypothesized,

Hypothesis 6a. Adaptation will be associated with the source of information.

Hypothesis 6b. Adaptation will be associated with the source of resources.

Hypothesis 6c. Adaptation will be associated with the source of procurement.

Interactions Between Adaptation and Market Position and Market Transaction

The interactions between adaptation with market position and market transaction in the horizontal guanxi network have been identified in the existing literature (Wong 1998a; Wong & Chan 1999; Wong & Leung 2001). A prominent finding of these studies has led to a conclusion that adaptation with guanxi hu in the Chinese business force is a strategic approach for facilitating business success. Simply, the approach of adaptation

has the potential to benefit business development in numerous aspects. These benefits may help business revenue expansion, cost reduction or differential control over the agreed transactions. Yet, all these advantages would no doubt contribute towards business image building and market transactions (Wong & Chan 1999; Wong & Leung 2001). In practice, adaptation has been termed as "... a mutual and substantial investment, which affects sales performance to a large extent ..." (Wong & Leung 2001, p. 187). Additional empirical findings further support a perspective that adaptation is positively correlated with sales stability, as well as past and future sales performance (Wong 1998a; Wong & Chan 1999; Wong & Leung 2001). Indeed, the general business success in a Chinese business environment represents the high flexibility and adaptability within the guanxi network based on the trust and reciprocity (Hwang 1987; Luo 2000; Wong & Leung 2001). In practice, adaptation with guanxi hu in the horizontal guanxi dimension advantages a firm's market position and market transaction engagements. The logic that was generated from research endeavours forges a link between adaptation and market position and market transaction. Accordingly, the following theoretical relationships are advanced.

Hypothesis 6d. Adaptation will be associated with the market position.

Hypothesis 6e. Adaptation will be associated with the market transaction.

BUSINESS STRATEGY ORIENTATION WITH VERTICAL AND HORIZONTAL GUANXI NETWORK

The business strategy orientation is interactive with the vertical guanxi network and horizontal guanxi network. The block of variable of the business strategy orientation has six sub variables, which have been identified as 1) overall leadership on resources,

2) overall leadership on quality, 3) overall leadership on sales volume, 4) differentiation with overall cost leadership, 5) focus, and 6) preemptive move. In the block of variable of the vertical guanxi network, there are three sub variables, which have been delineated as 1) source of information, 2) source of resources, and 3) source of procurement. Whereas in the block of variables of the horizontal guanxi network, there are two sub variables, which have been identified as 1) market position, and 2) market transaction. The conceptual model, shown as Figure 2, infers there is an arrangement of hypotheses between all the sub variables of the business strategy orientation and all the sub variables of the vertical guanxi network and the horizontal guanxi network. The interactions between the postulated relationships are addressed in a linear sequence, which will lead to the generation of relevant hypotheses. This process commences with the operations of the sub variable of overall cost leadership on resources and the sub variables of the vertical guanxi network.

Interactions Between Overall Cost Leadership on Resources and Source of Information, Source of Resources, and Source of Procurement

There is an increasing recognition that the strategy of overall cost leadership on resources is operationalized with 1) source of information, 2) source of resources, and 3) source of procurement (Chen 2005, 2006; Cui 2005; Luo 2005; Tian 1996; *How was the hidden rules of the governmental authorities formulated?* 2007; *Twenty five thousand swaps one million: a case of promoting branding image at low cost* 2007; Zhang 2004; Yuan 2007). A prominent finding from these commentaries has led to a implication that firms applying an overall cost leadership on resources strategy are likely to maintain effective relationships with the local administrative authorities in the vertical guanxi network, which provides the essential and operational resources to

sustain the realization of the strategy of overall cost leadership on resources. Particularly, the small to medium size firms and overseas-invested business organizations were revealed to have high requisite for being ahead of the information and resources through the vertical guanxi potential, simply because the Chinese government authorities normally release approximately half of the information to public via media and allow the remaining information resources for favourable interpretations within the guanxi web (*How to develop digitalization with Chinese characteristics* 2006). The findings of the existing reports probably can be elucidated by the factual that having the ‘superior ties’ (Luo, 2000) with government officials would help firms in acquiring enhanced resources such as upcoming changes of rules, economic trends for business opportunity leads, scarce resources and tax privilege. Overall, these competitive advantages are surely vital for business survival in the contemporary Chinese marketplace (Child et al. 2000; Fork & Woo 1998; Luo 2000; Tsang 1998; Wong & Leung 2001; Yi & Ellis 2000). Based on the reported evidence, the strategy of overall cost leadership on resources is interactive with 1) source of information, 2) source of resources, and 3) source of procurement in the vertical guanxi network. Consequently, the following three hypotheses are generated.

Hypothesis 7a. Overall cost leadership on resources will be associated with the source of information.

Hypothesis 7b. Overall cost leadership on resources will be associated with the source of resources.

Hypothesis 7c. Overall cost leadership on resources will be associated with the source of procurement.

Interactions Between Overall Cost Leadership on Resources and Market Position and Market Transaction

There have been anecdotal documentaries that the strategy of overall cost leadership on resources is associated with the market position and market transaction in the horizontal guanxi network. For example, Fu (2006) has observed that firms employing an overall cost leadership on resources strategy needs to maintain a practical business network, particularly a functional ‘supply chain’ with suppliers in the horizontal guanxi domain in order to maximize the overall command in resources and effectiveness of marketing. Such an assertion was sustained by Chen (2006), who has commented that an operational guanxi relationship in the competitive task environment is essential for the user of overall cost leadership on resources to enhance resources allocation and market transaction. This notion was further supported by numerous discoveries that have been reported in various Chinese business strategic periodicals (e.g., *The distinctive study on the outsourcing mode in the context of supply chain* 2007; *The strategy and approach of minimizing purchasing cost* 2007; *The eight successful sales strategies for small to medium size construction material companies* 2007). An observable discovery from these reports is that firms applying the strategy of overall cost leadership on resources are wise to collaborative with the horizontal guanxi network, which facilitates operational resources and effective business transactions. According to these perspectives, the interactions between overall cost leadership on resources strategy and the market position and market transaction are posited.

Hypothesis 7d. Overall cost leadership on resources will be associated with the market position.

Hypothesis 7e. Overall cost leadership on resources will be associated with the market transaction.

Interactions Between Overall Cost Leadership on Quality and Source of Information, Source of Resources, and Source of Procurement

The interactions between the strategy of overall cost leadership on quality and 1) source of information, 2) source of resources, and 3) source of procurement through the vertical guanxi network have attracted considerably research attention in the Chinese business strategy forums (*About customer management* 2006; *Children wares: How to economically expand business* 2007; Gao & Xu 2004; Luo 2005; Tian 2001; *The robust sales dissemination at low cost* 2005; *The foundation and development of Pujiang crystal* 2006; Xie 2006; Zhang 2007). The key finding from these information has led to an allegation that having a guanxi relationship with the local governmental regulators is the most effective way for the user of the overall cost leadership on quality to attain valuable information and resources in the Chinese environment where there is a lack of legal protection. The notion of this contention is probably attributed to a viewpoint that the vertical guanxi network assists the insiders with better command in terms of cost effectiveness and norm of quality, which underpins the implementation of the strategy of overall cost leadership on quality. Most importantly, the essential supports provided by the vertical guanxi connections enhance the user of overall cost leadership quality strategy with viable advantages over rivals in the competitive task environment (*The biggest challenge to the international relationship of exporting China vehicles* 2006; *The economical dissemination strategy for facilitating brand development* 2007; Zhang 2006; Yuan 2007). In this context, the strategy of overall cost leadership on quality is operative with 1) source of information, 2) source of resources, and 3) source of procurement in the vertical guanxi domain. Hence, the following postulations are presented.

Hypothesis 8a. Overall cost leadership on quality will be associated with the source of information.

Hypothesis 8b. Overall cost leadership on quality will be associated with the source of resources.

Hypothesis 8c. Overall cost leadership on quality will be associated with the source of procurement.

Interactions Between Overall Cost Leadership on Quality and Market Position and Market Transaction

Increasing research attention has been dedicated to investigate the operations of the strategy of overall cost leadership on quality with the market position and market transaction. In early years, Mo (2003) emphasized that one of the core tasks for the strategy of overall cost leadership on quality is to develop an operative network with guanxi hu and business associates, and this is regarded as the wisest approach to be in good command of cost effectiveness and quality standard. These advantages would be value added to firm's competitive edges for business success. Recently, Yuan (2007) has advocated that firms applying an overall cost leadership on quality strategy required passionate management on the horizontal guanxi network, which benefited business development and smooth market transaction. Moreover, Ji (2007) has advanced that having reliable guanxi relationships in the competitive task environment has the potential to strengthen capability of the user of the strategy of overall cost leadership on quality in overwhelming business contingency. These findings are supportive to the documentaries of Chinese business strategy forums (e.g., Tian 1996; Yu & Liu 2006; *Attitude wins respect while honesty rewards understanding* 2006; *ERP and outsourcing management* 2001; *"Three specialties mode" successful operates tonic food market at*

low cost 2007; “Bizfriends Telecommunications” management of CRM business network 2007). Taken together, the finding from these articles has depicted the interactions between the strategy of overall cost leadership on quality and the horizontal guanxi network, which enhances business prospective and smooth transaction. As a result, the relationships between the strategy of overall cost leadership on quality and the market position and market transaction are theorized for testing.

Hypothesis 8d. Overall cost leadership on quality will be associated with the market position.

Hypothesis 8e. Overall cost leadership on quality will be associated with the market transaction.

Interactions Between Overall Cost Leadership on Sales Volume and Source of Information, Source of Resources, and Source of Procurement

A growing interest has been dedicated on the interactions between the overall cost leadership on sale volume and 1) source of information, 2) source of resources, and 3) source of procurement in the vertical guanxi network (*How can agricultural enterprises improve their cost competitive edge 2007; Jiang 2002; Liao 2007; Liu & Wang 2006; Luo 2005; Shen 2005; Shenzhen creativity united: Realization of digitalization through cost leadership strategy 2006; Yan 2005; Zhang 2007; Xiao 2006*). A major finding from these periodicals has resulted in the indication that firms applying the strategy of overall cost leadership on sales volume necessitated to establish a close or cooperative (if possible) relationship with various governmental administrative departments for supportive information and resources, which affect the cost efficiency and the sales performance directly. Such a contention is mainly attributed to the non transparency of the Chinese information system, particularly, where the bureaucratic authorities have

numerous interpretation powers over the 'rules of the game', the dependence on the vertical guanxi network to acquire beneficial information and positive interpretation of regulation has consequently become a strategic mechanism for business survival in a rapidly changing business environment (Davies et al. 1995; Gold et al. 2002; Leung et al. 1996; Luo 2000; Park & Luo 2001; Wong & Leung 2001). In this manner, the strategy of overall cost leadership is operationalized with the vertical guanxi network to attain 1) source of information, 2) source of resources, and 3) source of procurement. This leads the following forecasts.

Hypothesis 9a. Overall cost leadership on sales volume will be associated with the source of information.

Hypothesis 9b. Overall cost leadership on sales volume will be associated with the source of resources.

Hypothesis 9c. Overall cost leadership on sales volume will be associated with the source of procurement.

Interactions Between Overall Cost Leadership on Sales Volume and Market Position and Market Transaction

Recent research attention has been gradually devoted on the interactions between the strategy of overall cost leadership on sales volume with the market position and market transaction in the horizontal guanxi network. For example, Chen (2006) has contended that sustaining an operative guanxi network in the competitive task environment is one of the most economical and effective means for the user of overall cost leadership on sales volume strategy to enhance business engagements. The notion of this assertion was consisted with the reports of Chinese business strategy forums (e.g., Kuang 2007; *Roundtable documentary: from overall cost leadership strategy to manufacturing*

center of the world 2005; *The overall cost leadership marketing strategy for small to medium enterprises* 2007; Yuan 2007). Moreover, it is advocated that firms applying the strategy of overall cost leadership on sales volume should maintain a ‘lover’ relationship with guanxi members and a ‘good friend’ relationship with guanxi hu for future business facilitations (*Children wares: how to economically expand business* 2007). This approach was supportive to the concept of *About customer management* (2006), which suggested that guanxi hu (customers) should be respected as the ‘god’, who awarded you the business. In addition, Fu (2006) has stressed that the strategy of overall cost leadership on sales volume should be accompanied by an ‘old friend’ approach with guanxi connections, particularly in the ‘supply chain’, which played a core role in the business transaction. Indeed, in a relationship based Chinese business environment, business deals grow out from relationships (Vanhonacker 2004), firms applying the strategy of overall cost leadership on sales volume are tactically to rely on the horizontal guanxi network for higher sales performance, which in turn, improves market share and business transaction. On the basis of the existing finding, it is apparent that firms applying the strategy of overall cost leadership on sales volume are strategically collaborated with the horizontal guanxi network for enhancement of market position and the market transactions. Accordingly, the following two hypotheses were generated for testing.

Hypothesis 9d. Overall cost leadership on sales volume will be associated with the market position.

Hypothesis 9e. Overall cost leadership on sales volume will be associated with the market transaction.

Interactions Between Differentiation with Overall Cost Leadership and Source of Information, Source of Resources, and Source of Procurement

The strategy of differentiation with overall cost leadership is a combined strategic approach of differentiation strategy and overall cost leadership strategy (Porter 1980, 1985). It is contended that differentiation with overall cost leadership strategy is the most competitive strategic approach, which is highly advocated and has been gradually adopted in the contemporary Chinese business environment (Feng 2006; Kang 2006; Kuang 2005; Luo 2006; Yan 2005; Yu & Liu 2006; Yu & Kuang 2006; Yu 2005; Zhou 2004; Zhou 2005; Zhao 2007). There has been considerable documentation on the interactions between this combined strategy and 1) source on information, 2) source of resources, and 3) source of procurement in the vertical guanxi network (e.g., Feng & Zhang 2005; *Happy marketing: Constructing a strong marketing system* 2003; Liu 2007; Li 2007; *The overall cost leadership strategy of children wares' brand and the network becomes the core* 2007; Wu 2006; Weng 2007; Zhou 2005). A prominent finding from these reports is that differentiation with overall cost leadership strategy is associated with the vertical guanxi network, which provides information and resources support to protect the intellectual properties that were innovated by the user of differentiation with overall cost leadership strategy. The notion of this allegation is mainly attributed to the fact that the Chinese intellectual right system is not properly functioned (Seng & Lim 2004). From prevailing evasion to intellectual property right there has resulted to a condition that firms applying a differentiation with overall cost leadership strategy have heavily relied on the vertical guanxi network to attain protective information and resources. On this basis, the strategy of differentiation with overall cost leadership strategy is strategically linked with vertical guanxi network for information and resources.

Additional research effort has also been dedicated to examine the collaborations between respective strategies of differentiation and overall cost leadership with 1) source of information, 2) source of resources, and 3) source of procurement in the vertical guanxi network. For example, in the studies of Luo (2000), as well as Park and Luo (2001), the authors argued that, comparing the overall cost leadership strategy users, firms employing a differentiation strategy has relatively higher necessity to pursue the vertical guanxi network with the Resource Allocators to reduce uncertainty and stabilize demanded information and resources. The notion of this contention is chiefly attributed to the fact that differentiation strategy tends to focus on market opportunity leads and emerging market trends, and has to respond rapidly to institutional and economic changes in order to keep on the right trend in a dynamic market (Luo 2000; Park & Luo 2001).

Comparatively, firms applying an overall cost leadership strategy have lower necessity to operate with the vertical guanxi network comparing to the user of differentiation strategy (Luo 2000; Park & Luo 2001). The notion of such contention was underpinned by two philosophies. First, the strategy of differentiation with overall cost leadership aims for absolute cost advantages over rivals (Porter 1985), and mainly emphasizes the continuing improvement of operational efficiency and tends to ignore environmental changes, which in turn, confronts less cause and effect ambiguity, as well as the risk and outcome uncertainty (Rajagopalan 1997). Second, Differentiation with overall cost leadership sets limited operational budget and principally focuses on cost based competitive advantage (Porter 1980, 1985), whereas weaving a strong and operative guanxi web with Resource Allocators can be costly and is an ongoing investment, which may somewhat discourage overall cost leadership implementers from pursuing guanxi potential (Luo 2000; Park & Luo 2001). Although firms applying an overall cost

leadership may somehow have lesser necessity to utilize the vertical guanxi power compared to firms applying a differentiation strategy, the simultaneous application of a differentiation and overall cost leadership strategy, to a certain extent, is unavoidably to pursue support from relevant administrative authorities for information and resources, particularly, for the protection of intellectual property right. The generation of this supposition is also based on the factual that the transactional business systems are prevailingly based on the guanxi network, which enhances business accomplishment (Gold et al. 2002; Luo 2000; Wong & Leung, 2001; Seng & Lim 2004). Accordingly, the following postulations are generated for investigation.

Hypothesis 10a. Differentiation with overall cost leadership will be associated with the source of information.

Hypothesis 10b. Differentiation with overall cost leadership will be associated with the source of resources.

Hypothesis 10c. Differentiation with overall cost leadership will be associated with the source of procurement.

Interactions Between Differentiation with Overall Cost Leadership and Market Position and Market Transaction

There has been an increasing interest in the interactions between the strategy of differentiation with overall cost leadership and the market position and market transaction in Chinese business strategy management. For example, Jiang (2003) has revealed that the most tactical way for the user of differentiation with overall cost leadership strategy to improve market position is to sustain an extensive and reliable business network with guanxi hu. This contention was supported by Chen (2005), who has asserted that the user of differentiation with overall cost leadership strategy should

establish mutually beneficial relationships with business associates in the horizontal guanxi network to enhance business development. Recently, Yu (2007) has advanced that firms applying a differentiation with overall cost leadership strategy should maintain enduring relationships with guanxi connections for effective marketing. This concept was supplemented by Han (2007), who has stressed that an effective management on guanxi hu (customer) would maximize the business profit and market shares of the user of differentiation with overall cost leadership strategy. These perspectives have been well supported by various business strategy documentaries (e.g., *'Made in China' globalization, implementing overall cost leadership strategy* 2004; *From brand differentiation to product differentiation* 2005; Feng & Zhang 2005; Li 2007; Jiang 2007; *Twenty five thousand swaps one million: a case of promoting brand image at low cost* 2007; Zhou 2005; Wu 2006; Weng 2007; Yu 2007; Yu & Kuang 2006). Most importantly, the collaborations in the horizontal guanxi network would help the users of differentiation with overall cost leadership strategy mutually protect the intellectual property rights, where firms have invested considerable amount of funds and research effort (*Happy Marketing: Constructing a strong marketing system* 2003; Wu 2006; Yu 2007). Based on the findings from these contemporary perspectives, differentiation with overall cost leadership strategy is interactive with the horizontal guanxi network for accomplishment of market position and market transaction.

Supplementary research attention has also been devoted to the investigation of the collaborations between the respective strategies of differentiation and overall cost leadership with the horizontal guanxi network (e.g., Luo 2000; Park & Luo 2001). Empirical findings have revealed that differentiation strategy is centered in scrutinizing, discovering, and capitalizing on emerging market opportunity leads, and keen on continuing searches for rising market trends, experiments and technologies. Hence,

firms applying a differentiation strategy cope with a relatively larger possibility of failure, higher cause - effect ambiguity and outcome uncertainty for exploration of new ideas (Rajagopalan 1997). As a consequence, firms applying a differentiation strategy are more inclined to rely on the horizontal guanxi network to improve market position and market transaction. By comparison, firms applying an overall cost leadership strategy are likely to be less inclined to utilize the horizontal guanxi network, because this strategic approach strives for cost competitive edge among all sources and has a main emphasis on operational efficiency and tends to develop cost efficient single core technology (Porter 1985). Firms applying an overall cost leadership strategy tend to place little consideration to environmental changes, which has less impact on the operational efficiency (Rajagopalan 1997). For this reason, the strategic functions of the horizontal guanxi network are probably considered less significant to overall cost leadership strategy users.

Arguably, the overall cost leadership strategy users may be somehow lesser inclined to manipulate the guanxi potential comparing to the differentiation strategy users. However, the reported findings that are gathered from the existing studies have exposed that the strategy of differentiation with overall cost leadership required the collaboration with business associates in the horizontal guanxi network, which provide protection for intellectual property right and opportunities for business development. In addition, the prevailing manipulation of guanxi potential in the Chinese competitive task environment (Davies et al. 1995; Park & Luo 2001; Luo & Chen 1997; Luo 2000; Wong 1998a, 1998c; Wong & Leung 2001) is another environmental factor that causes the user of differentiation with overall cost leadership strategy to operate with the horizontal guanxi network to facilitate business transactions and market expansion. This leads the following hypotheses for examination.

Hypothesis 10d. Differentiation with overall cost leadership will be associated with the market position.

Hypothesis 10e. Differentiation with overall cost leadership will be associated with the market transaction.

Interactions Between Focus and Source of Information, Source of Resources, and Source of Procurement

The operations between focus strategy and 1) source of information, 2) source of resources, and 3) source of procurement has received increasing research attention in the Chinese business strategy journals over the last two years (e.g., *Creative marketing saves ancient white wine – Hengshui ancient white wine rejuvenation project* 2007; Zhao 2007; Huang 2005; Huang 2007; *What does Foshan Nanhai commercial illumination corporation lack of?* 2007). An observable feature of these reports is that the emphasis of the significant interactions of focus strategy and the vertical guanxi network, which advances essential information and resources for business survival. The notion of this finding is probably best explicated by the nature of focus strategy, which lays business options on an unique and narrow competitive market domain and requires the combination of the policies and conditions of both strategies of differentiation and overall cost leadership (Porter 1980). Whereas the strategies of differentiation and overall cost leadership were contended to be associated with the vertical guanxi network for information and resources though these two strategies have variation in need for the vertical guanxi support (Luo 2000; Park & Luo 2001). Particularly, the strong cultural elaboration of the guanxi network has been utilized as part of the business strategy for business success in the Chinese marketplace (Dayal-Gulati & Lee 2004), firms applying a focus strategy in a guanxi based task environment are inescapably involved to the widespread vertical guanxi network for essential

information and resources. Accordingly, there is an anticipation that focus strategy will be associated with source of information, source of resources, and source of procurement though the vertical guanxi domain.

Hypothesis 11a. Focus will be associated with the source of information.

Hypothesis 11b. Focus will be associated with the source of resources.

Hypothesis 11c. Focus will be associated with the source of procurement.

Interactions Between Focus and Market Position and Market Transaction

There is an increasing awareness that the focus strategy is interactive with the horizontal guanxi network to enhance market position and market transaction in Chinese business strategy study (e.g., *Creative marketing saves ancient white wine – Hengshui ancient white wine rejuvenation project 2007*; Zhao 2007; Huang 2005; Huang 2007; *What does Foshan Nanhai commercial illumination corporation lack of?* 2007). The key finding of these documents has forged an opinion that firms applying a focus strategy would be of essence to maintain expensive business connections in the horizontal guanxi network, which helps facilitate business image and logistic smoothness in the selected market domain. Having recognized that focus strategy entails the merged conditions of both differentiation and overall cost leadership strategies (Porter 1980), the interaction between focus strategy and market position and market transaction is theorized on the existing research findings on the differentiation and overall cost leadership strategies that were reported in the existing studies (Luo 2000; Park & Luo 2001). In these studies, the authors have revealed that both overall cost leadership strategy and differentiation strategy are associated with the horizontal guanxi network, even though the former strategy might somewhat have lesser tendency

to utilize the horizontal guanxi potential than the latter strategy. Given that guanxi is the foundation of Chinese business negotiation, which underpins the growth of business bonding in its refined structures within its networks (Buttery & Wong 1999), firms applying a focus strategy in a relationship based business environment will be inevitably collaborated with the horizontal guanxi network for facilitating market position and market transaction. As a consequence, the following predictions are generated for investigation.

Hypothesis 11d. Focus will be associated with the market position.

Hypothesis 11e. Focus will be associated with the market transaction.

Interactions Between Preemptive Move and Source of Information, Source of Resources, and Source of Procurement

The interaction between the strategy of preemptive move and 1) source of information, 2) source of resources, and 3) source of procurement in the vertical guanxi network has been discussed in the Chinese business strategy forums. In addition, a number of report findings have highlighted the significance of the interaction between preemptive move strategy and the vertical guanxi network, which provides enhanced information and resources that enable the victory of the preemptive battle (Ai & Wang 2006; Cui 2005; Li 2006). It has also been suggested that firms applying a preemptive move strategy should combine forces with the vertical guanxi network for favourable support in information and resources (Ai & Wang 2006). The notion of these contentions are probably best elucidated by the trait of preemptive move strategy, which is a fast moving approach that seeks to be the first implementation of the strategy into a marketplace (Aaker 1992). It is, therefore, the users of a preemptive move strategy

demand close interactions with the vertical guanxi network for ‘first hand’ information and resources to realize business achievement.

Supplementary reported findings have further indicated that preemptive move strategy is considered as a viable and winning strategic approach for exploring business venture in the changing Chinese business environment, which is still in an immature economic system and marketing condition (Chen 2006; ‘Duracell’ burst through the mountain at a lightening speed 2006; *Weekend pictorial: preemptive move of Pizza CEO Novak over McDonald’s* 2005; *Out of legend’s confusion* 2006). Yet, firms applying a preemptive move strategy require positive information and resources to proceed ahead of the ‘game’ preemptively. However, in a Chinese business environment there is still a lack of transparency in information resources (Xin & Pearce 1996, Luo 2000; Park & Luo 2001), particularly, the major power for essential information and resources are still in the command of various bureaucratic officials. As a consequence, guanxi has been utilized as a major catalyst to advance supportive information and resources (Child at al. 2000; *Chinese business culture* 2004; Deagon 2005; Lo & Everett 2001; *Guanxi: The world’s gateway to Pacific Rim agribusiness* 2005). Inescapably, firms with preemptive move strategy in such a business environment are tactically collaborated with the vertical guanxi network, which enhances essential information and resources to precede rivals. This leads to the following postulated relationships for testing.

Hypothesis 12a. Preemptive move will be associated with the source of information.

Hypothesis 12b. Preemptive move will be associated with the source of resources.

Hypothesis 12c. Preemptive move will be associated with the source of procurement.

Interactions Between Preemptive Move and Market Position and Market Transaction

There has been some anecdotal evidence that preemptive move is interactive with the market position and market transaction in Chinese business strategy documentary. For example, Li (2006) has stressed that firms applying a preemptive move must retain an operative business relationship in the horizontal guanxi network, which is an express channel for achieving market transaction and market expansion preemptively. The notion of this contention was supported by Chen (2006), who has advocated that the user of preemptive move strategy should simultaneously adopt a twin business operational mode, which is called customer type and guanxi type. Simply because the guanxi type business operation mode could ensure constructive business revenues, which enhance smooth logistic and market shares. There is an increasing recognition that maintaining close interactions with the horizontal guanxi network would help facilitate the preemptive move user to occupy the market shares in the targeted segment preventatively (Cui 2005; *'Duracell' burst through the mountain at a lightning speed* 2006; *Weekend pictorial: preemptive move of Pizza CEO Novak over McDonald's* 2005; *Out of legend's confusion* 2006). Additional findings from these strategic documentaries are that preemptive move strategy is regarded as a tactic approach for business development in the turbulent market environment of China. The notion of this contention is probably attributed to the fact that the first move approach of preemptive move strategy is advantageous in strengthening business asset and sustainable competitive edges (Aaker 1992). Nevertheless, in the Chinese business environment, the guanxi network lays an essential basis for doing business (Wong 1998a, 1998c; Abramson & Ai 1999), navigating in such a 'business family' (Chen 2001) task environment, interactions with the horizontal guanxi network appear inevitable in order

to preemptively build up market image and facilitate business development. Underpinning by the notion of this philosophy, the associations between the strategy of preemptive move and market position and market transaction are foreseen.

Hypothesis 12d. Preemptive move will be associated with the market position.

Hypothesis 12e. Preemptive move will be associated with the market transaction.

MODERATING EFFECTS OF THE ATTRIBUTES OF ORGANIZATIONS AND JOB INCUMBENTS

The organizational properties and personal attributes influence the interactions between the guanxi construct and the business strategy orientation with the vertical and horizontal guanxi network. The block of variable of the attributes of organizations and job incumbents has three factors, which are 1) institutional, 2) organizational, and 3) job incumbent. Each of these three factors has two sub variables. Factor one comprises 1) regional location, and 2) industrial affiliation; factor two contains 1) size, and 2) history; factor three consist of 1) managerial experience, and 2) educational level. The block of the variable of the guanxi construct has six sub variables, which have been identified as 1) favour, 2) opportunism, 3) trust, 4) uncertainty, 5) dependence, and 6) adaptation. In the block of variable of the vertical guanxi network, there are three sub variables, which have been delineated as 1) source of information, 2) source of resources, and 3) source of procurement. And in the block of variables of the business strategy orientation has six sub variables, which have been identified as 1) overall leadership on resources, 2) overall leadership on quality, 3) overall leadership on sales volume, 4) differentiation with overall cost leadership, 5) focus, and 6) preemptive move adaptation. Whereas in the block of variables of the horizontal guanxi network,

there are two sub variables, which have been identified as 1) market position, and 2) market transaction. The conceptual model, shown as Figure 2, infers the sub variables of the attributes of organizations and job incumbents moderate the postulated relationships between all the sub variables of the business strategy orientation and all the sub variables of the guanxi construct with all the sub variables of the vertical guanxi network and the horizontal guanxi network.

For this study 48 hypothesized relationships from a total available of 390 correlations have been randomly selected for examination of the moderating effects of the attributes of organizations and job incumbents. In order for the chosen relationships sample to be representative without bias, relationships were drawn evenly from the postulated linkages between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi network to test with the six moderating variables. For the purpose of clarity, the 48 chosen relationships, which are examined in this study, are shown in a summary of relationships for moderating effect test in Table A. The moderating effects of the attributes of organizations and job incumbents that have been shown on these 48 chosen relationships are addressed in an arithmetical sequence, which will lead to the generation of relevant hypotheses, and the process begins with the moderating role of regional location.

Table A

Summary of Relationships for Moderating Effect Test

Moderator	Moderating Relationships	Guanxi Domain
Regional Location	1. <i>Opportunism and the source of information</i>	Vertical
	2. <i>Dependence and the source of resources</i>	
	3. <i>Focus and the source of procurement</i>	Horizontal
	4. <i>Preemptive move and the source of procurement</i>	
	5. <i>Favour and the market position</i>	
	6. <i>Uncertainty and the market transaction</i>	
	7. <i>Overall cost leadership on resources and the market transaction</i>	
	8. <i>Differentiation with overall cost leadership and the market position</i>	
Industrial Affiliation	9. <i>Favour and the source of information</i>	Vertical
	10. <i>Trust and the source of procurement</i>	
	11. <i>Overall cost leadership on quality and the source resources</i>	Horizontal
	12. <i>Overall cost leadership on sales volume and the source of information</i>	
	13. <i>Trust and the market transaction</i>	
	14. <i>Uncertainty and the market position</i>	
	15. <i>Differentiation with overall cost leadership and the market transaction</i>	
	16. <i>Focus and the market position</i>	
Organizational Size	17. <i>Favour and the source of information</i>	Vertical
	18. <i>Dependence and the source of resources</i>	
	19. <i>Overall cost leadership on resources and the source of procurement</i>	Horizontal
	20. <i>preemptive move and the source of resources</i>	
	21. <i>Opportunism and the market position</i>	
	22. <i>Adaptation and the market transaction</i>	
	23. <i>Overall cost leadership on sales volume and the market position</i>	
	24. <i>Focus and the market transaction</i>	
Organizational History	25. <i>Opportunism and the source of resources</i>	Vertical
	26. <i>Trust and the source of procurement</i>	
	27. <i>Overall cost leadership on sales volume and the source of information</i>	Horizontal
	28. <i>Focus and the source of resources</i>	
	29. <i>Favour and the market transaction</i>	
	30. <i>Uncertainty and the market position</i>	
	31. <i>Overall cost leadership on sales volume and the market position</i>	
	32. <i>Differentiation with overall cost leadership and the market transaction</i>	

Managerial Experience	<i>33.Favour and the source resources</i>	Vertical
	<i>34.Uncertainty and the source of procurement</i>	
	<i>35. Overall cost leadership on quality and the source of information</i>	
	<i>36. Preemptive move and the source of resources</i>	
	<i>37.Favour and the market position</i>	
<i>38.Adaptation and the market position</i>		
<i>39.Overall cost leadership on quality and the market position</i>		
Educational Level	<i>40. Preemptive move and the market transaction</i>	Vertical
	<i>41. Opportunism and the source of resources</i>	
	<i>42. Uncertainty and the source of procurement</i>	
	<i>43.Focus and the source of resources</i>	
	<i>44.Preemptive move and the source of procurement</i>	Horizontal
	<i>45. Trust and the market transaction</i>	
	<i>46.Uncertainty and the market position</i>	
	<i>47.Overall cost leadership on resources and the market transaction</i>	
<i>48.Differentiation with overall cost leadership and the market position</i>		

The Moderating Role of Regional Location

China has retained regional diversity across its six statistical regions since the country was founded in 1949. The economic reform that commenced in 1978 has further divided the country into three broader regions corresponding to the planned economic development levels respectively, namely, East, Central and West (Child & Stewart 1997). The ‘coastal- led’ economic development strategy has unfortunately provoked the uneven regional economic development between coastal regions and interior regions (Child & Stewart 1997; Lee 2000; Yang 1990). The ‘early’ open economic regions offer business numerous benefits such as low cost labour, tax exemptions, as well as duty free importation of raw materials and technology, which, to a great extent, strengthens a firms’ survival competence (Luo 2000; Park & Luo, 2001). Whereas, the benefits in ‘late’ open economic regions along the inland cities, particularly the remote Western regions are divergent, they are unfortunately experiencing poor economic base,

lack of capital, low quality of education, closed culture and poor natural conditions (Bao, Chang, Sachs & Woo 2002). In essence, the uneven economic development across coastal cities and inland cities has led to wide variations in the cultural environment, the business atmosphere and business opportunity, government policing, taxation, financing on resources allocation across 'early' open, 'late' open and non open economic regions. As a consequence, the wide diversity in cultural environment, business atmosphere, infrastructure and structural conditions, as well as investment incentives between the 'early' open and 'late' open economic regions has resulted in different necessities for the guanxi network to reimburse for the institutional disadvantage. It is revealed that firms in 'late' open or non open economic regions heavily rely on the vertical guanxi network with government authorities to accomplish source of information and resources (Luo 2000; Park & Luo 2001). Evidently, a firm's regional location affects the utilization of the vertical guanxi potential, which in turn, can moderate the relationships that are connected with the vertical guanxi network.

While recognizing that a firm's regional location has an impact on the involvement with the vertical guanxi network, the present study intends to advance the literature by examining the likely moderating effect of a firm's regional location on four selected relationships that are connected with the vertical guanxi network. These four relationships, which are listed as items one to four in Table A, are between 1) opportunism and the source of information, 2) dependence and the source of resources, 3) focus and the source of procurement, and 4) preemptive move and the source of procurement. Based on the perspective that a firm's regional location affects the manipulations with the vertical guanxi network, it is predicted that the four relationships, which are targeted for test in this field, will be moderated by a firm's regional location. Hence, the following predictions were hypothesized for testing.

Hypotheses 13a. The relationship of opportunism and the source of information will be moderated by a firm's regional location.

Hypotheses 13b. The relationship of dependence and the source of resources will be moderated by a firm's regional location.

Hypotheses 13c. The relationship of focus strategy and the source of procurement will be moderated by a firm's regional location.

Hypotheses 13d. The relationship of preemptive move and the source of procurement will be moderated by a firm's regional location.

In the competitive task environment, favourable location is an essential source of competitive advantage for business success (Barney 1997). Particularly in China, where different localities diverge enormously in the quality of government and workforce, global business mindset and experience, regulatory environments, consumer demands (Lieberthal & Lieberthal 2003), firms operating in 'late' open or non open economic regions tend to maintain intensive collaboration in the competitive force with task environment to achieve market position and market transaction (Luo 2000; Park & Luo 2001). The findings from these studies have demonstrated that a firm's regional location affects the application of the horizontal guanxi power, which subsequently, can moderate the interactions that are related to the horizontal guanxi network. Based on this standing point, this study aims to precede one step further by empirically investigating the possible moderating effect of a firm's regional location on four chosen relationships. The four relationships, which are drawn from the operations between the guanxi construct and the business strategy orientation with the horizontal guanxi network, are listed as items five to eight in Table A. These four relationships are 1) favour and the market position, 2) uncertainty and the market transaction, 3) overall cost leadership on resources and the market transaction, and 4) differentiation with

overall cost leadership and the market position. Given that the regional location can affect a firm's employment of the horizontal guanxi force, there is an expectation that interactions between the selected relationships, which are as items five to eight in Table A that is demonstrated in the initial part of this section, will be moderated by a firm's locality. As a result, the following four sets of relationships are forecasted.

Hypotheses 13e. The relationship of favour and the market position will be moderated by a firm's regional location.

Hypotheses 13f. The relationship of uncertainty and the market transaction will be moderated by a firm's regional location.

Hypotheses 13g. The relationship of overall cost leadership on resources and the market transaction will be moderated by a firm's regional location.

Hypotheses 13h. The relationship of differentiation with overall cost leadership and the market position will be moderated by a firm's regional location.

The Moderating Role of Industrial Affiliation

China's economy functions by a combined plan and market systems (Luo 2000; Park & Luo 2001). Chinese business organizations are categorized under the industrial hierarchy that is regulated and controlled by various levels of administrative government authorities. Firms that are affiliated at lower levels of the industrial hierarchy are generally under the jurisdiction of the State that firms operate within; firms that are affiliated at upper levels of the industrial hierarchy are particularly governed by the upper level governments or central government. Comparing to firms at lower levels of the industrial hierarchy, firms that are affiliated at upper levels have a greater deal of benefit in respect of resources allocation, taxation prestige, infrastructure

and financial support. Generally, firms that are affiliated at upper levels of industrial hierarchy inherently have distinctive relationships with upper level government authorities or central government, which would systematically provide them with key resources for business survival. Theoretically, firms that are affiliated at upper levels have less necessity to pursue the vertical guanxi network as they are well embedded in the same powerful networks within the governmental bureaucracy (Gold et al. 2002). However, firms that are affiliated at the lower levels of industrial hierarchy might have to engage vertical guanxi network to struggle for material input and budgetary investment that are normally allocated by the relevant administrative authorities (Nee & Cao 2005). The study of Park and Luo (2001) further supported that a firm's industrial affiliation is intensively linked with the vertical guanxi network, and the service sector is reported to be likely to pursue the vertical guanxi network with government officials rather than manufacturing sectors. Apparently, a firm's industrial affiliation in the industrial hierarchy influences the ultimate manipulations of the vertical guanxi potential, which in rank, can affect the interactions that are associated with the vertical guanxi network.

Having acknowledged that a firm's industrial affiliation has influence on the operations with the vertical guanxi network, this study proceeds further by methodically investigating the likely moderating effect of a firm's industrial affiliation on four selected relationships that are linked with the vertical guanxi dimension. The four relationships are chosen from the collaborations between the guanxi construct and the business strategy orientation with the horizontal guanxi network. These four relationships, which are listed as items nine to 12 in Table A, are 1) favour and the source of information, 2) trust and the source of procurement, 3) overall cost leadership on quality and the source of resources, and 4) overall cost leadership on sales volume

and the source of information. Seeing that a firm's industrial affiliation has an impact on a firm's interactions with the vertical guanxi network (Nee & Cao 2005; Gold et al. 2002; Park & Luo 2001), in theory, the four relationships, which are selected for the test in this domain, will be moderated by the firm's industrial affiliation. As a consequence, the following four postulations are proposed.

Hypotheses 14a. The relationship of favour and the source of information will be moderated by a firm's industrial affiliation.

Hypotheses 14b. The relationship of trust and the source of procurement will be moderated by a firm's industrial affiliation.

Hypotheses 14c. The relationship of overall cost leadership on quality and the source of resources will be moderated by a firm's industrial affiliation.

Hypotheses 14d. The relationship of overall cost leadership on sales volume and the source of information will be moderated by a firm's industrial affiliation.

Whilst recognizing the possible moderating role that a firm's industrial affiliation has on the postulated relationships in the vertical guanxi domain, the likely impact that a firm's industrial affiliation has on the hypothesized operations in the horizontal guanxi network cannot be neglected. There has been empirical finding that the inevitability for utilization of guanxi network varies according to a firm's affiliation at the industrial hierarchy, and firms in the tertiary and exporting sectors demand more extensive guanxi network on the horizontal dimension for facilitating business than firms in the fields of manufacturing and importing (Yeung & Tung 1996). In addition, comparing to firms that are affiliated at upper levels of the industrial hierarchy, firms that are affiliated at lower levels of the industrial hierarchy have greater need to pursue support from the horizontal guanxi network with task environment (Gold et al. 2002). According to these

perspectives, industrial affiliation can have an impact on the applications of the horizontal guanxi strength, which in sequence can moderate the relationships that are connected to the horizontal guanxi domain. However, it is observed that previous research (Gold et al. 2002; Yeung & Tung 1996) was conducted in a relatively narrower range of industrial fields in limited regional areas. The result yielded from limited industrial fields may not be able to generalize a comprehensive insight to the dynamics of guanxi in the business context. Particularly, a broader range of industrial fields that the current research targeted within four major industrial fields across the early to late open economic regions amongst five large provinces in China is believed to provide a wider spectrum to the dynamics of guanxi in China's transition economic environment.

This study seeks to advance to guanxi philosophy by analytically examining the likely moderating effect of firm's industrial affiliation on four targeted relationships. These relationships are chosen from the interactions between the guanxi construct and the business strategy orientation with the horizontal guanxi network. They are 1) trust and the market transaction, 2) uncertainty and the market position, 3) differentiation with overall cost leadership and the market transaction, and 4) focus and the market position. These four relationships are shown as items 13 to 16 in Table A. Based on the perspective that a firm's industrial affiliation can affect the utilization of the horizontal guanxi potential (Gold et al. 2002; Park & Luo 2001; Yeung & Tung 1996), the four targeted relationships are posited to be moderated by a firm's industrial affiliation. Accordingly, the following four hypotheses were generated for assessment.

Hypotheses 14e. The relationship of trust and the market transaction will be moderated by a firm's industrial affiliation.

Hypotheses 14f. The relationship of uncertainty and the market position will be moderated by a firm's industrial affiliation.

Hypotheses 14g. The relationship of differentiation with overall cost leadership and the market transaction will be moderated by a firm's industrial affiliation.

Hypotheses 14h. The relationship of focus and the market position will be moderated by a firm's industrial affiliation.

The Moderating Role of Organizational Size

Organizational size is revealed to have a vital and positive effect on business performance in the contemporary China's business environment (Luo 1995). It is revealed that organizational size has a direct link with the requisite for utilization of the guanxi network (Hutchings & Murray 2003; Luo 1995; Luo 2000; Park & Luo 2001; Yeung & Tung, 1996), due to the fact that smaller sized firms in China are customarily stressing the significance of personal and organizational connections with cooperation and external support to overcome the difficulties of lack of primary resources and technology (Xin & Pearce 1996). As a consequence, the guanxi network has culturally become a primary mechanism for smaller sized firms to conquer the weakness of their size and other competitive disadvantages (Luo 2000; Park & Luo 2001). Indeed, weaving and harvesting in the vertical guanxi web with government officials brings enormous benefits for small sized firms to keep above of the uncertainty water and defeat institutional disadvantages (Luo 2000; Park & Luo 2001). Perceptibly, the effect of organizational size on a firm's engagement with the vertical guanxi network has been explicitly established in the previous studies. The findings from the previous studies lay the basis for researchers to evaluate the moderating effect that

organizational size has on the linkages that are interacted with the vertical guanxi network.

Whilst recognizing that organizational size has an effect on the practice of guanxi, the current study aims to methodically test the likely moderating effect of organizational size on four selected relationships that are associated with the vertical guanxi domain. The four relationships, which are selected from the interactions among the guanxi construct and the business strategy orientation with the vertical guanxi network, are between 1) favour and the source of information, 2) dependence and the source of resources, 3) overall cost leadership on resources and the source of procurement, and 4) Preemptive move and the source of resources. These four relationships are demonstrated as items 17 to 20 in the Table A. Underpinning by the previous findings that a firm's industrial affiliation affects a firm's utilization of the horizontal guanxi energy (Hutchings & Murray 2003; Luo 1995; Luo 2000; Park & Luo 2001; Yeung & Tung 1996), there is a postulation that the four relationships, which are chosen for examination in the domain, will be moderated by organizational size. Thus, the following four hypotheses are forecasted for examination.

Hypotheses 15a. The relationship of favour and the source of information will be moderated by organizational size.

Hypotheses 15b. The relationship of dependence and the source of resources will be moderated by organizational size.

Hypotheses 15c. The relationship of overall cost leadership on resources and the source of procurement will be moderated by organizational size.

Hypotheses 15d. The relationship of preemptive move and the source of resources will be moderated by organizational size.

Organizational size is an essential trait that affects a firm's behaviours and determinations, as well as a firm's capability to deal with the task environment (Luo 2000; Park & Luo 2001). Existing research findings have led to a conclusion that smaller sized firms are likely to engage guanxi network on the horizontal dimensions for business development than larger sized firms (Hutchings & Murray 2003; Luo 1995; Luo 2000; Park & Luo 2001; Yeung & Tung 1996). Additional findings further supported a perspective that smaller sized firms are likely to collaborate in the horizontal guanxi web than larger sized firms (Shan & Hamilton 1991). As a consequence, smaller sized firms indispensably seek external support in competitive force through the committee guanxi web for strengthening environmental scanning competence to counteract their liabilities due to size (Luo 2000; Park & Luo 2001). The notion of this contention provided perhaps is mostly attributed to the fact that smaller sized firms commonly encounter with the typical disadvantages in business scale and scope efficiency (Luo 2000; Park & Luo 2001). Indeed, the findings from the existing studies have forged a conclusion that organizational size affects a firm's manipulations with the horizontal guanxi influence, which in line, can moderate the connections that are related to the horizontal guanxi dimension.

Whilst acknowledging the likely moderating role of organizational size on the application of the horizontal guanxi power, the present study seeks to advance the guanxi theory by empirically examining the likely moderating role of organizational size on four chosen relationships that are associated with the horizontal guanxi network. These four relationships are 1) opportunism and the market position, 2) adaptation and the market transaction, 3) overall cost leadership on sales volume and the market position, and 4) focus and the market transaction. These four relationships are listed as items 20 to 24 in the Table A that is enclosed in this section (page 57-58). Drawing

from the literature that organizational size has influence on a firm's commitments with the horizontal guanxi network (Hutchings & Murray 2003; Luo 1995; Luo 2000; Park & Luo 2001; Yeung & Tung 1996), it is predicted that the four relationships, which are selected for investigation in this part, will be moderated by organizational size. Subsequently, the following four predictions were generated for investigation.

Hypotheses 15e. The relationship of opportunism and the market position will be moderated by organizational size.

Hypotheses 15f. The relationship of adaptation and the market transaction will be moderated by organizational size.

Hypotheses 15g. The relationship of overall cost leadership on sales volume and the market position will be moderated by organizational size.

Hypotheses 15h. The relationship of focus and the market transaction will be moderated by organizational size.

The Moderating Role of Organizational History

The length of business operation is an essential determinant of legality, strategic manners and guanxi development in Chinese organizations (Luo 2000). The notion of this statement is principally attributed to the trait of organizational history that fundamentally shapes the organizational culture and reflects institutionalized managerial attitudes and beliefs (Baker & Cullen 1993). The population ecology theory also indicated that organizations are inclined to retain the basic attributes that they have been shaped by over time (Freeman, Carroll & Hannan 1983). Moreover, younger firms are unfortunately subject to the liability of newness in the market owing to the disadvantages that their organizational environment and rules, as well as key resources

that are yet to be improved and stabilized. It is, therefore, younger firms inescapably demand a certain period of time to develop business networks and build up commercial image, as well as to accomplish institutional legitimacy, whereas, older firms, to a certain extent, are well entrenched in the institutional environment with bureaucratic policies and procedures, and possess expansively marketing networks that have been developed through a long history of operation (Park & Luo 2001).

Comparatively, younger firms in China, particularly those newly established under the economic reform policy, are more entrepreneurial than older firms, which are relatively lacking of entrepreneurial denomination to adjust with the environmental changes in the dynamic marketplace (Luo 2000; Park & Luo 2001). In addition, younger firms predominantly rely on market-based incentive systems due to the restraint of a tight budget of funds. In order to maximize organizational profitability, younger firms are likely to employ suitable operation modes according to the market needs than older firms (Luo 2000; Park & Luo 2001). As a consequence, younger firms tend to adopt more feasible and aggressive approaches to explore external support and competitive resources through the vertical guanxi network, which helps strengthen the younger firms' risk reducing competence and compensate for the disadvantage of lack of legitimacy. However, in a transforming economic business environment, older firms are in the situation and under the stress of ever-increasing competition and declining support from government, they thus require extra efforts to expend their vertical guanxi web with institutional agencies and committees to reinforce their well-developed prestige (Luo 2000; Park & Luo 2001). It is contended that younger firms in China are likely to utilize the vertical intensively, whereas, older firms tend to develop the vertical guanxi network extensively (Luo 2000; Park & Luo 2001). Noticeably, the previous research has exposed the moderating role of organizational history on a firm's

collaborations with the vertical guanxi network. In view of that, the linkages that are associated with the vertical guanxi network can be affected by the moderating role of organizational history.

While recognizing the possible moderating role that the organizational history has on the manipulations with the vertical guanxi network, the current study intends to move ahead by methodically inspecting the likely moderating effect of organizational history on four select relationships under the vertical guanxi domain. These four relationships are the postulated interactions between the guanxi construct and the business strategy orientation with the vertical guanxi network. They are indicated as items 25 to 28 in Table A. The four relationships are 1) opportunism and the source of resources, 2) trust and the source of procurement, 3) overall cost leadership on sales volume and the source of information, and 4) focus and the source of resources. Based on the previous finding (Luo 2000; Park & Luo 2001) that a firm's collaborations with the vertical guanxi network can be influenced by organizational size, it is anticipated that the four relationships, which are targeted for examination in this area, will be moderated by organizational history. Consequently, the following four hypotheses are proposed for examination.

Hypotheses 16a. The relationship of opportunism and the source of resources will be moderated by organizational history.

Hypotheses 16b. The relationship of trust and the source of procurement will be moderated by organizational history.

Hypotheses 16c. The relationship of overall cost leadership on sales volume and the source of information will be moderated by organizational history.

Hypotheses 16d. The relationship of focus and the source of resources will be moderated by organizational history.

Organizational history has an impact on the manipulation of the horizontal guanxi potential. Previous empirical studies have revealed that younger firms in China are inclined to collaborate in the competitive force, while older firms tend to expand their interactions with guanxi hu in the horizontal guanxi domain (Luo 2000; Park & Luo 2001). These findings have formed an opinion that organizational history has an impact on the extent of firm's involvement and mobility in the horizontal guanxi network. As a consequence, organizational history affects the correlations that are liaised with the horizontal guanxi domain. Having been aware of this fact, this study proposes to experimentally examine the likely moderating effect of organizational history on four targeted relationships among the guanxi construct and the business strategy orientation and the horizontal guanxi network. These four relationships, which are shown as items 29 to 32 in Table A, are 1) favour and the market transaction, 2) uncertainty and the market position, 3) overall cost leadership on sales volume and the market position, and 4) differentiation with overall cost leadership and the market transaction. Given that organizational history has an impact on the collaborations with the horizontal guanxi network, it is expected that organizational history will moderate the four relationships that are targeted in this section. Accordingly, the following four sets of relationships were hypothesized for inspection.

Hypotheses 16e. The relationship of favour and the market transaction will be moderated by the organizational history.

Hypotheses 16f. The relationship of uncertainty and the market position will be moderated by the organizational history

Hypotheses 16g. The relationship of overall cost leadership on sales volume and the market position will be moderated by the organizational history.

Hypotheses 16h. The relationship of differentiation with overall cost leadership and the market transaction will be moderated by the organizational history.

The Moderating Role of Managerial Experience of Job Incumbent

Increasing interest has been dedicated on the impact that managerial experience has on a firm's reliance of the vertical guanxi network in the guanxi research domain. A number of studies have asserted that the managerial experience of a job incumbent (firm's decision maker) is intensively relevant to the dynamics of guanxi (Chan et al. 2002; Gold et al. 2002; Hutchings & Murray 2003; Luo 2000; Yeung & Tung 1996). It is contended that the managerial experience of a firm's decision maker is one of the determinant factors that influence the ultimate manipulation of the vertical guanxi potential (Luo 2000; Yeung & Tung 1996). Empirical studies further supplemented that the relationships between the utilization of guanxi network with managerial experience are negatively related (Chan et al. 2002; Yeung & Tung 1996). Visibly, these studies have forged that a job incumbent's managerial experience affects the engagement with the vertical guanxi network, which in sequence can moderate the affiliations that are connected with the vertical guanxi domain. Having realized this substance, this study seeks to advance the existing literature by pragmatically evaluating the possible moderating effect of managerial experience on four selected relationships. These four relationships are drawn among the linkages between the guanxi construct and the business strategy orientation with the vertical guanxi network. These four relationships are 1) favour and the source resources, 2) uncertainty and the source of procurement, 3) overall cost leadership on quality and the source of information, and 4) preemptive

move and the source of resources. They are presented as items 33 to 36 in the Table A. Based on the finding that the managerial experience of a firm's decision maker affect the engagement of the vertical guanxi network (Chan et al. 2002; Gold et al. 2002; Luo 2000; Yeung & Tung 1996), it is forecasted that the four relationships, which are aimed for testing in this domain, will be moderated by the managerial experience of the job incumbent. Accordingly, the following four postulations are generated for investigation.

Hypotheses 17a. The relationship of favour and the source resources will be moderated by the managerial experience.

Hypotheses 17b. The relationship of uncertainty and the source of procurement will be moderated by the managerial experience.

Hypotheses 17c. The relationship of overall cost leadership on quality and the source of information will be moderated by the managerial experience.

Hypotheses 17d. The relationship of preemptive move and the source of resources will be moderated by the managerial experience.

While recognizing the likely moderating role of managerial experience in the vertical guanxi network, the possible impact that the managerial experience of the job incumbent has on the horizontal guanxi domain cannot be neglected. Previous research findings have reported that relationship between the reliance on a guanxi network and the managerial experience of job incumbents is negatively related (Chan et al. 2002; Yeung & Tung 1996), in other words, the managerial experience of the job incumbent can have a moderating effect on the engagement of the vertical guanxi network. As a result, the relationships that are associated with the vertical guanxi network can be affected by managerial experience. According to this prospect, the current study proposes to empirically test the likely moderating effect of the managerial experience

on four selected relationships, which are 1) favour and the market position, 2) adaptation and the market position, 3) overall cost leadership on quality and the market position, and 4) preemptive move and the market transaction. These relationships are chosen between the interactions between the guanxi construct and the business strategy orientation with the horizontal guanxi network. They are listed as items 37 to 40 in the Table A. Based on the previous finding that a job incumbent's managerial experience affects the application of the horizontal guanxi supremacy (Chan et al. 2002; Yeung & Tung 1996), there is an expectation that the managerial experience will have a moderating effect on the four relationships that are selected for examination on this subject. This leads to the following four hypotheses for evaluation.

Hypotheses 17e. The relationship of favour and the market position will be moderated by the managerial experience.

Hypotheses 17f. The relationship of adaptation and the market position will be moderated by the managerial experience.

Hypotheses 17g. The relationship of overall cost leadership on quality and the market position will be moderated by the managerial experience.

Hypotheses 17h. The relationship of preemptive move and the market transaction will be moderated by the managerial experience.

The Moderating Role of Educational Level of Job Incumbent

The educational level of job incumbents is regarded as one of the determinant factors that influence the actual interactions with the vertical guanxi network (Luo 2000; Yeung & Tung 1996). There have been empirical findings demonstrated that the relationship between the utilization of the vertical guanxi network with educational levels is negatively related (Chan et al. 2002; Yeung & Tung 1996). That is to say that

job incumbents with a lower education background are more inclined to pursue guanxi network from the horizontal dimensions to substitute the insufficiency of education (Yeung & Tung 1996). Indeed, the educational level of a firm's decision maker has a sizeable impact on the guanxi operation, which, in turn, can affect the connections that are linked with the vertical guanxi network. This study has particularly selected four relationships from the interactions between the guanxi construct and the business strategy orientation with the vertical guanxi network to systematically examine the likely moderating effect of the educational level of firm's decision maker. These four relationships, which are demonstrated as items 41 to 44 in Table A, are 1) opportunism and the source of resources, 2) uncertainty and the source of procurement, 3) focus and the source of resources, and 4) preemptive move and the source of procurement. On the basis of the previous finding that the educational level of a firm's decision maker has an impact on the engagement with the vertical guanxi network (Chan et al. 2002; Luo 2000; Yeung & Tung 1996), the following predictions are generated to test the possible moderating effect that the educational level has on the four chosen relationships on this topic.

Hypotheses 18a. The relationship of opportunism and the source of resources will be moderated by the educational level.

Hypotheses 18b. The relationship of uncertainty and the source of procurement will be moderated by the educational level.

Hypotheses 18c. The relationship of focus and the source of resources will be moderated by the educational level.

Hypotheses 18d. The relationship of preemptive move and the source of procurement will be moderated by the educational level.

In the competitive task environment, the educational level of a firm's decision maker plays a similar moderating role as what it does in the vertical guanxi domain. There have been empirical findings that the education level of a job incumbent is one of the key factors that affect their perceived importance of the dynamics of guanxi (Luo 2000; Yeung & Tung 1996). And the relationship between the educational level of a job incumbent and the reliance on the horizontal guanxi network is a negative interaction (Yeung & Tung 1996). Increasing management related guanxi studies have also supplemented that the individual demographics elements of job incumbents (e.g., managerial experience, educational level) are significantly related to the interactions with the guanxi network (Chan et al. 2002; Gold et al. 2002; Hutchings & Murray 2003). In other words, the educational level that a job incumbent affects the utilization of the horizontal guanxi network, which in line, can moderate the liaisons that are correlated with the horizontal guanxi dimension.

Based on the previous findings (Chan et al. 2002; Gold et al. 2002; Hutchings & Murray 2003), this study intends to advance the guanxi literature by empirically evaluating four relationships, which are drawn from the operations between the guanxi construct and the business strategy orientation with the horizontal guanxi network, to examine the possible moderating effect of the educational level of a firm's decision maker. These four relationship, which are demonstrated as items 45 to 48 in Table A that is enclosed in the beginning of this section, are 1) trust and the market transaction, 2) uncertainty and the market position, 3) overall cost leadership on the resources and the market transaction, and 4) differentiation with overall cost leadership and the market position. Underpinning by the previous finding that the educational level that a job incumbent can affect the involvement with the horizontal guanxi network (Chan et al. 2002; Gold et al. 2002; Hutchings & Murray 2003), it is theorized that the

educational level of a job incumbent will moderate the four relationships that were targeted in this section. Hence, the following four postulations were theorized for assessment.

Hypotheses 18e. The relationship of trust and the market transaction will be moderated by the educational level.

Hypotheses 18f. The relationship of uncertainty and the market position will be moderated by the educational level.

Hypotheses 18g. The relationship of overall cost leadership on resources and the market transaction will be moderated by the educational level.

Hypotheses 18h. The relationship of differentiation with overall cost leadership and the market position will be moderated by the educational level.

Having elucidated the process of the development of the hypotheses that are generated from the existing literature, a summary of the total 108 hypotheses that are developed in this Chapter are presented as Table B.

Table B

Summary of Hypotheses

H1a	Favour will be associated with the source of information.
H1b	Favour will be associated with the source of resources.
H1c	Favour will be associated with the source of procurement.
H1d	Favour will be associated with the market position.
H1e	Favour will be associated with the market transaction.
H2a	Opportunism will be associated with the source of information.
H2b	Opportunism will be associated with the source of resources.
H2c	Opportunism will be associated with the source of procurement.
H2d	Opportunism will be associated with the market position.
H2e	Opportunism will be associated with the market transaction.
H3a	Trust will be associated with the source of information.
H3b	Trust will be associated with the source of resources.
H3c	Trust will be associated with the source of procurement.
H3d	Trust will be associated with the market position.
H3e	Trust will be associated with the market transaction.
H4a	Uncertainty will be associated with the source of information.
H4b	Uncertainty will be associated with the source of resources.
H4c	Uncertainty will be associated with the source of procurement.
H4d	Uncertainty will be associated with the market position.
H4e	Uncertainty will be associated with the market transaction.
H5a	Dependence will be associated with the source of information.
H5b	Dependence will be associated with the source of resources.
H5c	Dependence will be associated with the source of procurement.
H5d	Dependence will be associated with the market position.
H5e	Dependence will be associated with the market transaction.
H6a	Adaptation will be associated with the source of information.
H6b	Adaptation will be associated with the source of resources.
H6c	Adaptation will be associated with the source of procurement.
H6d	Adaptation will be associated with the market position.
H6e	Adaptation will be associated with the market transaction.

H7a	Overall cost leadership on resources will be associated with the source of information.
H7b	Overall cost leadership on resources will be associated with the source of resources.
H7c	Overall cost leadership on resources will be associated with the source of procurement.
H7d	Overall cost leadership on resources will be associated with the market position.
H7e	Overall cost leadership on resources will be associated with the market transaction.
H8a	Overall cost leadership on quality will be associated with the source of information.
H8b	Overall cost leadership on quality will be associated with the source of resources.
H8c	Overall cost leadership on quality will be associated with the source of procurement.
H8d	Overall cost leadership on quality will be associated with the market position.
H8e	Overall cost leadership on quality will be will be associated with the market transaction.
H9a	Overall cost leadership on sales volume will be associated with the source of information.
H9b	Overall cost leadership on sales volume will be associated with the source of resources.
H9c	Overall cost leadership on sales volume will be associated with the source of procurement.
H9d	Overall cost leadership on sales volume will be associated with the market position.
H9e	Overall cost leadership on sales volume will be associated with the market transaction.
H10a	Differentiation with overall cost leadership will be associated with the source of information.
H10b	Differentiation with overall cost leadership will be associated with the source of resources.
H10c	Differentiation with overall cost leadership will be associated with the source of procurement.
H10d	Differentiation and overall cost leadership will be associated with the market position.
H10e	Differentiation and overall cost leadership will be associated with the market transaction.
H11a	Focus will be associated with the source of information.
H11b	Focus will be associated with the source of resources.
H11c	Focus will be associated with the source of procurement.
H11d	Focus will be associated with the market position.
H11e	Focus will be associated with the market transaction.
H12a	Preemptive move will be associated with the source of information.
H12b	Preemptive move will be associated with the source of resources.
H12c	Preemptive move will be associated with the source of procurement.
H12d	Preemptive move will be associated with the market position.
H12e	Preemptive move will be associated with the market transaction.

H13a	The relationship of opportunism and the source of information will be moderated by a firm's regional location.
H13b	The relationship of dependence and the source of resources will be moderated by a firm's regional location.
H13c	The relationship of the focus strategy and the source of procurement will be moderated by a firm's regional location.
H13d	The relationship of the preemptive move and the source of procurement will be moderated by a firm's regional location.
H13e	The relationship of favour and the market position will be moderated by a firm's regional location.
H13f	The relationship of uncertainty and the market transaction will be moderated by a firm's regional location.
H13g	The relationship of overall cost leadership on the resources and market transaction will be moderated by a firm's regional location.
H13h	The relationship of differentiation with overall cost leadership and the market position will be moderated by a firm's regional location.
H14a	The relationship of favour and the source of information will be moderated by a firm's industrial affiliation.
H14b	The relationship of trust and the source of procurement will be moderated by a firm's industrial affiliation.
H14c	The relationship of overall cost leadership on quality and the source of resources will be moderated by a firm's industrial affiliation.
H14d	The relationship of overall cost leadership on sales volume and the source of information will be moderated by a firm's industrial affiliation.
H14e	The relationship of trust and the market transaction will be moderated by a firm's industrial affiliation.
H14f	The relationship of uncertainty and the market position will be moderated by a firm's industrial affiliation.
H14g	The relationship of differentiation with overall cost leadership and the market transaction will be moderated by a firm's industrial affiliation.
H14h	The relationship of focus and the market position will be moderated by a firm's industrial affiliation.

H15a	The relationship of favour and the source of information will be moderated by organizational size.
H15b	The relationship of dependence and the source of resources will be moderated by organizational size.
H15c	The relationship of overall cost leadership on resources and the source of procurement will be moderated by organizational size.
H15d	The relationship of preemptive move and the source of resources will be moderated by organizational size.
H15e	The relationship of opportunism and the market position will be moderated by organizational size.
H15f	The relationship of adaptation and the market transaction will be moderated by organizational size.
H15g	The relationship of overall cost leadership on sales volume and the market position will be moderated by organizational size.
H15h	The relationship of focus and market transaction will be moderated by organizational size.
H16a	The relationship of opportunism and the source of resources will be moderated by organizational history.
H16b	The relationship of trust and the source of procurement will be moderated by organizational history.
H16c	The relationship of overall cost leadership on sales volume and the source of information will be moderated by organizational history.
H16d	The relationship of focus and the source of resources will be moderated by organizational history.
H16e	The relationship of favour and the market transaction will be moderated by organizational history.
H16f	The relationship of uncertainty and the market position will be moderated by organizational history.
H16g	The relationship of overall cost leadership on sales volume and the market position will be moderated by organizational history.
H16h	The relationship of differentiation with overall cost leadership and the market transaction will be moderated by organizational history.

H17a	The relationship of favour and the source resources will be moderated by managerial experience.
H17b	The relationship of uncertainty and the source of procurement will be moderated by managerial experience.
H17c	The relationship of overall cost leadership on quality and the source of information will be moderated by managerial experience.
H17d	The relationship of preemptive move and the source of resources will be moderated by managerial experience.
H17e	The relationship of favour and the market position will be moderated by managerial experience.
H17f	The relationship of adaptation and the market position will be moderated by managerial experience.
H17g	The relationship of overall cost leadership on quality and the market position will be moderated by managerial experience.
H17h	The relationship of preemptive move and the market transaction will be moderated by managerial experience.
H18a	The relationship of opportunism and the source of resources will be moderated by educational level.
H18b	The relationship of uncertainty and the source of procurement will be moderated by educational level.
H18c	The relationship of focus and the source of resources will be moderated by the educational level.
H18d	The relationship of preemptive move and the source of procurement will be moderated by educational level.
H18e	The relationship of trust and the market transaction will be moderated by educational level.
H18f	The relationship of uncertainty and the market position will be moderated by educational level.
H18g	The relationship of overall cost leadership on resources and the market transaction will be moderated by educational level.
H18h	The relationship of differentiation with overall cost leadership and the market position will be moderated by educational level.

CONCLUSION

In this chapter, a review of the literature that is related to theoretical underpinnings of guanxi construct, the business strategy orientation, as well as the vertical and the horizontal guanxi network was presented. The dynamics of guanxi in the business context under China's economic transition was highlighted. In particular, the significance of guanxi in the business strategy orientation in the modern Chinese business environment was discussed. The two well known precursors of guanxi study examined were the guanxi construct and the guanxi network on both the vertical and the horizontal dimension. There is an expectation that the examination of the linkage of these two entities could advance the guanxi theory. In addition, the business strategy orientation, which includes six generic business strategies, was expected to correlate with the vertical and the horizontal guanxi network, respectively. The empirical investigation to the interactions between the business strategy orientation and the vertical and the horizontal guanxi network could make a distinctive contribution to Chinese business strategy literatures. Moreover, the systematical examination to the moderating effects that the organizational properties and personal attributes have on the hypothesized relationships between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi network could potentially advance the guanxi theory. The reviewed anecdotal and empirical studies were utilized to formulate the hypotheses, which were graphically represented in a conceptual model of the present study. In the next chapter, Chapter Three, a discussion of the methodology that will be employed to examine the hypotheses will be presented.

CHAPTER THREE

METHODOLOGY

Considerable research has been done on relationship marketing. Relationship marketing is the development, growth, and maintenance of long-term relationships with customers and other partners for mutual benefit. However, little empirical research has attempted to model the relationship constructs and the dynamic interaction of relationship marketing in a Chinese context.

Wong & Leung (2001, p.1)

INTRODUCTION

Chapter Three discusses the methodology employed in this study, which is organized into four sections. Firstly, the background of the respondents and their organizations is provided. Secondly, the procedure that was utilized to collect both quantitative and qualitative data from the respondents is explained. Thirdly, justification of the instruments that were employed to measure the guanxi construct and the guanxi

network, as well as the specifically developed instrument by the researcher to measure business strategy orientation is elucidated. Finally, the methods that were applied to analyze the collected data are presented. Initially, a discussion of the research site and the respondents is provided.

STUDY DESIGN

SITE AND SAMPLE

The study was conducted in six large coastal and inland cities of the five mainland Chinese provinces of Guangdong, Fujian, Yunnan, Anhui and Liaoning. These provinces are in the southeastern, southwestern, northeastern, and southern regions of mainland China. This research involved a sampling frame of 1033 Chinese business executives from the top five senior managerial levels of 480 Chinese organizations that were located in the six cities of Guangzhou, Foshan, Xiamen, Kunming, Hefei, and Dalian in the five chosen provinces of China. These cities are the major centers of the five provinces that have embarked on a modernization policy, and market liberalization of the Chinese economy while maintaining traditional values. For instance, Hefei, the capital city of Anhui province, is the earliest open inland region that commenced economic reform in 1978. This was followed by Xiamen, the capital city of Fujian province in 1980. Later in 1984, Guangzhou, the capital city of Guangdong and Dalian, the major city of Liaoning provinces, respectively initiated economic reform action. And a year later (1985), Foshan, a major and coastal city of Guangdong province, began to adopt the free enterprise system of the West. Moreover, in early 1992,

Kunming began to demonstrate exposure to reform policy by assuming values of Western Capitalized systems. In order for the study sample to be geographically representative, the respondents were drawn almost evenly from each of these five regions. Figure 3 indicates the geographic location of the six research cities of this study.

Figure A **Geographic Map of Mainland China**



Note: Places, marked by red flags, are the six research sites for the present study.

The study respondents were 1033 indigenous Chinese business executives of the top five senior managerial levels of 480 Chinese business organizations. These executives have proven overall successful business and managerial careers in directing and developing

businesses in mainland China. This feature of the sample was demonstrated as one third of the study organizations had existed for five to 10 years, while more than 30 percent of the study organizations had a longer history of more than ten years. And almost one third of the study organizations employed 100 to 500 people, while nearly 20 percent of the organizations have cadres of more than 500 employees.

A number of the business executives/owners from each of the research cities have extensive business acumen. Indeed, several of the managers have been successfully managing various large scale and reputable businesses in mainland China for at least 15 years with some managers having more than 20 years experience. For example, two of the business owners are the Chairmen (and the major shareholders) of a group of Chinese companies with the parent company being listed on the Singapore stock market. Another six business owners are operating three different highly reputable brand businesses, which have been consistently ranked in the first 50 strongest tax payees in their cities for the last five years. These three organizations are currently under the final processing of being listed companies on the Chinese stock market. An additional two business owners conduct a large scale commercial property portfolio, one of their tenants of these being from the USA, who is a large retailer conducting a business that is of similar status and size, as Target is in Australia. In addition, there were numerous business executives who have been successfully leading their organizations to become the top ten largest businesses in their regions. And a number of the study business executives have been leading the biggest property development organizations and managing a majority of the largest real estate development projects in their cities. These executives have shown high competency in identifying business opportunities and are market leaders in the ever changing socialist market economy of China. Many of these study business executives have traveled to Western countries frequently, and they possess extensive experience and

proven records in global business dealings. Table 1 summarizes the demographic profile of the sample.

The sample characteristics of Table 1 demonstrated three key traits. The first prominent feature was that most of the respondents possessed reasonable industrial experience. Nominally, 25.4 percent of them had been working in their current industrial field for more than ten years, while 36.8 percent of the managers had been active in the sector for five to ten years and the remaining of 37.8 percent of the sample had been employed in the area for less than five years. In addition, 19.2 percent of the respondents had been working for their current organizations for more than ten years, and 32.2 percent had been engaged in their existing job for five to ten years, while 48.6 percent had only been with their present employment for less than five years. The second feature of the sample was the extent of managerial experience of the respondents. There were 15.8 percent of the respondents had greater than ten years managerial experience, and 27.8 percent had been a manager for five to ten years. A further 56.4 percent of managers had less a five years managerial experience. Amongst the respondents, approximately 19.3 percent of them were business shareholders and 80.7 percent were employed as professional managers at the top five senior managerial levels of the study organizations. The third feature of the study respondents was their formal education level. A total of 37.7 percent of the respondents held undergraduate qualifications, while 37.9 percent held college diploma and 5.2 percent had a Master's degree, which illustrates that over 80 percent of the study respondents had extensive formal education qualifications.

Table 1
Demographics % (N=1033)

Age (year)		Organizational Ownership	
<30	37.4	Privately owned	80.7
31 to 50	52.4	State owned	19.3
>50	10.2		
Gender		Industrial Fields	
Male	62.1	Trading	21.1
Female	37.9	Building/Construction	19.8
		Manufacturing	29.5
		Service	29.6
Shareholding Status			
Yes	38.6		
No	61.4		
Tenure (years)		Organizational History (years)	
<5	48.6	< 5	29.5
5 to10	32.2	5 to 10	34.0
>10	19.2	>10	36.5
Industrial Experience (years)		Organizational Size (number)	
< 5	37.8	<100	54.1
5 to10	36.8	100 to 500	27.6
>10	25.4	> 500	18.3
Managerial Experience (years)		Organizational Location	
<5	56.4	Guangzhou	21.3
5 to 10	27.8	Fushan	16.9
>10	15.8	Xiamen	15.8
		Kunming	15.4
		Hefei	16.0
		Dalian	14.6
Educational Background			
Vocational/Secondary	19.2		
College/Diploma	37.9		
Undergraduate	37.7		
Postgraduate	5.2		

PROCEDURE

Overview

Two salient methodologies underlie the research design principles. An increasing interest has been placed on the application of a pluralist methodology in contemporary cross country research. A number of commentators (De Ruyter Moorman & Lemmink 2001; Pearson & Entrekin 1998; Zotteri & Verganti 2001) have contended that a richer and more trustworthy result is likely to be gained by simultaneously pursuing both a quantitative and a qualitative methodology. This hybrid technique is gaining currency. The inclusion of a qualitative research component has enormous potential in enhancing understanding of results obtained from the statistical analysis of the quantitative data, and hence, this process is likely to achieve a more robust result (Hodgkinson & Payne 1998; Wilk 2001). Indeed, some researchers (Teagarden, Glinow, Bowen, Frayne, Nason, Huo, Milliman, Arias, Butler, Geringer, Kim, Scullion, Lowe & Drost 1995; Aram, Salipante & Knauf 1987) have contended that qualitative data provides rich information that may not be captured by quantitative techniques. Hence, an amalgamation of a quantitative and a qualitative research methodology has potential to lead to a more comprehensive insight of the issues under investigation.

A convenience sampling method that endorsed guanxi ideology was adopted in the present study. The study sample was selected through a business network and client base of an Australian based company, which has been operating in China since 1994 (The author of this dissertation has been conducting business in mainland China since 1994). Underpinning the study design with a procedure that incorporated business connections addressed two salient features – a relatively prompt collection of data, and

the issue of sensitiveness of the sought information. For instance, acquiring official approval from the relevant bureaucratic Chinese authority to administer a work place questionnaire is likely to be linked with considerable procedural delays as well as many required changes to the content of the survey instruments. Moreover, given the historical experience of the Cultural Revolution many Chinese individuals would be reluctant to discuss some of the relative sensitive topics (identified in the questionnaire) or to share their guanxi secrets with strangers or someone calling from a consulting company to conduct a survey. Comparatively, it is contended the respondents are likely to be more comfortable, and indeed, provide truer personal views in answering the questionnaires if they (the respondents) personally or indirectly had a guanxi relationship with the researcher and understanding the purpose of the survey. Despite the employed data collection method not ensuring complete randomness, it is considered acceptable for studies with an exploratory purpose (Weiss 1994), as a more traditional 'mail out' system is unlikely to capture data from a reasonable number of respondents.

The study design engaged five characteristic stages. The first stage involved a comprehensive examination of existing relevant literature pertaining to guanxi philosophy, as well as business strategy and business management related theories. In the second stage, having completed a systematic investigation into the connections of the guanxi construct and the business strategy orientation with the guanxi network, a conceptual model was purposely developed as a paradigm for evaluating the research questions. Nevertheless, it became evident that the construct of the business strategy orientation, a core variable of the conceptual model, could not be measured by standard instruments or by adapting any existing instruments to create a new appropriate scale. Hence, it was apparent that there would be a need to generate a new scale to assess the

linkages between the business strategy orientation variable and the guanxi network construct. As the development of new scales is fraught with uncertainty (e.g., Rizzo House & Lirtzman 1970), an endeavor was made to develop a suitable instrument for assessing the business strategy orientation by employing both a qualitative and a quantitative process, which was accomplished in the third stage. This third stage involved five typical phases in two subsequent empirical studies. The fourth stage was the implementation of the pilot study in Dalian, one of the six research cities. The final stage was the administration of the questionnaire in the six research cities in mainland China.

Measurement Development

The generation of the scale for measuring the business strategy orientation construct was achieved in five distinctive phases. In the first phase, the researcher engaged eight prominent Chinese businessmen (independently) in lengthy telephone discussions (between Australia and China) to compile 19 questionnaire items that corresponded with Porter's (1980, 1985) framework of three generic businesses strategies. The second phase of the instrument development involved 12 bilingual assistants. These people were the members of three mutually exclusive teams that collectively back translated the inaugural scale of 19 items (English to Mandarin to English). Each person held membership in only one team. Members of the first team translated the 19 items from English to Mandarin. The members of the second team translated the 19 items from Mandarin to English. And the third team assessed the translated 19 items for correspondence with the initial English version of the 19 items. As perfect correspondence between the English version and the Chinese format is most unlikely, it is an important function of the third group to ascertain the 'reasonableness' of the final

English version. The members in the first two teams were qualified translators, who have been working as professional translators with the Notary Public of China for some 20 years. The members in the third team were Australia accredited translators, who had lived in China for over 30 years before they migrated to Australia.

The third phase of the scale development was the administration of the 19 item scale to a sample of 202 indigenous Chinese managers. A Mandarin version of the instrument was used. Respondents were from the Chinese centers of Guangzhou, Fushan, Nanhai, Zhongshan, Shenzhen, Pondfu and Dalian, which are major cities in three of the Chinese provinces that are in leading positions of economic reform initiatives. Accompanied with a cover letter that explained the purpose of the study and timeframe for the collection of data, the 19 item instrument was distributed via fax, email and courier services by the researcher and three administrative assistants. 'Follow up' calls were made by the researcher and the three administrative assistants to the respondents to ensure the receipt of the dispatched two page questionnaire. Supplementary telephone calls were subsequently made to the respondents to remind them of the time frame of collection of the completed instrument, which was timetabled for two weeks later.

Assessment of the 202 sets of responses was the fourth phase of the process. Data were examined with two main procedures using the Statistical Package for the Social Science (*SPSS 13.0, 2004*). First, frequencies of response scores for each of the 19 items were obtained, and the item mean and standard deviation was identified. Second, exploratory investigation with principal component method for extraction of factors using the Varimax option was employed to assess the scale dimensionality. Eigenvalues greater than one were retained. In this study, rather than three factors as proposed, six factors

were obtained in seven interactions. Endeavors were made to obtain three, four or five factors, but these endeavors resulted in less satisfactory factor scores and groupings of items.

In the fifth phase, the researcher visited mainland China and conducted four focus group meetings with 16 successful Chinese business people to elucidate the idiosyncratic dimensions of the responses to each of the 19 items. These focus groups, which varied in composition from three to five people, provided valuable comments that enabled the refining and extending of the instrument to a 24 items questionnaire with six factors for assessing the six business strategies that applied in Chinese business organizations. This scale was employed for assessing the variable of the business strategy orientation when evaluating the conceptual model.

Pilot Studies

A pilot study was conducted in mainland China to assess the veracity of the developed 24 item scale (i.e. business strategy orientation). Refinement of the 24 item scale for measuring the business strategy orientation involved 76 indigenous Chinese business managers. These participants, who were mainly from the same regions of the initial survey, responded to a Mandarin version of the 24 item instrument that had been refined and extended from the initial 19 item instrument. Data were examined with two main procedures using SPSS (2004). Firstly, frequency tables were used to examine the demographic data and descriptive statistics. Secondly, factor analyses and reliability assessments were performed to assess the validities and consistencies of the scale. Six factors were obtained, as expected, in five iterations with satisfactory factor scores and groupings of items. The results of the reliability estimate were satisfactory with three

Cronbach alpha coefficient of above .52 and the other three are above .80, to demonstrate adequate internal consistency for the scales. According to Sin (1994), the reliability value falling between .50 and .60 is sufficient for exploratory research. Other researchers (Burns & Bush 1998) claim the reliability coefficient falling between .65 and .70 is considered acceptable for measures being used for the first time.

Prior to the actual fieldwork of the present study (that was conducted in July 2006), a series of pre-tests and face to face interviews were conducted with five focus groups. These sessions were undertaken with 22 successful Chinese business people, and three Professors of Economics in China to add depth to the *entire* questionnaire and to enable further clarification on wording of the statements in the 24 item questionnaire. Through this process, clarification and 'purification' was also made to the total survey instrument. As a result, eight questions were identified and deleted from the original 97 questions that had been determined through the first in depth interviews and discussions. Another six questions that were perceived to be sensitive or normative questions were deleted through the interviews and discussions with the focus groups. Consequently, the pre-final questionnaire consisted of four sections with 83 questions. The first section was composed of 12 questions that obtain the organizational profile and personal profile of respondents, whilst the remaining sections of the questionnaire comprised of 71 questions that were used to capture data that were used to evaluate the study conceptual model. The 24 item scale for assessing the business strategy orientation was included in the 71 items.

The refined 83 questions were tested in a subsequent pilot study that was conducted in Dalian of Lianning province in April 2006. The pilot study involved 151 Chinese business executives from the top five senior managerial levels of 46 Chinese

organizations. The analytical results demonstrated that the scales were found to have acceptable validities and reliabilities. Although there were a small number of items that had some leakage and cross loading, it was believed these features would be 'eliminated' in a larger sample. As a consequence, the full set of 83 questions was retained to test the research conceptual model. The Chinese version questionnaire was used for the survey and the English version was for reporting this study.

Main Study

The procedure for data collection for this study was carried out in two phases. In the first phase, the researcher and a total of 12 administrative assistants (each two of them were responsible for one of the six research regions) contacted the potential respondents via telephone, email and facsimile to determine their agreement to voluntary and anonymously participate in the study. After consent was obtained from the potential respondents, the respondents were given the Chinese version of the questionnaire via email, facsimile, post or courier service. Accompanying the questionnaire was a covering letter (written in Chinese) with further explanation about the survey in terms of the time frame for return (of the questionnaires) and the method that would be employed for the collection of the completed questionnaire.

'Follow up' calls were made by the administrative assistants and the researcher to the respondents to ensure the six page questionnaire had been received. This was done in the several days after the questionnaire had been dispatched by. Subsequently, participants were contacted by telephone call, fax or email for collection of their responses or to remind them of the survey completion date. The administrative assistants and the researcher also provided additional explanation about the

questionnaires 'if and as required' by the respondents. This action was taken two weeks after the distribution of questionnaires. It was estimated that the entire research instrument would require respondents to devote approximately 15 to 20 minutes of their time to complete the survey.

A total of 1313 questionnaires were administered by the researcher in the six chosen cities of mainland China. Generally, respondents were given six weeks to complete the questionnaires. A total of 1071 replies were collected within the planned time frame of six weeks. However, due to incomplete information, 38 questionnaires were discarded. Thus, there were 1033 useful questionnaires, which constitute a response rate of 78.67 percent. The response rate for each city is shown in Table 2 of the Chapter Four (Results).

Elucidation of the pattern of the result, from the qualitative evaluation of the questionnaire data, was obtained by employing focus groups (i.e. feedback sessions). A qualitative feedback programme was conducted following the completion of the quantitative analyses. Representatives of the study respondents were invited to attend the feedback sessions conducted by the researcher and the administrative assistants in the six study cities. Two approaches were employed for the qualitative study. The first approach was to conduct face to face interviews and discussion in each of the study cities. Each of the focus group meetings was approximately for 90 to 120 minutes in duration. For participants who were unable to attend the focus group session, an alternative approach was offered that conducted discussions by way of telephone, email or facsimile. With the consent of the respondents, the researcher drew feedback from each individual respondent via electronic means. In these meetings, respondents were advised there were no right or wrong answers for the questions, but were asked to

explain why they consider certain patterns emerged in the statistical results.

The objectives of this qualitative element of study were two fold. Firstly, there was a necessity to gain insight into certain findings yielded from the results of the quantitative data assessment. It is considered that this approach has the potential to enrich the understanding and quality of information through the interpretation of results from the opinions of representatives of the respondents. Secondly, the session was used to allow respondents to openly discuss sensitive topics face to face with the researcher. Hence, this qualitative approach was aimed to elucidate the quantitative findings and explore any outstanding relevant issues that were associated with the questionnaire items.

MEASURES

Four demographic scales and three interval scales were employed in this study. The demographic scales had two functions. First, these scales were used to assess the demographic dimension of the structure properties of the study organizations and job incumbents. The second task of these scales was to capture data to assist an examination of the moderating effects that the attributes of the study organizations and job incumbents on the relationships between the guanxi construct and the business strategy orientation with the guanxi network. The three interval scales were (1) the guanxi construct scale, (2) the business strategy orientation scale, and (3) the guanxi network scale. These three scales were employed to evaluate the linkages between the guanxi construct and the business strategy orientation and the guanxi network. Elucidation of the seven scales that were employed in this study begins with the four demographic scales.

Demographic Scales

The demographic dimensions of the respondents and their organizations were assessed by four different scales, which were based on a self report system. The first scale consisted of two ordinal scales. The first ordinal scale ranged in three specific age choices from 1) 30 years and below, 2) 31 to 50 years, and 3) more than 50 years to measure the age of the respondents. This ordinal scale is demonstrated in section one as item one of the questionnaire. The second ordinal scale was with three ranges of particular years from 1) less than 5 years, 2) 5 to 10 years, and 3) more than 10 year to quantify the tenure, industrial and managerial experience of the respondents, as well as the organizational history and size. This instrument is shown in section one as items six, seven, eight, nine and ten of the questionnaire, which is attached in the Appendix 2.

The second scale was to determine gender and the shareholder status of the respondents as well as the ownership of their organizations. The instrument is illustrated in section one as items two, three and five of the questionnaire, which is attached in the Appendix 2. The respondents were asked to choose a suitable response from the two given statements that were attached to individual questions, and the given responses to gender was 'male' or 'female', while the given answer to the shareholder status was 'yes' or 'no'. And the ownership status of organizations was classified into two categories: 1) privately owned, and 2) state owned.

The third scale was to capture the organizational industry and the educational level of the respondents. The instrument, which consists of two items, is demonstrated in section one as items four and 11 of the questionnaire that is attached in the Appendix 2. The respondents were allowed to select a most appropriate response from each of the

four responses that were provided for these two respective questions. For example, the organizational industry was grouped with four industrial fields: 1) trading, 2) building/construction, 3) manufacturing, and 4) service. The educational level of the respondents was ranged in categories: 1) vocational/secondary, 2) college/diploma, 3) undergraduate and 4) postgraduate. The respondents were requested to mark a 'tick' for the answer they consider most appropriate from the answers that were provided in relevant questions. However, a most enlightening comment from some respondents explained that the mark of 'tick' (=√ in Chinese language) was not popular in Northern mainland China as the mark of '√' symbolized an approval for an execution to death. Moreover, the mark of '√' was also misunderstood for the question for regional location in the pilot study, which was conducted to develop the instrument for evaluating the business strategy orientation construct. The respondents marked '√' to the space, which was actually prepared for respondents to indicate the regions of their organizations.

The fourth demographic scale was to identify the regional location of the study organizations. For the purpose of differentiation and elimination of misunderstanding that were captured during the pilot study, this study employed two methods to distinguish the regional location of the study organizations. First, questionnaires that were distributed to each of the six research cities were purposely printed with six distinctive color papers. Second, the respondents were required to indicate the name of the city and province in which their organizations were located in the given spaces that were attached to the question. This is the fourth demographic scale that is presented in section one as item 12 of the questionnaire, which is attached in the Appendix 2.

A coding system (i.e. 1 to 4) was employed in the analysis process to develop a profile of the respondents. For instance, gender (1= male, 2= female), age (1 = 30 years and

below; 2 = between 31 to 50 years, and 3 = more than 50 years), and the education background of the participants (1 = vocational/secondary, 2 = college/diploma; 3 = undergraduate, 4 = postgraduate). The education background measure was set in accordance with the Chinese education systems that were implemented and reformed since the founding of the People's Republic of China in 1949. Furthermore, the tenure, industrial experience and managerial experience of the respondents were respectively measured with a self report measure that had three categories (1 = less than 5 years, 2 = between 5 to 10 years, and 3 = more than 10 years).

The coding system (i.e. 1 to 6) was also applied to feature the attribute of the study organizations in this research. For example, the industrial field was measured across four industrial categories (1 = trading, 2 = building/construction, 3 = manufacturing, and 4 = service). The location of the organization was delineated as city (1 = Guangzhou, 2 = Foshan, 3 = Xiamen, 4 = Kunming, 5 = Hefei, 6 = Dalian). In addition, the survival history of the organization was measured on three categories (1 = less than 5 years, 2 = between 5 to 10 years, and 3 = more than 10 years). Moreover, the ownership of the organization was measured using two categories (1 = privately owned, and 2 = state-owned). And, the size of the organization was measured with three categories (1 = less than 100 employees, 2 = between 100 to 500 employees, and 3 = more than 500 employees).

Interval Scales

Three interval measures were used to evaluate the key constructs of the conceptual model. The employed instruments were (1) the guanxi construct scale, (2) the business strategy orientation scale, and (3) the guanxi network scale. The second instrument (i.e.

the business strategy orientation) was developed by the researcher while the other two instruments were adapted from scales that were used in previous studies (Davies et al. 1995; Wong & Leung 2001). These three instruments will now be comprehensively discussed, beginning with the guanxi construct scale.

Guanxi Construct Scale

The guanxi construct was measured with an adapted version of the guanxi construct scale that was designed and developed by Wong and Leung (2001). The original guanxi construct scale was made up of 26 items with three constructs that contained seven subscales. These subscales are (1) personal value construct - favour, opportunism and trust, (2) attitude construct - uncertainty and dependence, and (3) the behaviour construct - adaptation and continuity. In the study of Wong and Leung (2001), these scales were evaluated with seven point Likert scales that ranged from one (strongly disagree) to seven (strongly agree). A salient finding of the Wong and Leung (2001) study was that while most of the instruments were acceptable, the continuity scale was unsatisfactory for their study due to the reporting of a low alpha coefficient. Hence, the subscale of continuity, which comprised of one item, was not employed in the study reported here. Moreover, there was one item in the subscale of favour that was considered to be too sensitive to the modern Chinese population to yield genuine opinions. Thus, this item was deleted. Accordingly, the instrument for assessing the guanxi construct was initially reduced to 24 items through lengthy interviews and discussions with numerous prominent business executives in focus groups.

The instrument used in the study (for evaluating the guanxi construct) consists of 27 items. The 27 item scale was an outcome of amplifying from the original 24 adapted

items from the guanxi construct instrument that was designed by Wong and Leung (2001). The three increased items provided two more items for the subscale of opportunism, which originally had only two items. An additional item was added to the subscale of dependence to increase this subscale to four items from the original three items. The increased items were chosen by systematically evaluating studies of a number of leading publications in relation to Chinese culture and Chinese Values (e.g., Hofstede 1988; Redding 1990; Luo 2000; Seng & Lim 2004; Xin & Pearce 1996), and from consultations with several Chinese Professors of Economics as well as some prominent business people in mainland China. As a result, the instrument contains 27 items for assessing the guanxi construct.

The 27 item scale is comprised of six sub variables. These subscales are 1) favour, 2) opportunism, 3) trust, 4) uncertainty, 5) dependence, and 6) adaptation. The scale of personal value construct, which has subscales of favour, opportunism and trust, is measured with a total of 14 items and none were reverse scored. Favour is measured with items one, eight, 10, 13 and 14; opportunism is measured with items three, 11, 16 and 18; and trust is measured with items four, six, 12, 19 and 24. The attitude construct is measured with nine items. The sub variable of uncertainty is measured with items two, five, seven, nine and 15; and dependence, the other sub variable of the attitude construct is measured with items 17, 20, 22 and 26. Finally, the behaviour construct is measured with the remaining four items; and the scale of adaptation is measured with items 21, 23, 25 and 27. The scale is shown in section three as items one to 27 of the questionnaire, which is attached as Appendix 2.

Business Strategy Orientation Scale

The instrument employed for assessing the business strategy orientation variable in this study was developed by the researcher. This course was chosen after a careful study of reputable academic journals and relevant literature (e.g., Aaker 1992; Barnett & Wilsted 1988; Digman 1986; Miles & Snow 1978; Porter 1980; 1985; John & Richard 1991; Rajagopalan 1997). In spite of discovering relevant scales their appropriateness for employment in organizations in mainland China had to be established, and this was undertaken by an amalgamation of a qualitative and a quantitative process. A total 314 indigenous Chinese managers were involved in the two separate empirical studies for the development process of the instrument. The process for determining a relative robust instrument was discussed earlier in this Chapter (see page 123 to page 125).

The items in the business strategy orientation scale were scored with a seven point Likert scale that ranged from 'Strongly disagree' (1) to 'Strongly agree' (7). The refined business strategy orientation scale, which consists of 24 items in six subscales, is shown in section two as items one to 24 of the questionnaire that is attached in the Appendix 2. These six subscales are (1) overall cost leadership on resources, (2) overall cost leadership on quality, (3) overall cost leadership on sales volume, (4) differentiation mixed with overall cost leadership, (5) focus, and (6) preemptive move. Overall cost leadership on resources is measured with items four, seven, 10 and 16. Overall cost leadership on quality is measured with items five, 11, 18 and 21. Overall cost leadership on sales volume is measured with items three, six, 12 and 15. Differentiation and overall cost leadership strategy is measured with items 19, 20, 22 and 24. Focus is measured with items one, nine, 13 and 23. Preemptive move is measured with items two, eight, 14 and 17. Amongst the items, only item six is reversed scored.

Guanxi Network Scale

The guanxi network instrument used in this study was adapted from a scale of the guanxi network scale, which was designed and developed by Davies et al. (1995). In spite of the availability of the Davies et al. (1995) scale, which was employed to investigate the importance of the guanxi in the business negotiation process in China with executive managers of overseas or Hong Kong import/export companies (who were engaged in a joint venture businesses in the PRC), it was deemed that the original scale was unsuitable for this study. Elsewhere it has been observed that the guanxi network should be appraised on both vertical and horizontal dimensions, respectively. That is, the vertical guanxi network is connected to various government authorities to attain source of information, source of resources and source of procurement; and the horizontal guanxi network is associated with the competitive force in the task environment to achieve market position and market transaction (Luo & Chen 1996). Accordingly, the items in the original guanxi network scale were refined to make the instrument more relevant for local contemporary Chinese organizations in the four industrial domains that were a feature of the study reported in this dissertation.

The initial guanxi network scale was composed with 15 items that had three subscales. These subscales are (1) source of information, (2) source of resources and procurement, and (3) other essential areas such as company image building and logistic smoothness. The first subscale was measured with four items, and the second subscale was measured with eight items; the third subscale was measured with three items. However, it is noted that some of the items developed and designed in the first two subscales were purposely for import/export companies in the study of Davies et al. (1995), and these items are likely to be inappropriate for the study reported in this dissertation, which is

to make investigation in four major industrial fields. Hence, these items in the first two subscales of Davies et al. (1995) were modified during discussions with Chinese business people to make the instrument suitable for the four chosen industrial fields for the current study. Moreover, in light of the ever changing business environment under the economic transition in China, having adapted the vertical and horizontal guanxi network philosophy (Luo & Chen 1996), and seriously consulted with several indigenous Chinese Professors of Economics as well as some local prominent Chinese businessmen, the original 15 items on the guanxi network scale of Davies et al. (1995) were adjusted and extended to a 20 item instrument with five subscales under the vertical and the horizontal domains.

The refined guanxi network scale, which was employed in this study, consists of 20 items, and none were reverse scored. This instrument assesses the two dimensions (i.e. the vertical and the horizontal) of the guanxi network, with five subscales. The dimension of the vertical guanxi network has three subscales, which are: 1) source of information, 2) source of resources, and 3) source of procurement. The dimension of the horizontal guanxi network has two subscales, which are: 1) market position, and 2) market transaction.

The construct of vertical guanxi network, which is measured with 12 items, is presented among the items of one to 20 in section four of the questionnaire, which is enclosed in the Appendix 2. The items, which are intended to measure source of information are 13, 15, 17 and 19; and the items, which are deliberated to measure source of resources are item six, 11, 16 and 18; whilst items two, four seven and 20 are designed to measure source of procurement.

The construct of the horizontal guanxi network is measured with eight items, which is presented among the items of one to 20 in section four of the questionnaire, which is presented as Appendix 2. The subscale of market position is measured with items one, five, nine, and 14; whilst market transaction is measured with items three, eight, 10 and 12. These scales were evaluated with seven point Likert scales that ranged from one (strongly disagree) to seven (strongly agree).

ANALYSIS

This study employed both quantitative and qualitative methods as a hybrid investigation technique to evaluate the collected data. These two investigation methods were adopted in two individual phases. In the first phase, the study data were first analyzed by a quantitative method under a total of nine statistical analytical processes. This was then followed by a qualitative procedure in the second phase of the analysis. Elucidation of the application of both quantitative and qualitative techniques is elucidated, next, beginning with the quantitative analysis.

Quantitative Analysis

Quantitative analysis was achieved in a total of nine systematic processes in the first phase of the data analysis. First, frequency tables were constructed to examine the demographic data and descriptive statistics. Second, exploratory factor analyses were conducted, with the Varimax rotation option to evaluate the psychometric properties of the instruments. Third, reliabilities analyses were then employed to assess the identified factors. Fourth, correlation analysis was applied to evaluate the hypothesized bivariate correlations of the conceptual model. Fifth, Analysis of Moment Structure (AMOS), 6.0

(Arbuckle 2005) was employed to estimate the hypothesized path coefficients among the variables while simultaneously removing the effect of method factor bias. Sixth, regression analysis was used to examine the hypothesized relationships of the conceptual model. Seventh, the hierarchical multiple regression analysis was undertaken to determine the moderating effects that the attributes of the study organizations and job incumbents have on the hypothesized relationships between the dependent variables (i.e. guanxi construct, business strategy orientation) and independent variables (i.e. vertical guanxi network, horizontal guanxi network) of the conceptual model. Eighth, t-test procedure was used to assess the extent of difference between groups of gender and status of employee and employer as well as the statue of organizational ownership. Ninth, Analysis of variance was then employed to evaluate the variations between the demographic elements and structure properties. With exception of the fifth phase of analysis, all other phases of analyses were undertaken with Statistical Package for the Social Sciences (2004).

Analysis of Moment Structure

Path analysis was performed with AMOS 6.0 (Arbuckle 2005) to examine the hypothesized relationships in the model illustrated in Chapter Two. The benefit of using AMOS was two fold. Firstly, Amos has the ability to test the hypothesized path model in entirety, with maximum likelihood estimation instead of relying on ad-hoc methods like listwise or pairwise deletion, or mean imputation. The system also makes bootstrapped standard errors and confidence intervals available for all parameter estimates, effect estimates, sample means, variances, covariances and correlations. Secondly, AMOS provides standardized regression weights and confirmatory analysis to the fitness of the model with the data. AMOS is a powerful and relatively user

friendly structural equation modeling technique and has numerous features, such as standardized path coefficients, which employed standardized regression coefficients, that are reported for this study.

In the path analysis, the common goodness-of-fit measures such as Goodness-of-fit Index (GFI), Adjusted Goodness-of-fit Index (AGFI) and Comparative Fit Index (CFI) are usually employed simultaneously to examine the hypothesized model in entirety. The values of GFI, AGFI, CFI close to 1 indicates a perfect fit of the model (Arbuckle, 2005). And the value of Root Mean Square Error of Approximation (RMSEA) of about .05 or less indicates a close fit of the model in relation to the degree of freedom (Browne & Cudeck 1989). The use of normed chi-square (or chi-square ÷ degrees of freedom), in which a ratio of between 1.0 and 2.0 indicates an excellent model fit. However, Jöreskog (1970) has proposed a more liberal ratio of 5.0.

Hierarchical Multiple Regression Analysis

The hierarchical multiple regression analysis was undertaken to evaluate the moderating effects that the attributes of the study organizations and job incumbents have on the relationships between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi network. This analysis was processed in three systematical steps. The first step was to assess the bivariate correlations between the control variables (i.e. demographic elements) and the tested dependent variable. The second step aimed to evaluate the bivariate correlations between the control variables and the independent variables with the tested dependent variable. The third step sought determination to the bivariate correlations between the control variables, the independent variables and the tested dependent variable with the

moderating variables. Step one reported the results for the control variables. Step two added the independent variables and the dependent variable to the equation, and step three added the hypothesized interaction terms. Hence, step three presented the results of analysis to examine whether the control variables had significant interaction effects on the relationships between the independent variables and dependent variable. The moderating effect of the control variable on the hypothesized relationships is to be determined by first, the statistical significance of the interaction term, and second, the coefficient of the interaction term. The p value of smaller than .05 signifies a significant moderating effect. And the positive coefficient on the interaction term indicates that the hypothesized relationship becomes stronger with the effect of the control variable, and vice versa.

Qualitative Analysis

In the second phase of analysis, a qualitative method was used to enhance the understanding of the results yielded from the first phase of the study. The purpose of a 'follow-up' qualitative approach was employed to better understand the results of the statistical tests for examining the associations among the variables. The researcher arranged a total of 20 face to face feedback sessions in each of the six research cities. These lengthy focus group meetings, which were mostly from 90 to 120 minutes in duration, involved a total of 90 indigenous Chinese business executives. The members of these focus groups provided invaluable opinions to the elucidation of the quantitative results of the study. Some of the focus group meetings were videotaped, and subsequently, replicated by DVD plates, and complete minutes for each of the meetings were recorded in Chinese (approximately 160,000 words in 240 pages), and an accredited English translation (approximately 100,000 words in 248 pages) were

consequently, arranged. The general details of the focus group meetings are documented in Table 38 of Chapter Four. In the event that there were participants who were prevented from attending the focus groups in the study cities, feedback sessions were alternatively undertaken via telephone, facsimile and email correspondence. This action was a further avenue for supplementing and clarifying the quantitative results. Overall, the qualitative analysis provided a more comprehensive insight to the findings that were yielded from the quantitative analysis.

CONCLUSION

The methodology employed to test the hypotheses proposed in the conceptual model, were described in this chapter. In particular, a description of the research site and procedures for conducting the survey were detailed. A salient feature of the research procedure was the combined quantitative and qualitative methods that were employed in the distinctive processes of the development of the study instrument, the pilot studies and the main study. In addition, the benefits of pursuing both approaches have been elucidated in this chapter. It is considered the blended qualitative and quantitative approach is deemed to be a better investigation technique that has the potential to yield richer and more robust results. Moreover, an explanation of justification of the adapted instruments that were employed in this investigation was reported. Finally, the various statistical procedures that were applied in this research were deliberated. The results of the analysis are presented in Chapter Four.

CHAPTER FOUR

DATA ANALYSIS AND RESULTS

Most research, particularly empirical studies, requires a context-laden approach. Being a high context culture, China needs to be understood within its own context. Much of the existing research has mainly been conducted within a Western context. The results from such studies cannot be easily generalized to a Chinese high context environment. Guanxi, which is a major influence within a Chinese society, is not fully understood and is perceived to be one of the most controversial research topics.

(Wong & Chan 1999, p.107)

INTRODUCTION

Chapter Four, which is organized in five parts, demonstrates the results of the empirical analyses that were conducted to evaluate of the hypotheses that were presented in Chapter Two and provides an indication of the qualitative mechanism that were employed for further delineation of the findings. The first part of this chapter provides a discussion of

preliminary data assessment. Next, an outline of the psychometric assessments is presented. The third part of Chapter Four consists of the results of the empirical analyses. The fourth part of this chapter presents a summary of the results of the tested study hypotheses when the quantitative data were evaluated. Finally, in the fifth section of the Chapter, the focus groups that were conducted in the six research cities of mainland China (for this study) are described. The process begins with a discussion of the preliminary data assessment.

PRELIMINARY DATA ASSESSMENT

The study data that were yielded from the six research cities of mainland China were initially subjected to three assessments. Firstly, although extensive attention was given to accurately inputting the questionnaire responses, the presence of outliers was assessed. In this process, the data were examined to ensure that all entries did not exceed their specified ranges. Secondly, the phenomenon of missing data was investigated and it was found few questionnaires had to be discarded because they were devoid of responses. It is likely this condition was a consequence of clear instructions given in the survey document and several reminders by the researcher, and the administrative assistants who communicated to each of the respondents via electronic means reminding the participants to complete every questionnaire item. The exceptionally low level of missing data was exacerbated through ‘follow up’ phone calls and feedback sessions.

A total of 1033 usable questionnaires were obtained from six mainland Chinese cities from the administration of 1313 survey instruments. The response rate of usable questionnaires for each Chinese city is shown in Table 2. It is demonstrated that the response rate was relatively high and somewhat consistent across the study sites. Interestingly, the lowest response rate was in Dalian, the site of the pilot study. Arguably, the data of Table 2 reflect the importance of the phenomenon of guanxi as well as techniques to encourage respondent participation rates, for earlier studies (e.g., Leung et al. 1995b; Leung et al. 1996; Wong & Leung 2001) have not reported such high response rates. In this study, a total of 1071 questionnaires were collected within the expected time frame (38 questionnaires were discarded due to incomplete information). Accordingly, the analysis of comparison to early and late respondents for non response bias assessment did not apply in this study.

Table 2
Questionnaire Response Rates Across Cities %

City	Study Questionnaires #	Response Rate
Dalian	151	67.11
Guangzhou	220	86.27
Foshan	175	82.16
Kunming	159	75.71
Hefei	165	79.32
Xiamen	163	80.69
Total	1033	78.67

Note. The administered number of questionnaires can be determined by the calculation of study questionnaire numbers divided by the response rate (e.g., the administered number of questionnaires for Dalian city was $151 \div 67.11\% \times 100 = 225$).

PSYCHOMETRIC ASSESSMENT

In assessing the psychometric properties of the scales, descriptive statistics were used to assess the demographic profile of the respondents. Specifically, factor analysis and reliability assessments were conducted. Exploratory factor analyses (EFA) were performed to establish the underlying structure of the inter relationships of the scale items among the three key variables being investigated in this study. These three fundamental constructs were 1) guanxi construct scale, 2) business strategy orientation scale, and 3) guanxi network scale. Reliability assessments were used to assess the internal consistency of the three scales.

The purpose of factor analysis is to examine the construct validity of the variables. The Varimax option was employed because of the technique's success in obtaining orthogonal rotation of factors for the purpose of regression and other prediction techniques (Hair, Anderson, Tatham & Black 1998). Given that the sample size is 1033, Hair and colleagues (Hair et al.1998) suggested that conservative factor loadings of greater $\pm .30$ were to be considered significant at the .05 level. Once the dimensionalities of the instruments were verified, the internal consistencies of the scales were assessed with reliability analyses.

The reliability for each construct scale was estimated using the Cronbach alpha coefficient (Cronbach 1951). Nunnally's (1978) seminal work has been extensively

selected for estimating the reliability of multi-item scales. Generally, items were retained in the scale when the item-to-total correlation was at least .35. Preferably, a minimum of three items per scale was sought, and a coefficient alpha value in the order of .70 was sought (Nunnally 1978). There were some exceptions. For instance, the strategy of preemptive move, a subscale of the business strategy orientation scale had an alpha of .52. Trust, a subscale of the guanxi construct scale had an alpha of .53. According to Sin (1994), a reliability value falling between .50 and .60 is sufficient for exploratory research. Nevertheless, Hair et al. (1995) proposed that there exists no universal agreement on what value constitutes a minimum acceptable reliability. Besides, the uncertainty subscale was found by CFA to be comprised of two discrete constructs, and one of them had a comparatively low alpha of .42. Overall, the results of these reliability analyses were considered satisfactory for exploratory research. The factor analysis results and the reliability assessments for the four fundamental constructs that are depicted in the conceptual model (Figure 2) are presented, next.

GUANXI CONSTRUCT

It is presented in the conceptual model that the guanxi construct has six subscales. The primary construct of 1) personal value, 2) attitude, and 3) behaviour has been previously investigated. For example, Wong and Leung (2001) have theorised that the personal value construct consists of three factors – 1) *favour*, 2) *opportunism* and 3) *trust*, and the attitude construct was composed with two factors: 1) *uncertainty* and 2) *dependence*, while the behaviour construct has one only factor, which was *adaptation*. Hence, six factors were anticipated. However, when the total study data were subjected to a factor

analysis, it was revealed the uncertainty items were loaded onto two discrete factors, which gave seven factors. All endeavours to obtain a six factor solution (by constraining the factor structure) resulted in less satisfactory factor scores and poorer grouping of items. For example, the *adaptation* items were unexpectedly grouped into one factor with the *dependence* items, when less than a seven factor, solution was sought.

The seven factor analysis result is presented as Table 3. This solution, while having less leakage across factor items than the six factor solution, resulted in the creation of two constructs to replace the regular uncertainty construct. Inspection of the respective items (i.e. 5, 7, 9, & 15) determined that these two constructs were to be labelled 1) *perception to uncertainty*, and 2) *expectation to uncertainty*. This seven factor solution explained 54.48 percent of the variance, which is quite acceptable given the exploratory nature of the research, and that most of the respondents had never previously completed a questionnaire in the workplace. Accordingly, the seven factors that were captured in the present study were labeled: 1) *favour*, 2) *opportunism*, 3) *trust*, 4) *perception to uncertainty*, 5) *expectation to uncertainty*, 6) *dependence*, and 7) *adaptation*. These variables were used for evaluating the conceptual model.

Table 3

Principal Components Factor Structure of the Guanxi Construct

Variables	Item # Section 3	Factors						
		1	2	3	4	5	6	7
Favour	1	-.18	.18	.06	.64	.03	.01	.09
	13	.29	-.01	.45	.44	-.05	.27	-.09
	14	.01	.26	.33	.48	-.08	.27	-.09
	8	.10	-.03	.14	.56	.13	.40	.05
	10	.23	-.05	.01	.63	.27	-.10	.20
Opportunism	11	.12	-.02	.45	.27	.22	-.14	.40
	16	-.04	.17	.63	-.04	.02	.10	.28
	18	.12	.13	.66	-.01	.16	.17	-.10
	3	.14	.06	.61	.25	.10	.03	.08
Trust	6	.03	.02	.07	-.05	.80	.23	-.06
	4	.05	.20	.02	.19	.56	.12	.24
	12	.23	.16	.30	.21	.38	.02	.20
Perception to uncertainty	5	.06	.09	-.00	.19	.07	.61	.09
	7	.02	.04	.12	.03	.08	.64	.26
Expectation to uncertainty	9	.07	-.01	.04	.18	.15	.22	.74
	15	.08	.11	.12	.02	.05	.15	.79
Dependence	17	.30	.12	.24	.15	.49	-.07	.18
	20	.63	.22	.09	.01	.27	.07	.13
	22	.76	.22	.09	-.01	.05	.11	.10
	26	.30	.44	.15	.02	.35	-.20	.07
Adaptation	27	.25	.71	.14	.05	.05	.00	.06
	25	.32	.71	.06	.06	.09	.13	.03
	23	.45	.58	.16	.09	-.02	.07	-.00
Eigenvalue		6.13	2.15	1.47	1.30	1.08	1.03	1.00
Percent of Variance		23.58	8.26	5.66	4.99	4.15	3.97	3.87
Cumulative percentage of variance explained		23.58	31.84	37.50	42.49	46.64	50.61	54.48

Notes: a. N=1033.

b. Factor 1 = favour, Factor 2 = opportunism, Factor 3 = trust, Factor 4 = perception to uncertainty, Factor 5 = expectation to uncertainty, Factor 6 = dependence, and Factor 7 = adaptation.

Table 4 presents the relevant information for the reliability estimates of the guanxi construct. The Cronbach alpha coefficient of .63 for *favour* was considered acceptable (Sin 1994). Although item one had an item-total correlation of .31, which was slightly lower than the .35 criterion (Nunnally 1978), the removal of this item did not improve the reliability. Hence, the full set of five items was retained. The *opportunism* subscale was

considered to have a reasonable internal consistency, as the Cronbach alpha for the subscale was .60, and all items met the .35 criterion for item-to-total correlation. Therefore, all four items were retained for further analyses. The Cronbach alpha coefficient of .53 for *trust* is moderately low. This relatively low reliability assessment was probably attributed to the dimensionality of the scale, which was an issue that was raised in the focus groups and is elucidated, later, in Chapter Five. Although item six had an item-to-total correlation of .33, which was slightly lower than the desired criterion of .35 (Nunnally 1978), the removal of this item did not improve the scale reliability. Consequently, items four, six and 12 were retained. The Cronbach alpha coefficient of .42 for *perception to uncertainty* is quite low, and deletion of any of the only two items in this factor was statistically prohibited. This low reliability assessment may be attributed to partitioning the data into two factors from the original factor of *uncertainty*. The scale of *expectation to uncertainty* had an acceptable internal consistency for exploratory research. The Cronbach alpha coefficient of .68 for *dependence* was considered to be acceptable for exploratory research, and all the items met the .35 criterion for item-total correlation (Nunnally 1978). Thus, all four items were retained. The *adaptation* subscale illustrated adequate internal consistency, as the Cronbach alpha for the subscale was .76 and all the items met the .35 criterion for item-to-total correlation. Hence, three items of the *adaptation* subscale were retained. The composition of the subscales (i.e. the shown items) employed in this study are presented in Table 4.

Table 4**Reliability Analyses of the Guanxi Construct Items**

Item # Section 2	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Alpha if Item Deleted
Favour (Alpha = .63)				
1	18.96	10.24	.31	.62
13	19.04	10.00	.42	.56
14	19.30	9.23	.43	.56
8	18.99	9.84	.43	.56
10	18.62	11.00	.35	.60
Opportunism (Alpha = .60)				
11	14.38	6.63	.36	.54
16	14.95	6.14	.37	.53
18	15.01	5.81	.37	.54
3	14.94	6.00	.42	.50
Trust (Alpha = .53)				
6	10.60	2.71	.33	.45
4	10.46	2.87	.36	.41
12	10.68	3.21	.35	.43
Perception to uncertainty (Alpha = .42)				
5	4.77	1.26	.27	
7	4.88	1.85	.27	
Expectation to uncertainty (Alpha = .64)				
15	5.14	1.00	.47	
19	5.27	1.05	.47	
Dependence (Alpha = .68)				
17	15.11	5.46	.43	.64
22	15.51	5.13	.47	.62
20	15.42	5.11	.53	.58
26	15.04	5.40	.44	.63
Adaptation (Alpha = .76)				
23	9.44	3.57	.57	.70
25	9.42	3.46	.62	.65
27	9.48	3.28	.58	.69

Note. N= 1033.

BUSINESS STRATEGY ORIENTATION

The dimensionality of the perception of business strategy orientation scale has not been previously inspected. This newly launched instrument, that was purposely developed for the present study, was expected to have six factors. These six subscales, that were conceptualized from the relevant literature were delineated as 1) *overall cost leadership on resources*, 2) *overall cost leadership on quality*, 3) *overall cost leadership on sales volume*, 4) *differentiation and overall cost leadership*, 5) *focus*, and 6) *preemptive move*. From the Western literature, and after considerable interactions with a group of 314 mainland Chinese business executives, a scale of 24 items was generated. There were four items for each one of the six subscales. The responses (N=1033) to this scale were factor analysed and five factors were obtained. However, the five factor grouping had a problem of cross loadings. A second round of factor analysis was conducted by constraining the Varimax option to a six factor structure. Although one of the Eigenvalues was slightly less than 1.0, this six factor solution explained an acceptable 58.10 percent of the variance. Further action was taken to eliminate the problem of cross loadings by removing item 16 in the *overall cost leadership on resources* subscale, and item six in the *overall cost leadership on sales volume* subscale. Table 5 presents the six factor loadings. Most items loaded onto their corresponding factor as anticipated, a finding that demonstrated two main features. First, the content of Table 5 provided relatively strong agreement with the findings of earlier studies that were employed for the development of the instrument and the pilot study of the present research. Second, a high majority of the items loaded significantly onto their corresponding factors (i.e. factor loading $\geq .50$), with the exception of item 14 (i.e. factor loading $\geq .30$) in the *preemptive*

move factor. The dimensionalities of the instrument were identical to be coherent and the scale demonstrated adequate internal consistency.

Table 5
Principal Components Factor Structure of the Business Strategy Orientation

Variables	Item # Section 2	Factors					
		1	2	3	4	5	6
Overall cost leadership on resources	7	.16	-.02	.26	.11	.63	.10
	4	.06	-.02	.08	.09	.78	.04
	10	.21	.05	.34	.14	.53	.13
Overall cost leadership on quality	18	.15	-.02	.73	.04	.07	.16
	11	.03	.13	.66	.19	.16	.12
	5	-.08	.15	.59	.08	.38	-.07
	21	.26	-.11	.66	.14	.11	.04
Overall cost leadership on sales volume	12	.14	.04	.16	.74	.14	-.01
	15	.11	.10	.24	.65	-.05	.05
	3	.15	-.09	.03	.74	.21	.07
Differentiation & overall cost leadership	19	.76	-.02	.07	.08	-.01	.12
	22	.77	.09	.11	.02	.10	-.03
	20	.76	-.13	.10	.18	.12	.13
	24	.75	.09	.06	.19	.13	.06
Focus	23	.09	.78	.08	.01	-.02	.04
	9	-.03	.80	.03	.04	-.00	.01
	1	-.12	.78	-.00	-.00	.07	-.04
	13	.08	.78	.01	-.00	-.06	.11
Preemptive move	2	.26	-.13	-.06	.42	.16	.51
	8	.13	.38	-.05	-.16	.25	.48
	14	.40	-.01	.19	.14	.25	.38
	17	.03	.11	.31	.06	-.02	.75
Eigenvalue		4.92	2.79	1.82	1.27	1.02	.96
Percent of variance		22.34	12.70	8.27	5.79	4.65	4.36
Cumulative percentage of variance explained		22.34	35.04	43.31	49.09	53.74	58.10

Notes: a. N=1033.

b. Factor 1 = overall cost leadership on resources, Factor 2 = overall cost leadership on quality, Factor 3 = overall cost leadership on sales volume, Factor 4 = differentiation with overall cost leadership, Factor 5 = focus, and Factor 6 = preemptive move.

The reliability of the business strategy orientation scale was assessed, and the findings are presented as Table 6. *Overall cost leadership*, and *overall cost leadership on sales volume* had a Cronbach alpha value of .61 and .64, respectively. All the items of these

two subscales were retained for further analyses. The *overall cost leadership on quality* (alpha=.70), the *differentiation and overall cost leadership* construct (alpha=.80), and *focus* construct (alpha = .81) facets were considered to have acceptable internal consistencies, as all items met the .35 criterion for item-to-total correlation (Guildford 1965). Accordingly, all items in these three subscales were retained. The *preemptive move* subscale had a comparatively low reliability of .50, which may have been caused by misinterpretation and sensitiveness to the words of premium/over-valued price in item eight. This matter was suggested during the feedback sections and is discussed later in Chapter Five. All four items of the *preemptive move* scale were retained for further analyses. Overall, there was sufficient internal consistency for the business strategy orientation scales, which were subsequently, employed to investigate the conceptual model.

Table 6**Reliability Analyses of the Business Strategy Orientation Items**

Item # Section 2	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Alpha if Item Deleted
Overall cost leadership on resources (Alpha =.61)				
7	10.42	3.21	.42	.51
4	10.62	3.42	.39	.55
10	10.50	3.43	.45	.47
Overall cost leadership on quality (Alpha =.70)				
18	15.50	7.04	.51	.61
11	15.33	7.09	.51	.61
5	15.54	7.03	.44	.66
21	15.36	7.32	.47	.64
Overall cost leadership on sales volume (Alpha =.64)				
12	10.49	3.67	.51	.46
15	10.86	4.45	.40	.61
3	10.15	3.77	.45	.55
Differentiation & overall cost leadership (Alpha =.80)				
19	15.67	7.62	.60	.76
22	15.89	7.77	.57	.77
20	15.50	7.67	.66	.73
24	15.60	7.49	.62	.74
Focus (Alpha =.81)				
23	10.91	13.88	.62	.76
9	10.81	13.67	.64	.76
1	11.38	13.11	.62	.76
13	11.11	13.56	.62	.76
Preemptive move (Alpha =.50)				
2	14.37	5.73	.28	.42
8	15.56	5.32	.22	.50
14	14.61	5.69	.33	.37
17	14.72	5.70	.31	.38

Note. N=1033.

GUANXI NETWORK

The guanxi network scale, which incorporates the vertical and the horizontal dimensions, was examined for its dimensionality. Davies et al. (1995) have theorised that the guanxi network scale has three facets, namely, 1) source of information, 2) source of resources

and procurement, and 3) other essential areas such as company image building and logistic smoothness, and these three facets were assessed on a single dimension. In order to incorporate the actual market circumstance of China, under its economic transition and to be customized to the four industrial fields targeted in this study, considerable investments were made to adapt existing scales. For instance, numerous consultations were undertaken with several indigenous Chinese Professors of Economics and eight prominent Chinese executives in mainland China. Consequently, the original guanxi network scale (Davies et al. 1995) was modified to comply with the vertical and the horizontal guanxi philosophy (Luo & Chen 1996). According to the vertical and the horizontal guanxi network theory, the vertical guanxi network links to governmental authorities for attainment of source of information, source of resources and source of procurement; and the horizontal guanxi network connects to competitive force in the task environment for accomplishment of market position and market transaction. As a result, the modified scale has five facets under the vertical and the horizontal domains, respectively.

The vertical guanxi network is composed of three facets and the horizontal guanxi network consists of two facets. On the vertical domain, the guanxi network scale has three facets that have been nominated as 1) *source of information*, 2) *source of resources*, and 3) *source of procurement*. Each of the subscales was measured with four items with no reversed items being employed. In the horizontal dimension, the guanxi network scale has two facets that have been named as 1) *market position*, and 2) *market transaction*. Each of the facets was generated with four items and none were reverse scored. The

nominations of the three subscales in the vertical domain and the two subscales in the horizontal dimension were sourced from various leading empirical research related to guanxi network (Davies et al. 1995; Luo & Chen 1996; Park & Luo 2001; Leung et al. 1996; Wong & Leung 2001). The two scales (vertical and horizontal) were examined for validity by EFA, using the Varimax option. Although this factor solution resulted in Eigenvalue lower than the usual criterion of 1.0, the factor explained an acceptable 62.09 percent of variance. Table 7 presents the EFT results of the guanxi network scale.

Table 7
Principal Components Factor Structure of the Guanxi Network

Variables	Item # Section 4	Factors				
		1	2	3	4	5
Source of information	13	.64	.31	.24	.14	-.12
	15	.62	.35	.16	.17	.01
	17	.70	.26	-.07	.15	.36
	19	.72	-.00	.23	.09	.22
Source of resources	6	.03	.61	.42	.02	-.04
	11	.14	.77	.14	.17	.07
	16	.29	.66	.09	.09	.28
	18	.27	.69	.05	.27	.09
Source of procurement	2	.14	.14	.06	.78	.21
	4	.16	.16	.19	.70	.13
	7	.14	.23	.54	.52	.01
	20	.43	.23	.23	.35	.09
Market position	1	.17	-.01	.17	.38	.67
	5	.07	.19	.18	.11	.80
	9	.22	.19	.56	.09	.49
	14	.48	-.05	.51	.03	.40
Market transaction	8	.13	.23	.65	.32	.17
	10	.33	.19	.59	.13	.27
Eigenvalue		6.72	1.49	1.18	.93	.87
Percent of variance		37.31	8.28	6.53	5.15	4.82
Cumulative percentage of variance explained		37.31	45.59	52.12	57.27	62.09

Notes: a. N = 1033.

b. Factor 1 = source of information, Factor 2 = source of resources, Factor 3= source of procurement, Factor 4 = market position, and Factor 5 = market transaction.

Table 8 presents the reliability estimates for the five constructs of the guanxi network scale. A majority of the subscale items of the scale, except for *market transaction*, had satisfactory Cronbach alpha coefficients. Although *market transaction* has a Cronbach alpha value of .64, removal of any items did not improve the reliability of the scale. As the reliability value was near the desired threshold of .70, all items were retained. In general, the internal consistencies of the scales were acceptable.

Table 8
Reliability Analyses of the Guanxi Network Items

Questionnaire Section 4 Items	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Alpha if Item Deleted
Source of information (Alpha =.76)				
13	15.87	6.34	.54	.71
15	15.85	6.21	.56	.70
17	15.64	6.00	.60	.68
19	15.73	6.07	.53	.72
Source of resources (Alpha =.75)				
6	15.80	6.54	.46	.75
11	15.70	6.37	.61	.66
16	15.55	6.72	.56	.69
18	15.76	6.34	.59	.67
Source of procurement (Alpha =.70)				
2	15.25	6.33	.50	.64
4	15.31	6.33	.53	.62
7	15.41	6.01	.51	.63
20	15.36	6.04	.43	.68
Market position (Alpha =.76)				
1	16.04	7.37	.57	.69
5	16.03	8.10	.55	.71
9	16.39	7.42	.57	.69
14	16.28	7.27	.54	.71
Market transaction (Alpha =.64)				
8	5.21	1.41	.47	
10	5.20	1.18	.47	

Note. N = 1033.

In summary, the psychometric properties of the five variables were comprehensively examined. Arguably, the instruments employed in this study had acceptable validities and reliabilities, but awareness needs to be given to the conservativeness and sensitiveness of some wordings in the trust subscale (guanxi construct scale) and preemptive move subscale (business strategy orientation scale) in future use in cross cultural studies. Moreover, greater consideration might need to be placed on the use of reversed items, which can be easily oversighted or misinterpreted by ‘fast readers’ in the Chinese language. An additional recommendation that was raised from the focus groups was that a five point Likert scale would be more appropriate than a seven point Likert scale in terms of Chinese translation. For the purpose of this study care was taken in interpretation of the results. Specifically, by employing focus groups to elucidate the results that were obtained with quantitative data.

EMPIRICAL ANALYSIS

DESCRIPTIVE STATISTIC AND CORRELATIONS

Table 9, which illustrates the means, standard deviations, and bivariate correlations among the variables evaluated in this study, has four key features. First, a majority of the variables had relatively high mean scores (>5), except some variables that had moderate mean scores (3-5). None of the variables were scored at a low level (<3). The second feature of Table 9 is that the mean score for the variable of focus is close to the low level

(3.68) and its standard deviation is relatively high (1.20), which indicated responses did not have a central tendency. This feature was an item of attention for the focus group discussion. A third feature of Table 9 is that there were three groups of correlations. One group of the correlations was non significant (e.g., overall cost leadership on sales volume with perception to uncertainty, and source of resources with focus), a second group of the correlations was exceptionally highly correlated (e.g., adaptation with dependence, and market position with source of procurement), but most of the variables were correlated at the $p < .001$ level (e.g., trust with opportunism, and preemptive move with favour). The last feature of Table 9 is that almost half of the subscales have adequate internal consistencies ($\alpha \geq .70$), and more than one third of the subscales had a reasonable internal consistencies ($\alpha \geq .60$). Indeed, only two subscales had moderately low Cronbach alphas ($p \leq .50$) scores. However, given the exploratory nature of this research, the relatively low reliability assessments in these three subscales were acceptable. Overall, the reported correlations (of Table 9) confirms many of the relationships shown in the conceptual model are operating, but a more comprehensive analysis of the data is required to confirm the broad spectrum of relationships given by Table 9.

Table 9
Descriptive Statistic and Correlations (N=1033)

Variables	Mean	Std.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
1 Favour	4.75	.76	.63																	
2 Opportunism	4.94	.78	.47	.60																
3 Trust	5.29	.77	.34	.38	.53															
4 Perception to u	4.83	.99	.33	.27	.26	.42														
5 Expectation to u	5.21	.87	.30	.33	.33	.29	.63													
6 Dependence	5.09	.73	.30	.41	.45	.18	.28	.68												
7 Adaptation	4.72	.88	.28	.34	.31	.23	.15	.56	.76											
8 OCL resources	5.26	.84	.21	.32	.31	.11	.24	.30	.20	.61										
9 OCL quality	5.24	.91	.28	.32	.28	.07	.19	.30	.21	.49	.70									
10 OCL sales volume	5.14	.84	.13	.18	.25	.05	.13	.25	.12	.35	.36	.64								
11 DOC leadership	5.22	.89	.11	.24	.35	.08	.25	.33	.16	.33	.34	.27	.80							
12 Focus	3.68	1.20	.20	.14	.14	.22	.13	.12	.24	.03	.02	.09	.18	.81						
13 Preemptive move	4.94	.73	.31	.36	.39	.19	.27	.36	.27	.40	.32	.36	.44	.18	.50					
14 S information	5.26	.80	.28	.34	.31	.18	.23	.38	.37	.31	.23	.27	.22	.02	.30	.76				
15 S resources	5.23	.82	.32	.30	.28	.23	.30	.19	.22	.26	.17	.21	.23	.06	.30	.55	.75			
16 S procurement	5.11	.79	.32	.36	.36	.22	.25	.38	.39	.32	.19	.29	.30	.11	.28	.55	.56	.70		
17 Market position	5.40	.88	.32	.34	.30	.13	.21	.34	.29	.29	.30	.34	.26	.02	.30	.54	.42	.56	.76	
18 Market transaction	5.20	.97	.31	.32	.27	.15	.22	.30	.26	.31	.26	.30	.16	.07	.31	.53	.51	.60	.64	.64

Notes: a. Coefficient alphas are shown as bold font on the diagonal.

b. Perception to u= perception to uncertainty, Expectation to u = expectation to uncertainty, OCL resources = overall cost leadership on resources, OCL quality = overall cost leadership on quality, OCL sales volume =overall cost leadership on sales volume, DOC leadership = differentiation with overall cost leadership, S information = source of information, S resources = source of resources, and S procurement = source of procurement.

c. Correlations greater than .16, $p < .05$; for correlations greater than .20, $p < .01$; for correlations greater than .23. $p < .001$.

d. Std = Standard deviation of the mean.

PATH ANALYSIS

The results of path analysis are reported in Table 10. There was a reasonable fit of the data with the conceptual model (CMIN/DF= 2.00, GFI = .99, AGFI = .96, CFI = .99, RMSEA= .033). These results have shed some light in understanding of the relationships between the sub variables of 1) favour, 2) trust, 3) opportunism, 4) perception to uncertainty, 5) expectation to uncertainty, 6) dependence, and 7) adaptation in the guanxi construct with first, the three sub variables of 1) source of information, 2) source of resources, and 3) source of procurement in the vertical guanxi network, and then second, with the sub variables of 1) market position and 2) market transaction in the horizontal guanxi network, as well as the relationships amongst the sub variables of the business strategies orientation of 1) overall cost leadership on resources, 2) overall cost leadership on quality, 3) overall cost leadership on sales volume, 4) differentiation with overall cost leadership, 5) focus, and 6) preemptive move in the business strategy orientation with first, the three sub variables of 1) source of information, 2) source of resources, and 3) source of procurement in the vertical guanxi network, and then second, with the sub variables of 1) market position and 2) market transaction in the horizontal guanxi network. The effects of each of the examined relationships are demonstrated as Figure 3 to Figure 7, next. An elucidation begins with the outputs of favour.

Outcomes of Favour

Favour was examined as an antecedent in the guanxi construct facets. It is postulated that favour will be associated with the facets of the vertical and the horizontal guanxi network (Hypotheses 1a to 1e). These hypothesized paths and path coefficients are depicted as the

top diagram in Figure 3. The results revealed favour was significantly and positively related to the source of information, source of resources, and source of procurement. In addition, favour has significant and positive relationships with the market position and market transaction. Thus, Hypotheses 1a to 1e were fully supported.

Outcomes of Opportunism

Opportunism was hypothesized to be connected to the facets of both the vertical and the horizontal guanxi network (Hypotheses 2a to 2e). The parameter estimates for path analysis for hypotheses 2a to 2e are illustrated as the central diagram in Figure 3. Results of path analysis indicated that opportunism was significantly and positively related to the attainment of source of information, and source of procurement, but had a non significant relationship with the source of resources. The results of Figure 3 (center diagram) also show that opportunism had significant and positive relationships with the market position and market transaction in the horizontal guanxi network. Therefore, Hypotheses 2a, 2c, 2d and 2e were fully supported, but hypothesis 2b was not supported.

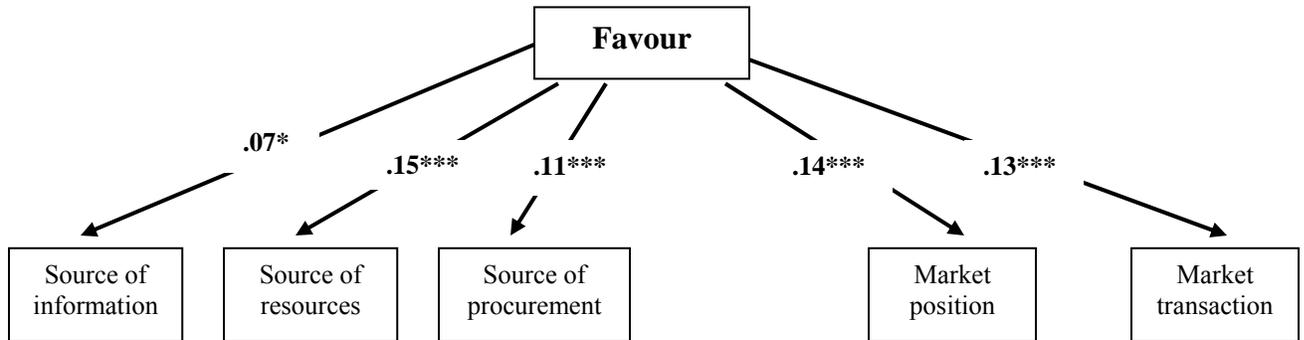
Outcomes of Trust

Hypotheses 3a to 3e forecasted that trust would be linked to the facets of the vertical and horizontal guanxi network. The standardized path values are demonstrated as the bottom diagram in Figure 3. Trust was significantly and positively connected to the source of procurement, but was non significantly related to source of information and source of resources. Furthermore, trust had non significant relationships with the market position

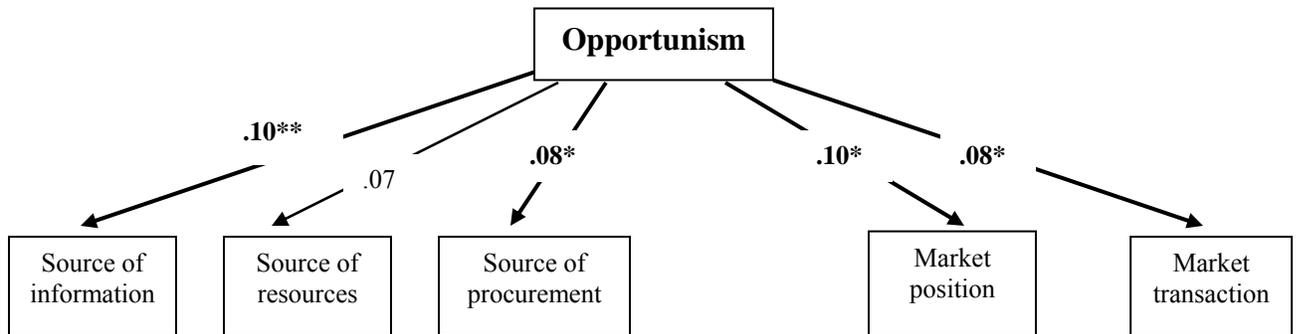
and market transaction. Thus, Hypothesis 3c was fully supported, but Hypotheses 3a, 3b, 3d and 3e were not supported.

Figure 3

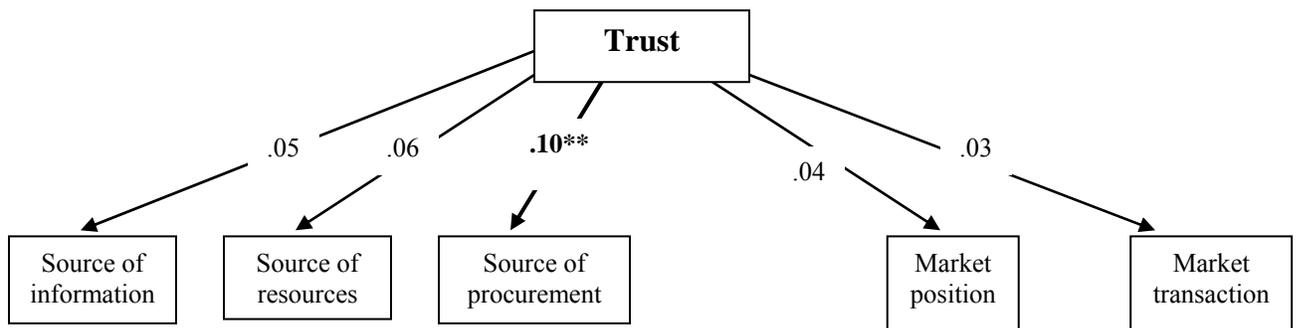
Effects of Favour on the Vertical and Horizontal Guanxi Network Facets^a



Effects of Opportunism on the Vertical and Horizontal Guanxi Network Facets^a



Effects of Trust on the Vertical and Horizontal Guanxi Network Facets^a



^aStandardized estimates of the path coefficients are shown. Significant paths are bold * $<.05$, ** $<.01$, and *** $<.001$.

Outcomes of Uncertainty

Uncertainty was hypothesized to be associated with the facets of the vertical and the horizontal guanxi network (Hypotheses 4a to 4e). However, the outcomes from the factor analysis show that uncertainty was loaded into two discrete factors, which have been delineated as 1) perception to uncertainty, and 2) expectation to uncertainty. The elucidation of the process of the factor analysis for uncertainty was provided earlier of this Chapter in the psychometric assessment section (pg.5-6). To maintain the presentation of hypotheses in order, the relationships between the newly labelled factor of perception to uncertainty and the vertical and the horizontal guanxi network have been placed as hypotheses 4a1-4e1; whereas the linkages between the other recently identified factor of perception to uncertainty and the vertical and the horizontal guanxi network have been positioned as hypotheses 4a2 to 4e2. The outcomes of these two factors are presented sequentially, next.

Outcomes of Perception to Uncertainty

According to the postulation on the associations between uncertainty and the facets of the vertical and the horizontal guanxi network (hypotheses 4a to 4e), the relationships between the factor of perception to uncertainty and the facets of both vertical and horizontal guanxi network will be associated (Hypotheses 4a1 to 4e1). The standardized path values are illustrated as the top diagram in Figure 4. Results of path analysis indicated that perception to uncertainty was significantly related to the source of resources, but had weak and non significant relationships with the source of information and source of procurement. These results also demonstrated that perception to uncertainty

had weak and non significant relationships with the market position and market transaction. Hence, Hypotheses hypothesis 4b1 was supported, while hypotheses 4a1, 4c1, 4d1 and 4e1 were not supported.

Outcomes of Expectation to Uncertainty

Based on the theorization that was made about the relationships between uncertainty and the facets of the vertical and the horizontal guanxi network (Hypotheses 4a to 4e), there is a prediction that the factor of expectation to uncertainty would be connected with the facets of both the vertical and the horizontal guanxi domain (Hypotheses 4a2 to 4e2). These hypothesized paths and path coefficients are depicted as the central diagram in Figure 4. The results revealed expectation to uncertainty was significantly and positively related the source of resources, but had weak and non significant relationships with the source of information and source of procurement. Moreover, expectation to uncertainty had weak and non significant relationships with the market position and market transaction. Thus, Hypothesis 4b2 was supported. However, hypotheses 4a2, 4c2, 4d2 and 4e2 were not supported.

Outcomes of Dependence

Hypotheses 5a to 5e anticipated that dependence would be linked with the facets of both vertical and horizontal guanxi network. The parameter estimates for path analysis for hypotheses 5a to 5e are shown as the bottom diagram in Figure 4. Dependence had a significant and positive relationship with the source of information and a significant but negative connection with the source of resources, as well as a non significant correlation

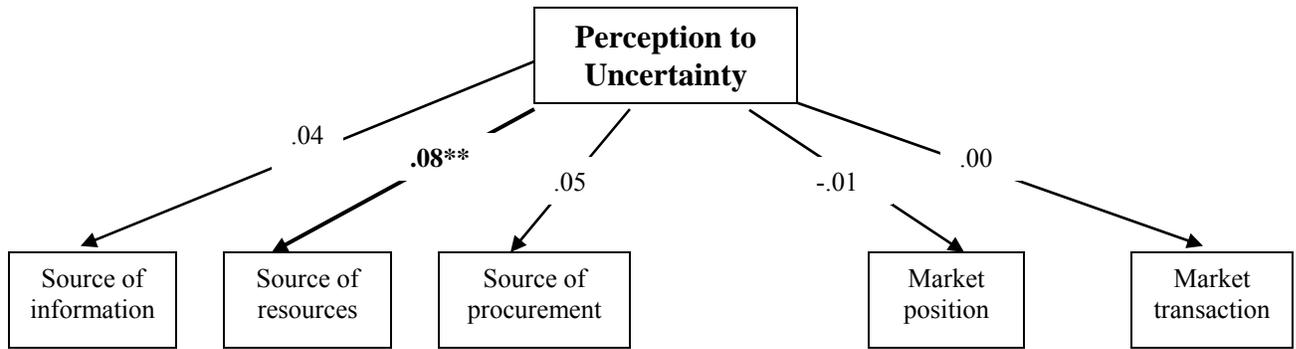
with the source of procurement. In addition, dependence had weak and non significant relationships with the market position and market transaction. Therefore, Hypotheses 5a was fully supported. However, Hypotheses 5b, 5c, 5d, and 5e were not supported.

Outcomes of Adaptation

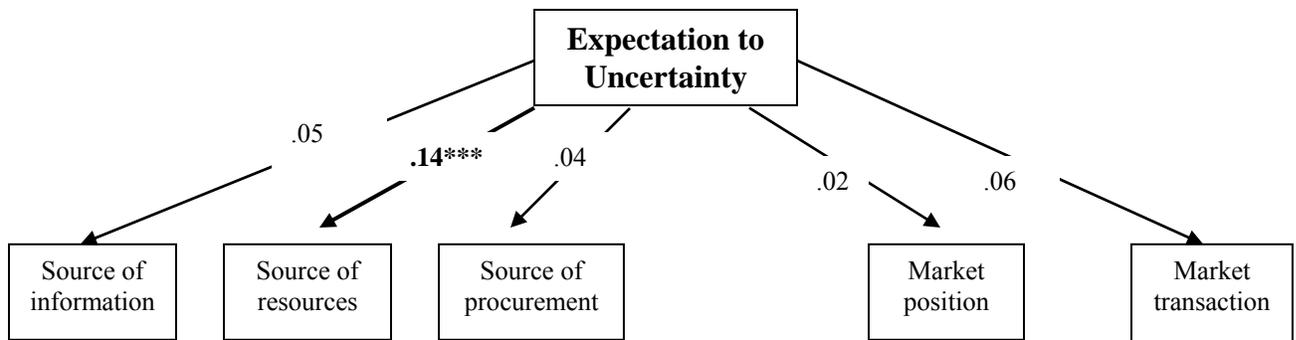
Adaptation was examined as the final sub variable in the guanxi construct. It is postulated that adaptation will be associated with the facets of the vertical and the horizontal guanxi network (Hypothesis 6a to 6e). The parameter estimates for path analysis for hypotheses 6a to 6e are illustrated in Figure 5. Adaptation was significantly and positively connected to the source of information, source of resources, and source of procurement. Furthermore, adaptation had significant and positive relationships with market position and market transaction. Therefore, Hypotheses 6a to 6e were fully supported.

Figure 4

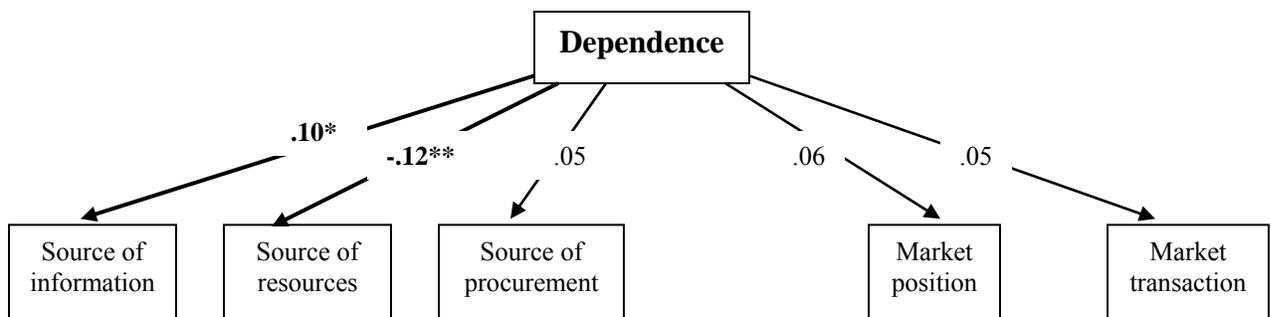
Effects of Perception to Uncertainty on the Vertical and Horizontal Guanxi Network Facets^a



Effects of Expectation to Uncertainty on the Vertical and Horizontal Guanxi Network Facets^a



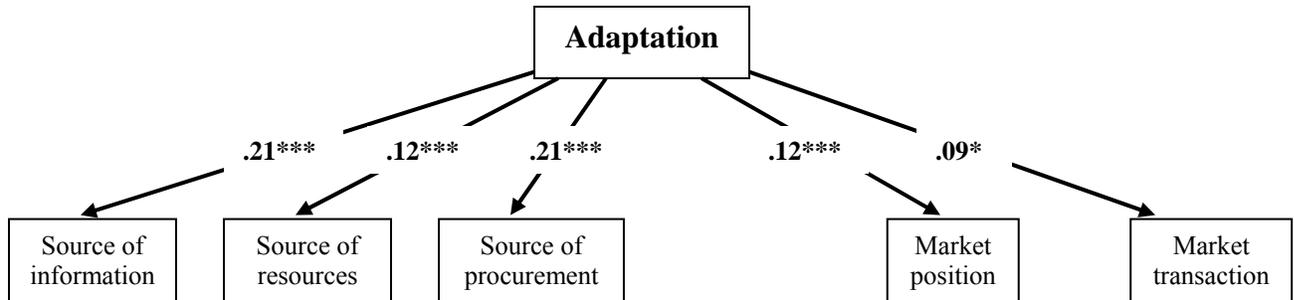
Effects of Dependence on the Vertical and Horizontal Guanxi Network Facets^a



^aStandardized estimates of the path coefficients are shown. Significant paths are bold *<.05, **<.01, and ***<.001.

Figure 5

Effects of Adaptation on the Vertical and Horizontal Guanxi Network Facets^a



^aStandardized estimates of the path coefficients are shown. Significant paths are bold* $<.05$, ** $<.01$, and *** $<.001$.

Outcomes of Overall Cost Leadership on Resources

The strategy of overall cost leadership on resources was inspected as a precursor in the business strategy orientation facets. It is predicted that this strategy would be associated with the facets of both the vertical and horizontal guanxi network (Hypotheses 7a to 7e). The result of the path analysis demonstrated that this strategy was significantly related to the source of information, source of resources, and source of procurement. Moreover, this strategy had a significant relationship with the market transaction, but was non significantly related to the market position. Thus, hypotheses 7a, 7b, 7c and 7e were entirely supported, but hypothesis 7d did not receive any support. Path estimates are demonstrated as the top diagram in Figure 6.

Outcomes of Overall Cost Leadership on Quality

Hypotheses 8a to 8e expressed a position that the strategy of overall cost leadership on quality would be associated with the facets of both the vertical and horizontal guanxi

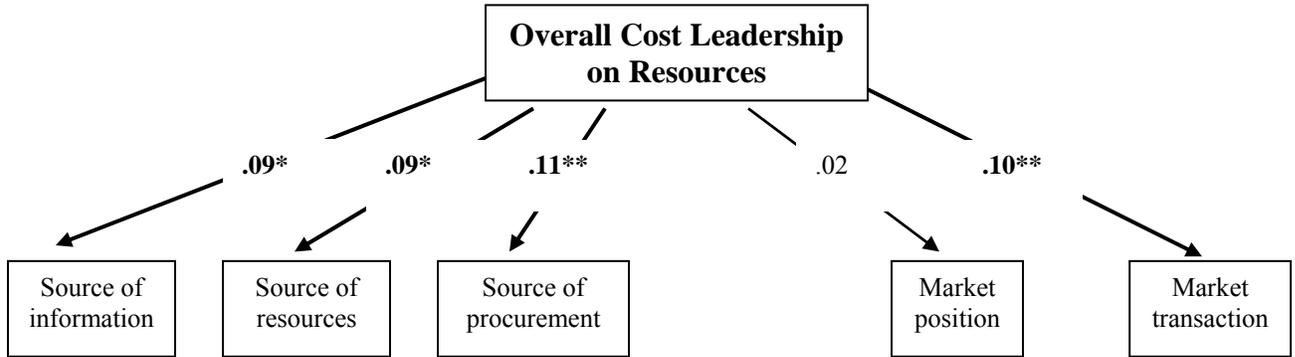
network. The standardized path values are presented as the central diagram in Figure 6. These results demonstrated that this strategy was significantly and positively related to the market position and the market transaction. However, this strategy had non significant relationships with the source of information, source of resources, and source of procurement. Hypotheses 8d and 8e were fully supported, while 8a, 8b and 8c were not supported.

Outcomes of Overall Cost Leadership on Sales Volume

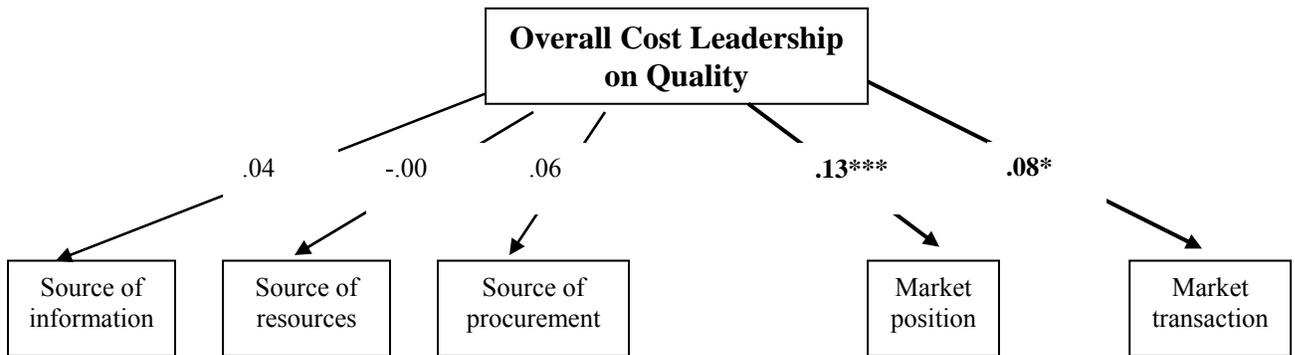
The strategy of overall cost leadership on sales volume was hypothesized to be related to the facets of the vertical and the horizontal guanxi network (Hypotheses 9a to 9e). The standardized path coefficients appear as the bottom diagram in Figure 6. As indicated in these results, this strategy was significantly related to the source of information, but had non significant relationships with the source of resources, and source of procurement. These results also demonstrated that this strategy was significantly associated with the market position and the market transaction. Accordingly, Hypotheses 9a, 9d and 9e were fully supported. However, hypotheses 9b and 9c were not supported.

Figure 6

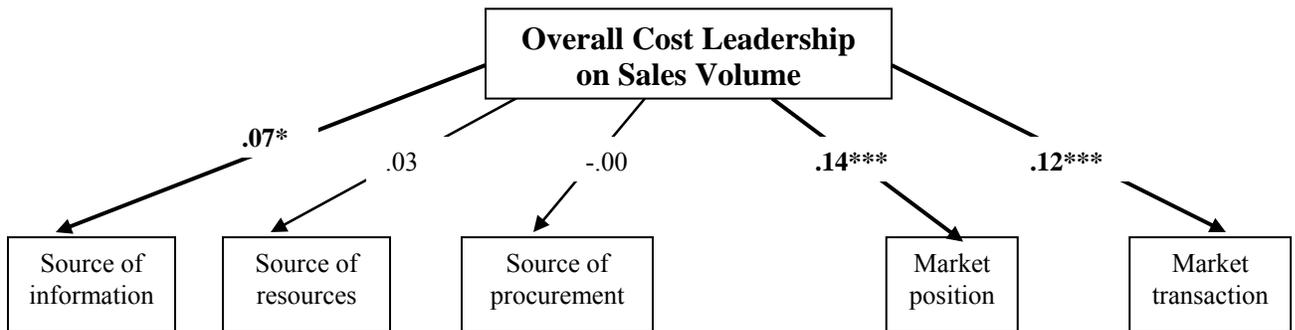
Effects of Overall Cost Leadership on Resources on the Vertical and Horizontal Guanxi Network Facets^a



Effects of Overall Cost Leadership on Quality on the Vertical and Horizontal Guanxi Network Facets^a



Effects of Overall Cost Leadership on Sales Volume on the Vertical and Horizontal Guanxi Network Facets^a



^aStandardized estimates of the path coefficients are shown. Significant paths are bold *<.05, **<.01, and ***<.001

Outcomes of Differentiation with Overall Cost Leadership

Hypotheses 10a to 10e express a perspective that the combined strategy of differentiation with overall cost leadership would be connected to the facets of the vertical and horizontal guanxi network. The standardized path coefficients are depicted as the top diagram in Figure 7. This strategy was significantly and positively correlated with the source of resources and source of procurement, but had a weak and non significant relationship with the source of information. These results also shown that this strategy had a significant but negative relationship with the market transaction, and was non significantly related to the market position. Hence, hypotheses 10b and 10c were fully supported. However, hypotheses 10a, 10d and 10e were not supported.

Outcomes of Focus

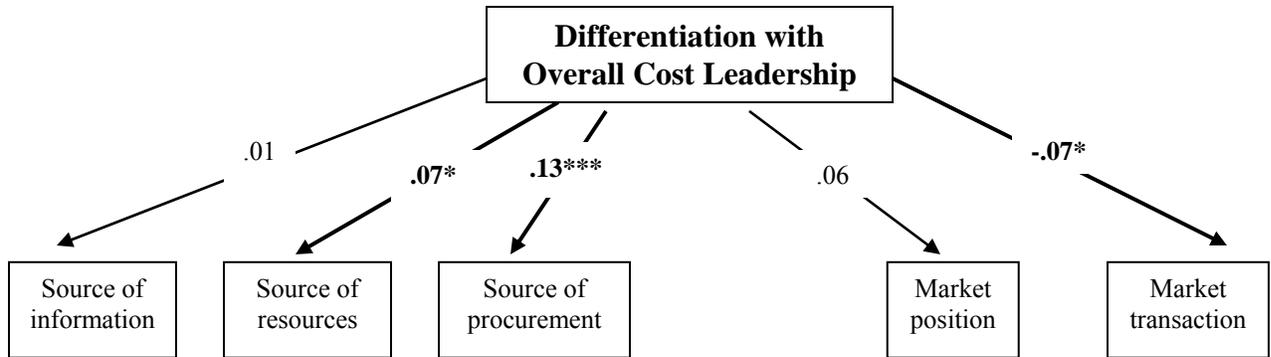
The relationships between focus strategy and the vertical and the horizontal guanxi network were predicted to be associated with the facets in the vertical guanxi network in the horizontal guanxi network (Hypotheses 11a to 11e). As indicated at the central diagram in Figure 7, results of path analysis demonstrated that focus was significantly, but negatively related to the source of information and source of resources, and had a non significant relationship with the source of procurement. Furthermore, this strategy was significantly, but negatively linked to the market position, and had a non significant relationship with the market transaction. As a result, Hypotheses 11a to 11e were not supported.

Outcomes of Preemptive Move

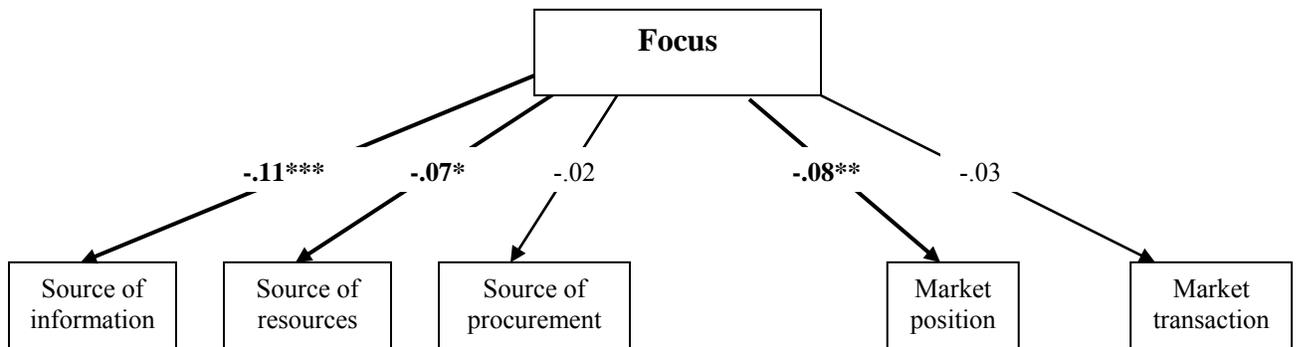
The strategy of preemptive move was examined as the last facet in the business strategy orientation. It was postulated that this strategy would be connected with the facets of the vertical and the horizontal guanxi domain (Hypotheses 12a to 12e). The standardized path values are presented as the bottom diagram in Figure 7. This strategy was significantly and positively associated with the source of resources, but had non significant relationships with the source of information, and the source of procurement. These results also suggested that this strategy was significantly and positively associated with the market transaction, but had a non significant relationship with the market position. Therefore, Hypotheses 12b and 12e were fully supported. However, Hypotheses 12a, 12c and 12d were not supported.

Figure 7

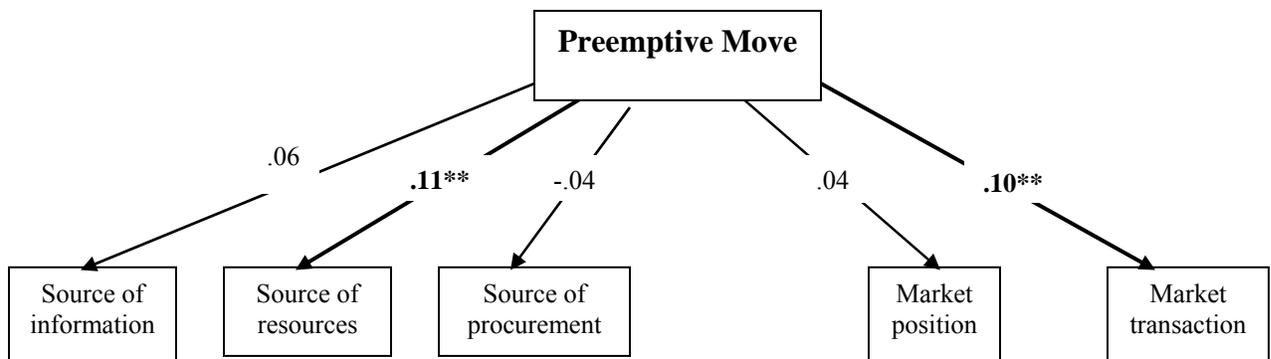
Effects of Differentiation with Overall Cost Leadership on the Vertical and Horizontal Guanxi Network Facets^a



Effects of Focus on the Vertical and Horizontal Guanxi Network Facets^a



Effects of Preemptive Move on the Vertical and Horizontal Guanxi Network Facets^a



^aStandardized estimates of the path coefficients are shown. Significant paths are bold *<.05, **<.01, and ***<.001.

Table 10**Standardized Path Coefficients**

Path from	To	Standardized path coefficient
Favour	Source of information	.07*
	Source resources	.15***
	Source of procurement	.11***
	Market position	.14***
	Market transaction	.13***
Opportunism	Source of information	.10**
	Source of resources	.07
	Source of procurement	.08*
	Market position	.10*
	Market transaction	.08*
Trust	Source of information	.05
	Source of resources	.06
	Source of procurement	.10**
	Market position	.04
	Market transaction	.03
Perception to uncertainty	Source of information	.04
	Source of resources	.08**
	Source of procurement	.05
	Market position	-.01
	Market transaction	.00
Expectation to uncertainty	Source of information	.05
	Source of resources	.14***
	Source of procurement	.04
	Market position	.02
	Market transaction	.06
Dependence	Source of information	.10*
	Source of resources	-.12**
	Source of procurement	.05
	Market position	.06
	Market transaction	.05
Adaptation	Source of information	.21***
	Source of resources	.12***
	Source of procurement	.21***
	Market position	.12***
	Market transaction	.09*

Overall cost leadership on resources	Source of information	.09*
	Source of resources	.09*
	Source of procurement	.11**
	Market position	.02
	Market transaction	.10**
Overall cost leadership on quality	Source of information	.04
	Source of resources	-.00
	Source of procurement	.06
	Market position	.13***
	Market transaction	.08*
Overall cost leadership on sales volume	Source of information	.07*
	Source of resources	.03
	Source of procurement	-.00
	Market position	.14***
	Market transaction	.12***
Differentiation with overall cost leadership	Source of information	.01
	Source of resources	.07*
	Source of procurement	.13***
	Market position	.06
	Market transaction	-.07*
Focus	Source of information	-.11***
	Source of resources	-.07*
	Source of procurement	-.02
	Market position	-.08**
	Market transaction	-.03
Preemptive move	Source of information	.06
	Source of resources	.11**
	Source of procurement	-.04
	Market position	.04
	Market transaction	.10**

$X^2/df=2.00$, GFI = .99, AGFI = .96, CFI= .99, * $P<.05$, ** $P<.01$, and *** $P<.001$.

REGRESSION ANALYSIS

Tables 11 to 14 illustrate the results of fixed effects regression analysis for the relationships among the sub variables of the guanxi construct and sub variables of the business strategy orientation with the sub variables of the vertical and the horizontal guanxi network. The guanxi construct has seven sub variables, which are 1) favour, 2)

opportunism, 3) trust, 4) perception to uncertainty, 5) expectation to uncertainty, 6) dependence, and 7) adaptation. The first three sub variables are contained in the variable of personal value, while the fourth to sixth sub variables are enclosed in the variable of attribute; and the seventh sub variable belongs to the variable of behaviour. The business strategy orientation consists of six strategies, they are 1) overall cost leadership on resources, 2) overall cost leadership on quality, 3) overall cost leadership on sales volume, 4) differentiation with overall cost leadership, 5) focus, and 6) preemptive move. The first three strategies are comprised in the variable of overall cost leadership strategy. There are three sub variables in the vertical guanxi network, namely 1) source of information, 2) source of resources, and 3) source of procurement. The horizontal guanxi domain has two variables; they are 1) market position and 2) market transaction. The delineation to these results is presented in sequence, begins with Table 11.

Table 11 presents the results of fixed effects regression analysis for the relationships between the three sub variable that are contained in the variable of personal value in the guanxi construct and the sub variables of the vertical and the horizontal guanxi network. A major finding of Table 11 is that all the evaluated sub variables were positively and significantly correlated. These results indicated that sub variables of 1) favour, 2) opportunism, and 3) trust are highly correlated with 1) source of information, 2) source of resources, 3) source of procurement, 4) market position, and 5) market transaction. These results shown there was a high degree convergence with the outcomes of path analysis.

The results of the fixed effects regression analysis that are illustrated in Table 12 presents the linkages of the variables of attitude and behaviour of the guanxi construct and the sub variables of the vertical and the horizontal guanxi network. Results of the analyses show that there was a substantial degree of significant and positive relationships among the examined sub variables, with two exceptions. The first exception was that the perception to uncertainty had neither significant relationships with the source of information, nor the market position and market transaction. The second exception was that dependence had a non significant relationship with the source of resources. The results from the fixed effects regression analysis shown a considerable degree in convergence compared to the findings that were reported in path analysis.

Table 13 depicts the result of fixed effects regression analysis for relationships between the three sub variables of overall cost leadership strategy with the sub variables of the vertical and the horizontal guanxi network. A prominent attribute of these results is that there was a high majority of significant and positive relationships among the tested sub variables. The only exclusion was the non significant relationship between the strategy of overall cost leadership on sales volume and the source of procurement. These findings indicated there was a substantial consistency with the path analytical results.

The relationships between the sub variables of the strategies of differentiation with overall cost leadership, focus, and preemptive move and the sub variables of the vertical and horizontal guanxi network are demonstrated as Table 14. The results of fixed effect regression analysis indicated two main features. First, two third of the relationships

among the inspected sub variables were significant. Second, connections between focus and most of the sub variable of the vertical and horizontal guanxi network were non significant. However, the overall result of the analysis that are depicted in Table 11 to Table 14 suggested that high majority of the theorized interactions in the conceptual model of this study are significantly and positively correlated. These results illustrated there were certain agreement to the findings of the path analysis.

Table 11
Results of Fixed-Effects Regression Analysis for Relationships
Between Personal Value and the Vertical and Horizontal Guanxi Network

Variable	Source of Information		Source of Resources		Source of Procurement		Market Position		Market Transaction	
	Beta	t	Beta	t	Beta	t	Beta	t	Beta	t
Favor	.11**	3.36	.19***	5.82	.15***	4.74	.17***	5.10	.18***	5.42
Opportunism	.22***	6.58	.15***	4.39	.20***	5.99	.20***	5.88	.18***	5.32
Trust	.19***	6.06	.16***	4.99	.24***	7.73	.17***	5.30	.14***	4.27
Adjusted R ²	.16		.15		.20		.17		.15	
F Value	68.11***		60.27***		88.42***		69.50***		59.79***	

Notes: a. Beta = Standardized coefficients
b. t = Relative importance of each variable.
c. F value = Independent variables explain the variation in the dependent variable.
d. *p<.05, **p<.01, and *** p<.001.

Table 12

**Results of Fixed-Effects Regression Analysis for Relationships
Between Attitude and Behavior with the Vertical and Horizontal Guanxi Network**

Variable	Source of Information		Source of Resources		Source of Procurement		Market Position		Market Transaction	
	Beta	t	Beta	t	Beta	t	Beta	t	Beta	t
Perception to u	.06	1.89	.13***	4.13	.09**	3.19	.02	.77	.05	1.56
Expectation to u	.12***	4.02	.23***	7.42	.13***	4.36	.12***	3.69	.14***	4.45
Dependence	.22***	6.27	.02	.44	.19**	5.58	.22***	6.09	.17***	4.81
Adaptation	.22***	6.37	.15***	4.23	.24***	7.05	.15***	4.10	.13***	3.70
Adjusted R ²	.20		.13		.21		.14		.12	
F Value	64.66***		40.16***		71.08***		42.56***		36.60***	

Notes: a. Beta = Standardized coefficients
 b. t = Relative importance of each variable.
 c. F value = Independent variables explain the variation in the dependent variable.
 d. Perception to u = perception to uncertainty, Expectation to u = expectation to uncertainty.
 e. * p<.05, ** p<.01, and *** p<.001.

Table 13

**Results of Fixed-Effects Regression Analysis for Relationships Between
Overall Cost Leadership and the Vertical and Horizontal Guanxi Network**

Variable	Source of Information		Source of Resources		Source of Procurement		Market Position		Market Transaction	
	Beta	t	Beta	t	Beta	t	Beta	t	Beta	t
OCL resources	.20***	5.83	.20***	5.66	.22***	6.31	.12**	3.42	.18***	5.25
OCL quality	.13***	3.78	.08*	2.29	.16***	4.70	.22***	6.48	.17***	4.85
OCL sales volume	.11***	3.52	.07*	2.17	.06	1.72	.18***	5.80	.14***	4.25
Adjusted R ²	.12		.08		.12		.16		.14	
F Value	47.73***		30.29***		49.17***		66.18***		55.72***	

Notes: a. Beta = Standardized coefficients
 b. t = Relative importance of each variable.
 c. F value = Independent variables explain the variation in the dependent variable.
 d. OCL resources = overall cost leadership on resources,
 OCL quality = overall cost leadership on quality, OCL sales volume = overall cost leadership on sales volume.
 e. * p<.05, ** p<.01, and *** p<.001.

Table 14

Results of Fixed-Effects Regression Analysis for Relationships Between Differentiation with Overall Cost Leadership, Focus and Preemptive Move with the Vertical and Horizontal Guanxi Network

Variable	Source of Information		Source of Resources		Source of Procurement		Market Position		Market Transaction	
	Beta	t	Beta	t	Beta	t	Beta	t	Beta	t
DOC leadership	.11**	3.41	.12***	3.63	.22***	6.78	.16***	4.77	.03	.93
Focus	-.03	-1.14	.01	.22	.07*	2.46	-.02	-.78	.02	.62
Preemptive move	.26***	7.68	.25***	7.48	.17***	5.05	.24***	7.19	.29***	8.77
Adjusted R ²	.10		.10		.12		.11		.10	
F Value	38.8***		39.59***		46.55***		43.42***		37.15***	

Notes: a. Beta = Standardized coefficients
 b. t = Relative importance of each variable.
 c. F value = Independent variables explain the variation in the dependent variable.
 d. DOC = differentiation with overall cost.
 e. * p<.05, ** p<.01, *** p<.001.

HIERACHICAL MULTIPLE REGRESSION ANALYSIS

The moderating effects that the attributes of organizations and job incumbents on the relationships between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi network were examined by hierarchical multiple regression analyses, the results of the analyses are depicted in Table 15 to Table 27. In these analyses, the attributes of organizations consisted of four moderating variables, which are 1) regional location, 2) industrial affiliation, 3) size, and 4) history; whereas the attributes of job incumbents comprised of two moderating variables, they are 1) managerial experience, and 2) educational level. An elucidation of these results is presented, next, in a numerical order. A dialogue of the explanation begins with Table 15.

Table 15 presents the result of hierarchical multiple regression analyses for relationships between favour and the sub variables of the vertical and the horizontal guanxi network. A key finding of this Table is that the six examined moderating variables had a non significant interaction effect on a high majority of the hypothesized relationships among the examined relationships. Six postulations were generated for test in these analyses. These six hypotheses are 1) hypothesis 13e predicted that the relationship between favour and the market position would be moderated by a firm's regional location 2) hypothesis 14a expected that a firm's industrial affiliation would moderate the relationship between favour and the source of information, 3) hypothesis 15a forecasted that the relationship between favour and the source of information would be moderated by organizational size, 4) hypothesis 16e theorized that organizational history would affect the relationship between favour and the market transaction, 5) it was proposed that the educational level of job incumbents would moderate the respective relationships between favour and 1) the source of resources (H17a), and 2) market position (H17e). As illustrated at step three of Table 15, the moderating variable of regional location had a significant interaction effect on the association of favour and the market position. However, there were non significant interaction effects on the rest of the five evaluated relationships. Thus, hypotheses 13e was supported, but hypotheses 14a, 15a, 16e, 17a and 17e were not supported.

Table 15 Results of Hierarchical Multiple Regression Analysis for the Moderating Effects of the Attributes of Organizations and Job Incumbents on the Relationships Between Favour and the Vertical and Horizontal Guanxi Network Facets

Predictor	Source of Information			Source of Resources			Source of Procurement			Market Position			Market Transaction		
	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3
Region	.04	.04	-.51	.04	.03	.08	.05	.05	-.08	-.31	-.03	-.80***	.04	.32	-.27
Industry	.04	.05	.41	-.04	-.03	-.29	.02	.03	-.11	.04	.05	.36	.00	.01	.15
Size	-.02	-.03	-.63	-.02	-.02	-.58*	.02	.00	-.42	-.01	-.01	-.16	-.02	-.02	-.24
History	.02	.03	.55	.05	.06	.30	.05	.54	.13	.06	.06	-.05	.05	.05	.05
Managexpe	.05	.04	.40	.05	.04	.16	.00	-.01	.32	.01	-.00	.50*	.05	.04	.33
Education	.07*	.04	.23	.06	.03	-.26	.00	-.03	-.03	-.02	-.05	-.39*	.00	-.03	-.17
Favour		.27***	.61		.31***	.57		.33***	.24		.32***	.11		.31***	.22
Location			.09			-.06			.14			.83***			.33
× Favour															
Industry			-.39			.28			.15			-.34			-.15
× Favour															
Size			.64			.60*			.45			.16			.24
× Favour															
History			-.57			-.26			-.08			.14			.01
× Favour															
Managexpe			-.39			-.14			-.35			-.55*			-.32
×Favour															
Education			-.22			.34			.01			.40			.18
× Favour															
<i>F</i>	1.73 ^c	13.46*** ^d	8.80*** ^e	2.21*	17.82*** ^d	10.60*** ^e	.86 ^{c*}	18.13*** ^d	10.31*** ^e	1.08*** ^c	17.485*** ^d	12.83*** ^e	.93 ^c	16.53*** ^d	9.51*** ^e
ΔR^2	.00	.08	.09	.01	.10	.11	-.00	.10	.11	.00	.10	.13	.00	.10	.10

Notes: a. N=1033.

b. Managexpe= managerial experience.

c. Degrees of freedom=12.

d. Degrees of freedom=13.

e. Degrees of freedom=25.

f. * p<.05, **p<.01, and ***p<.001.

The results of hierarchical multiple regression analyses for relationships between opportunism and the guanxi network facets are presented in Table 16. The results of these analyses portray two key features. First, a firm's regional locations, industrial affiliation and size played significant moderating roles on certain relationships between opportunism and the guanxi network facets. Second, neither the moderating variables of organizational history nor the educational level had significant interaction effects on the examined relationships. Four hypotheses were investigated among the relationships on Table 16. The first hypothesis expected that a firm's regional location would moderate the relationship between opportunism and the source of information (H13a). The second hypothesis anticipated that organizational size would moderate the relationship of opportunism and the market position (15e). The last two hypotheses postulated that the relationship between opportunism and the source of recourses would be moderated by 1) organizational history (H16a), and 2) educational level (H18a). As depicted at step three of Table 16, the moderating roles of regional location and educational level had significant interaction effects on the posited relationships, but neither organizational history nor organizational size had significant interaction effects on the hypothesized relationships. Accordingly, hypotheis13a and 18a were fully supported. However, hypotheses 15e and 16a were not supported.

Table 16 Results of Hierarchical Multiple Regression Analysis for the Moderating Effects of the Attributes of Organizations and Job Incumbents on the Relationships Between Opportunism and the Vertical and Horizontal Guanxi Network Facets

Predictor	Source of Information			Source of Resources			Source of Procurement			Market Position			Market Transaction		
	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3
Region	.04	.04	-.54**	.04	.04	.01	.05	.05	-.06	-.03	-.03	-.59**	.04	.03	-.22
Industry	.04	.03	.07	-.04	-.05	-.55**	.02	.01	-.45*	.04	.02	.19	.00	-.01	-.35
Size	-.24	-.02	-.49*	-.02	-.01	-.56*	.01	.01	-.20	-.01	-.00	-.22	-.02	-.01	-.29
History	.02	.03	.21	.05	.06	.29	.05	.05	.11	.06	.06	.13	.05	.05	.09
Managexpe	.05	.02	.29	.05	.03	.23	.00	-.02	.38	.01	-.02	.22	.05	.02	.06
Education	.07*	.04	-.12	.06	.03	-.77***	.00	-.03	-.35	-.02	-.05	-.31	.00	-.03	-.28
Opportunism		.34***	.11		.30***	-.25		.04***	.10		.34***	.15		.32***	-.06
Region × opp			.62**			.01			.11			.59**			.26
Industry × opp			-.06			.55**			.50*			-.19			.37
Size × opp			.49*			.59*			.23			.23			.30
History × opp			-.19			-.24			-.05			-.07			-.03
Managexpe × opp			-.29			-.22			-.43			-.26			-.04
Education × opp			.18			.91***			.37			.30			.30
F	1.73 ^c	20.54*** ^d	12.59*** ^e	2.21* ^c	16.07*** ^d	12.25*** ^e	.86 ^{c*}	22.42*** ^d	13.89*** ^e	1.08 ^c	20.27*** ^d	12.29*** ^e	.93 ^c	17.04*** ^d	9.93*** ^e
ΔR ²	.00	.12	.13	.01	.09	.12	-.00	.13	.13	.00	.12	.12	.00	.10	.10

Notes: a. N=1033.

b. Managexpe= managerial experience.

c. Opp = opportunism.

d. Degrees of freedom=12.

e. Degrees of freedom=13.

f. Degrees of freedom=25.

g. * p<.05, **p<.01, and ***p<.001.

Table 17 demonstrates the results of hierarchical multiple regression analyses for relationships between trust and the sub variables of the vertical and the horizontal guanxi. These results show that the six evaluated moderating variables had non significant interaction effects on most of the tested relationship, with only limited exceptions. Among these relationships there were four predictions for test of moderating effects. The first two hypotheses were that a firm's industrial affiliation would moderate the relationships between trust and 1) source of procurement (H14b), and 2) market transaction (H14e). The third hypothesis predicted that organizational history would moderate the relationships between trust and source of procurement (H16b). And the last hypothesis anticipated that educational level would moderate the connection amongst trust and the market transaction (H18e). As indicated at step three of Table 17, the moderating variables of industrial affiliation and organizational history had significant interaction effects on the association of trust and source of procurement. However, neither industrial affiliation had a significant interaction effect on the liaison of trust and market transaction, nor the educational level had a significant moderating effect on the connection between trust and source of procurement. Therefore, hypotheses 14b and 16b were supported, but hypotheses 14e and 18e were not supported.

Table 17 Results of Hierarchical Multiple Regression Analysis for the Moderating Effects of the Attributes of Organizations and Job Incumbents on the Relationships Between Trust and the Vertical and Horizontal Guanxi Network Facets

Predictor	Source of Information			Source of Resources			Source of Procurement			Market Position			Market Transaction		
	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3
Region	.04	.05	.19	.04	.04	.29	.05	.06*	.38	-.03	-.03	.27	-.03	-.03	.27
Industry	.04	.03	-.36	-.04	-.05	-.29	.02	.01	-.49*	.04	.03	-.10	.04	.03	-.10
Size	-.02	-.00	-.21	-.02	.01	-.02	.01	.04	.12	-.01	.01	-.03	-.01	.01	-.03
History	.02	.01	.03	.05	.04	-.30	.05	.03	-.63**	.06	.04	-.12	.06	.04	-.12
Managexpe	.05	.04	.28	.05	.04	.24	.00	-.01	.41	.01	-.00	.03	.01	-.00	.03
Education	.07*	.06*	.20	.06	.05	-.03	.00	-.00	-.17	-.02	-.02	.01	-.02	-.02	.01
Trust		.31***	.29		.28***	.16		.37***	.13		.30***	.28		-.30***	.28
Region × trust			-.15			-.26			-.33			-.31			-.31
Industry × trust			.42			.26			.53*			.14			.14
Size × trust			.23			.03			-.08			.05			.05
History × trust			-.03			.36			.71**			.18			.18
Managexpe × trust			-.25			-.21			-.44			-.03			-.03
Education × trust			-.15			.09			.19			-.03			-.03
<i>F</i>	1.73 ^c	17.28*** ^d	9.79*** ^e	2.21* ^c	14.61*** ^d	8.31*** ^e	.86 ^{c*}	23.38*** ^d	14.19*** ^e	1.08 ^c	15.08*** ^d	8.37*** ^e	1.08 ^c	15.08*** ^d	8.37*** ^e
ΔR^2	.00	.10	.10	.01	.09	.08	-.00	.13	.14	.00	.09	.09	.00	.07	.07

Notes: a. N=1033.

b. Managexpe= managerial experience.

c. Degrees of freedom=12.

d. Degrees of freedom=13.

e. Degrees of freedom=25.

f. * p<.05, **p<.01, and ***p<.001.

The results of hierarchical multiple regression analyses for relationships between perception to uncertainty and the guanxi network facets are shown in Table 18. An interesting finding of this Table is that regional location, organizational size and organizational history had a significant interaction effect on the relationship between perception to uncertainty and source of information, but had limited significant moderating effects on other relationships. In addition, neither managerial experience nor educational level had significant moderating effects on any one single relationship. The results of these analyses were to solve six hypotheses that were generated for the factor of uncertainty (H13f, H14f, H16f, H17b, H18b & H18f). However, the outcomes from the factor analysis has resulted that uncertainty were loaded into two discrete factors (i.e. perception to uncertainty, & expectation to uncertainty). Accordingly, the hypotheses for perception to uncertainty were placed as Hypotheses 13f1, 14f1, 16f1, 17b1, 18b1 and 18f1. Hypothesis 13f1 predicted that regional location would moderate the relationship between perception to uncertainty and market transaction. In addition, there were anticipations that the relationship amongst perception to uncertainty and market position would be moderated by 1) industrial affiliation (H14f1), 2) organizational history (H16f1), and 3) educational level (H18f1). Moreover, it was expected that the relationship between perception to uncertainty and source of procurement would be moderated by 1) managerial experience (H17b1), and 2) educational level (H18b1). As illustrated at the step three of Table 18, regional location and industrial affiliation had a significant interaction effect on the postulated association respectively, but organizational history, managerial experience and educational level had non significant moderating

effects on the hypothesized relationships. As a result, hypotheses 13f1 and 14f1 were supported, while hypotheses 16f1, 17b1, 18b1, and 18f1 were not supported.

Table 18 Results of Hierarchical Multiple Regression Analysis for the Moderating Effects of the Attributes of Organizations and Job Incumbents on the Relationships Between Perception to Uncertainty and the Vertical and Horizontal Guanxi Network Facets

Predictor	Source of Information			Source of Resources			Source of Procurement			Market Position			Market Transaction		
	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3
Region	.04	.03	-.04	.04	.02	-.02	.05	.04	-.04	-.03	-.04	-.31	.04	.02	-.45**
Industry	.04	.04	-.26	-.04	-.05	-.04	.02	.01	-.07	.04	.03	-.29	.00	-.01	-.07
Size	-.02	-.02	-.37*	-.02	-.01	-.24	.01	.02	-.02	-.01	-.00	-.22	-.02	-.01	-.07
History	.02	.02	.69***	.05	.05	.23	.05	.04	.37*	.06	.05	.33	.05	.04	.36*
Managexpe	.05	.04	-.01	.05	.04	.01	.00	-.01	-.06	.01	-.00	-.00	.05	.04	.04
Education	.07	.06	.10	.06	.04	.08	.00	-.01	.08	-.02	-.03	-.09	.00	-.01	-.11
Perpuncertainty		.17***	.21		.23***	.22		.22***	.34*		.13***	-.12		.15***	.02
Region xPerpuncertainty			.08			.04			.08			.30			.53**
Industry x Perpuncertainty			.33*			-.01			.10			.37*			.07
Size xPerpuncertainty			.39*			.26			.04			.24			.08
History xPerpuncertainty			-.77***			-.21			-.38			-.32			-.37
Managexpe x Perpuncertainty			.05			.03			.06			.00			-.01
Education xPerpuncertainty			-.06			-.05			-.12			.07			.12
<i>F</i>	1.73 ^c	5.93*** ^d	4.84*** ^e	2.21* ^c	9.87*** ^d	5.47*** ^e	.86 ^{c*}	8.06*** ^d	4.76*** ^e	1.08 ^c	3.59** ^d	2.90*** ^e	.93 ^c	4.03*** ^d	3.49*** ^e
ΔR^2	.00	.03	.05	.01	.06	.05	-.00	.05	.05	.00	.03	.02	.00	.02	.03

Notes: a. N=1033.

b. Managexpe= managerial experience, Perpuncertainty = perception to uncertainty

c. Degrees of freedom=12.

d. Degrees of freedom=13.

e. Degrees of freedom=25.

f. * p<.05, **p<.01, and ***p<.001.

Table 19 illustrated the results of hierarchical multiple regression analyses for relationships between expectation to uncertainty and the guanxi network facets. The results of these analyses expose an appealing feature. The educational level had significant interaction effects on most of the relationships. However, regional location, industrial affiliation, and organizational size had non significant moderating effects on any single relationship. These analyses were correspondent to six hypotheses that were generated for the factor of uncertainty (H13f, H14f, H16f, H17b, H18b & H18f). Yet, the outcomes from the factor analysis has resulted that uncertainty was loaded into two discrete factors (ie., perception to uncertainty, & expectation to uncertainty). As a result, the hypotheses for expectation to uncertainty were placed as Hypotheses 13f2, 14f2, 16f2, 17b2, 18b2 and 18f2. Hypothesis 13f2 posited that regional location would moderate the relationship between perception to uncertainty and market transaction. Moreover, there were predictions that the relationship amongst expectation to uncertainty and market position would be moderated by 1) industrial affiliation (H14f2), 2) organizational history (H16f2), and 3) educational level (H18f2). Furthermore, it was postulated that the relationship between expectation to uncertainty and source of procurement would be moderated by 1) managerial experience (H17b2), and 2) educational level (H18b2). As indicated at step three of Table 19, managerial experience had a significant interaction effects on the connection of expectation to uncertainty and source of procurement, while educational level had significant moderating effects on the relationships among expectation to uncertainty and 1) source of procurement, and 2) market position. Nevertheless, regional location, industrial affiliation and organizational history do not play significant

moderating roles in the posited correlations. Accordingly, hypotheses 17b2, 18b2 and 18f2 were supported, while hypotheses 13f2, 14f2, and 16f2 did not obtain any support.

Table 19 Results of Hierarchical Multiple Regression Analysis for the Moderating Effects of the Attributes of Organizations and Job Incumbents on the Relationships Between Expectation to Uncertainty and the Vertical and Horizontal Guanxi Network Facets

Predictor	Source of Information			Source of Resources			Source of Procurement			Market Position			Market Transaction		
	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3
Region	.04	.02	-.01	.04	.02	.11	.05	.03	.18	-.03	-.05	.03	.04	.02	-.18
Industry	.04	.04	-.26	-.04	-.04	.01	.02	.02	.04	.04	.04	-.15	.00	.00	-.03
Size	-.02	-.00	-.05	-.02	.01	.01	.01	.03	.06	-.01	.01	-.30	-.02	.00	-.18
History	.02	.01	.39	.05	.04	-.19**	.05	.03	-.04	.06	.05	.32	.05	.04	.08
Managexpe	.05	.04	.24	.05	.04	.27	.00	-.01	.42*	.01	-.00	.16*	.05	.04	.23
Education	.07	.07	-.32	.06	.06	-.37*	.00	.00	-.35*	-.02	-.02	-.43*	.00	.00	-.32
Expuncert		.27***	.17		.29***	.20		.33***	.36*		.26***	.18		.26***	.04
Region × Expuncert			.04						-.16			-.08			.23
Industry × Expuncert			.32			-.06			-.02			.21			.04
Size × Expuncert			.07			.01			-.01			.34			.20
History × Expuncert			-.41			.27***			.09			-.29			-.05
Managexpe × Expuncert			-.22			-.27			-.47*			-.51*			-.22
Education × Expuncert			.43*			.47*			.39*			.47*			.37
<i>F</i>	1.73 ^c	12.88*** ^d	8.20*** ^e	2.21* ^c	15.83*** ^d	10.64*** ^e	.86 ^{c*}	19.05*** ^d	11.03*** ^e	1.08 ^c	11.73*** ^d	7.91*** ^e	.93 ^c	11.39*** ^d	6.85*** ^e
ΔR^2	.00	.08	.08	.01	.09	.11	-.00	.11	.11	.00	.07	.08	.00	.07	.07

Notes: a. N=1033.

b. Managexpe= managerial experience, Expuncert = expect to uncertainty.

c. Degrees of freedom=12.

d. Degrees of freedom=13.

e. Degrees of freedom=25.

f. *p<.05, **p<.01, and ***p<.001.

The results of analyses presented in Table 20 were for the relationships between dependence and the five facets of the guanxi network. The results of these analyses represent two key features. First, all of the four organizational moderating variables had significant interaction effects on the relationship between dependence and the source of resources, but had no moderating effects on a high majority of the remaining relationships. Second, the moderating variables of job incumbents had non significant interaction effects on all the evaluated relationships. The results of Table 20 are to respond to two hypotheses, which are the relationship between dependence and the source of resources would be respectively moderated by 1) regional location (H13b), and 2) organizational size (H15b). As depicted at step three of Table 20, the association between dependence and source of resources was significantly moderated by both regional location and organizational size. Thus, hypotheses 13b and 15b were supported.

Table 20 Results of Hierarchical Multiple Regression Analysis for the Moderating Effects of the Attributes of Organizations and Job Incumbents on the Relationships Between Dependence and the Vertical and Horizontal Guanxi Network Facets

Predictor	Source of Information			Source of Resources			Source of Procurement			Market Position			Market Transaction		
	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3
Region	.04	.04	-.05	.04	.04	.75**	.05	.06	.32	-.03	-.03	.43*	.04	.04	.36
Industry	.04	.03	-.16	-.04	-.04	-.62**	.02	.01	-.27	.04	.03	.42	.00	-.01	-.34
Size	-.02	-.02	-.10	-.02	-.02	-.50*	.01	.01	.19	-.01	-.00	-.11	-.02	-.01	-.17
History	.02	.03	.40	.05	.05	.65*	.05	.05	-.09	.06	.06	.32	.05	.05	.39
Managexpe	.05	.03	.32	.05	.04	.02	.00	-.01	.40	.01	-.01	.16	.05	.03	-.04
Education	.07*	.63*	.13	.06	.06	-.34	.00	-.00	-.47*	-.02	-.02	-.13	.00	.00	-.09
Dependence		.38***	.51**		.19***	.10		.38***	.30		.34***	.66***		.30***	.30
Region × Dep			.09			-.75**			-.28			-.48*			-.34
Industry × Dep			.20			.63**			.30			-.41			.36
Size × Dep			.08			.52*			-.18			.11			.17
History × Dep			-.40			-.64*			.15			-.28			-.36
Managexpe × Dep			-.30			.01			-.44			-.18			.08
Education × Dep			-.07			.43			.52*			.12			.09
<i>F</i>	1.73 ^c	26.72*** ^d	15.03*** ^e	2.21* ^c	7.37*** ^d	6.72*** ^e	.86 ^{c*}	25.40*** ^d	14.60*** ^e	1.08 ^c	19.69*** ^d	11.36*** ^e	.93 ^c	14.92*** ^d	8.65*** ^e
ΔR^2	.00	.15	.15	.01	.04	.07	-.00	.14	.15	.00	.11	.12	.00	.09	.09

Notes: a. N=1033.

b. Managexpe= managerial experience.

c. Dep = dependence.

d. Degrees of freedom=12.

e. Degrees of freedom=13.

f. Degrees of freedom=25.

g. *p<.05, **p<.01, and ***p<.001.

Table 21 presents the results of hierarchical multiple regression analyses for relationships between adaptation and the sub variables of the vertical and the horizontal guanxi network. An interesting observation of these results is that most of the organizational moderating variables had significant interaction effects on a particular relationship, which is the connection between adaptation and the source of resources. The results of these analyses were to solve two hypotheses. First, hypothesis 15f predicted that organizational size would be moderated the relationship between adaptation and the market transaction. Second, there was an expectation that the managerial experience of job incumbents would moderate the affiliation amongst adaptation and the market position (H17f). As shown on the step three of Table 21, both these two moderating variables had significant interaction effects on these two relationships respectively. Therefore, hypotheses 15f and 17f were supported.

Table 21 Results of Hierarchical Multiple Regression Analysis for the Moderating Effects of the Attributes of Organizations and Job Incumbents on the Relationships Between Adaptation and the Vertical and Horizontal Guanxi Network Facets

Predictor	Source of Information			Source of Resources			Source of Procurement			Market Position			Market Transaction		
	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3
Region	.04	.03	-.44**	.04	.03	.45**	.05	.44	.22	-.03	-.04	-.33*	.04	.03	-.15
Industry	.04	.03	.01	-.04	-.05	-.49**	.02	.01	-.12	.04	.03	.15	.00	-.01	-.12
Size	-.02	-.04	-.29	-.02	-.03	-.79***	.01	-.01	-.37	-.01	-.02	-.35	.02	-.03	-.54**
History	.02	.03	.39*	.05	.06	.34	.05	.06	-.12	.06	.06	-.06	.05	.05	.24
Managexpe		.05	.13	.05	.05	.25	.00	.01	.53**	.01	.01	.40*	.05	.05	.29
Education	.05	.08**	.13	.06	.07*	.04	.00	.01	-.27	-.02	-.01	-.05	.00	.01	-.08
Adaptation		.37***	.32*		.23***	.09		.39***	.24		.29***	.20		.26***	.09
Region × Adap			.51**			-.46**			-.20			.31			.19
Industry × Adap			.03			.50**			.15			-.14			.13
Size × Adap			.26			.84***			.40			.35			.55**
History × Adap			-.39			-.30			.20			.14			-.20
Managexpe × Adap			-.08			-.21			-.57**			-.43*			-.26
Education × Adap			-.06			.04			.33			.05			.11
<i>F</i>	1.73 ^c	25.40*** ^d	15.17*** ^e	2.21* ^c	10.17*** ^d	8.62*** ^e	.86 ^{c*}	26.53*** ^d	15.90*** ^e	1.08 ^c	14.64*** ^d	8.83*** ^e	.93 ^c	11.87*** ^d	7.33*** ^e
ΔR^2	.00	.14	.15	.01	.06	.09	-.00	.15	.16	.00	.09	.09	.00	.07	.08

Notes: a. N=1033.

b. Managexpe= managerial experience.

c. Adap = adaptation.

d. Degrees of freedom=12.

e. Degrees of freedom=13. f. Degrees of freedom=25.

f. * p<.05, **p<.01, and ***p<.001.

The results of hierarchical multiple regression analyses for relationships between the strategy of overall cost leadership on resources and the guanxi network facets are illustrated in Table 22. An observable feature of this Table is that, with two exceptions, the six tested moderators had non significant interaction effects on almost all of the examined relationships. There were three hypotheses to be tested in these analyses. There were expectations that relationship between this strategy and the market transaction would be respectively moderated by 1) regional location (H13g), and 2) educational level (H18g). In addition, hypothesis 15c predicted that organizational size would moderate the connection of this strategy and the source of procurement. As seen at step three of Table 22, there appeared that these three moderating variables had non significant interaction effects on these three postulated relationships. As a result, none of the hypotheses (H13g, H15c & H18g) received support.

Table 22 Results of Hierarchical Multiple Regression Analysis for the Moderating Effects of the Attributes of Organizations and Job Incumbents on the Relationships Between Overall Cost Leadership on Resources and the Vertical and Horizontal Guanxi Network Facets

Predictor	Source of Information			Source of Resources			Source of Procurement			Market Position			Market Transaction		
	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3
Region	.04	.04	-.26	.04	.04	-.25	.05	.06	-.07	-.03	-.03	-.16	.04	.03	-.18
Industry	.04	.06*	.09	-.04	-.02	.11	.02	.04	.18	.04	.06	.19	.00	.02	-.03
Size	-.02	-.01	-.42*	-.02	-.00	-.16	.01	.02	.04	-.01	.01	.02	-.02	-.00	-.16
History	.02	.01	-.09	.05	.04	.15	.05	.04	-.10	.06	.05	.02	.05	.04	.06
Managexpe	.05	.03	.03	.05	.03	.13	.00	-.02	.47*	.01	-.01	-.04	.05	.03	.21
Education	.07*	.09**	.08	.06	.08*	.12	.00	.02	-.20	-.02	.00	-.03	.00	.02	.14
CLresources		.31***	.06		.27***	.27		.32***	.34*		.29***	.27		.31***	.30
Region × CLresources			.32			.31			.13			.14			.23
Industry × CLresources			-.04			-.14			-.14			-.14			.05
Size × CLresources			.43*			.17			-.01			-.02			.17
History × CLresources			.12			-.12			.15			.03			-.02
Managexpe × CLresources			-.01			-.10			-.53*			.03			-.20
Education × CLresources			.01			-.05			.24			.03			.13
<i>F</i>	1.73 ^c	17.39*** ^d	10.00*** ^e	2.21* ^c	13.04*** ^d	7.33*** ^e	.86 ^{c*}	17.60*** ^d	10.15*** ^e	1.08 ^c	14.28*** ^d	7.74*** ^e	.93 ^c	16.16*** ^d	8.93*** ^e
ΔR^2	.00	.10	.10	.01	.08	.07	-.00	.10	.10	.00	.08	.08	.00	.09	.09

Notes: a. N=1033.

b. Managexpe= managerial experience, CLresources= overall cost leadership on resources.

c. Degrees of freedom=12.

d. Degrees of freedom = 13

e. Degrees of freedom=25

f. *p<.05, **p<.01, and *** p<.001.

Table 23 exhibits the results of hierarchical multiple regression analyses for relationships amongst the strategy of overall leadership on quality and the sub variables of the vertical and the horizontal guanxi. A noticeable observation of these results is that neither of the regional location nor the educational level played a moderating role on the examined relationships, while other moderating variables had significant interaction effects on certain relationships. Three hypotheses were to seek answers from these analyses. The first hypothesis forecasted a firm's regional location would moderate the relationship of this strategy and the source of resources (H14c). The other two hypotheses predicted that managerial experience of the job incumbent would moderate the relationship amongst this strategy and 1) source of information (H17c), and 2) market position (H17g). As shown at step three of Table 23, regional location had a non significant interaction effect on the relationship of this strategy and source of resources. However, managerial experience had a significant moderating effect on the respective relationships among this strategy and 1) source of information, and 2) market position. Thus, hypotheses 17c and 17g were supported, but hypothesis 14c was not supported.

Table 23 Results of Hierarchical Multiple Regression Analysis for the Moderating Effects of the Attributes of Organizations and Job Incumbents on the Relationships Between Overall Cost Leadership on Quality and the Vertical and Horizontal Guanxi Network Facets

Predictor	Source of Information			Source of Resources			Source of Procurement			Market Position			Market Transaction		
	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3
Region	.04	.06	.09	.04	.05	.22	.05	.07*	.19	-.03	-.01	-.18	.04	.05	-.04
Industry	.04	.05	.38*	-.04	-.03	-.40*	.02	.04	.09	.04	.05	.07	.00	.01	-.09
Size	-.02	-.03	-.55**	-.02	-.21	-.61**	.01	.00	-.37	-.01	-.02	-.13	-	-.03	.06
History	.02	.03	.11	.05	.05	.43*	.05	.05	.11	.06	.06	.08	.05	.05	.08
Managexpe	.05	.04	.49*	.05	.04	.22	.00	-.01	.59**	.01	-.00	.56**	.05	.04	.31
Education	.07*	.08*	.31	.06	.07*	-.15	.00	.02	-.19	-.02	-.00	.07	.00	.02	.08
CLquality		.27***	.54**		.21***	.02		.29***	.36*		.34***	.49**		.31***	.40*
Region			-.03			-.18			-.12			.18			.11
× CLquality															
Industry			-.35			.41*			-.04			-.02			.11
× CLquality															
Size			.55*			.63**			.40			.12			-.09
× CLquality															
History			-.09			-.40			-.06			-.03			-.03
× CLquality															
Managexpe			-.48*			-.18			-.64**			-.60**			-.30
× CLquality															
Education			.26			.25			.22			-.09			-.08
× CLquality															
F	1.73 ^c	13.82*** ^d	1.37 ^e	2.21* ^c	8.55 ^d	6.19*** ^e	.86 ^{c*}	14.64*** ^d	2.25*** ^e	1.08 ^c	20.89*** ^d	11.87*** ^e	.93 ^c	15.87*** ^d	8.83*** ^e
ΔR ²	.00	.08	.09	.01	.05	.06	-.00	.09	.09	.00	.12	.12	.00	.09	.09

Notes: a. N=1033.

b. Managexpe= managerial experience, CLquality= overall cost leadership on quality.

c. Degrees of freedom=12.

d. Degrees of freedom=13.

e. Degrees of freedom=25.

f. *p<.05, **p<.01, and *** p<.001.

The results of analyses presented in Table 24 were for the relationships between the strategy of overall cost leadership on sales volume and the five facets of the guanxi network. A key finding of these results suggested that the six analyzed moderating variables had non significant interaction effects on the examined relationships. The two exceptions were that the industrial affiliation had a significant effect on the individual relationship amongst the strategy and 1) source of information, and 2) source of resources. Four hypotheses were tested in these analyses. The first two hypotheses proposed that the relationships between this strategy and the source of information would be moderated by 1) industrial affiliation (H14d), and 2) organizational history (H16c). And the other two hypotheses posited that the relationship amongst this strategy and the market position would be moderated by 1) organizational size (H15g), and 2) organizational history (H16g). As depicted at step three of Table 24, the moderating variables of industrial affiliation and organizational history had significant interaction effects on the liaison of this strategy and source of information. However, neither organizational size nor organizational history had significant interaction effects on the connection of this strategy and market position. Hence, hypothesis 14d was supported. However, hypotheses 15g, 16c and 16g did not obtain any support.

Table 24 Results of Hierarchical Multiple Regression Analysis for the Moderating Effects of the Attributes of Organizations and Job Incumbents on the Relationships Between Overall Cost Leadership on Sales Volume and the Vertical and Horizontal Guanxi Network Facets

Predictor	Source of Information			Source of Resources			Source of Procurement			Market Position			Market Transaction		
	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3
Region	.04	.05	-.07	.04	.04	.00	.05	.06	-.14	-.03	-.02	.15	.04	.05	.24
Industry	.04	.02	-.41*	-.04	-.06	-.69***	.02	.00	-.34	.04	.01	.07	.00	-.02	-.16
Size	-.02	.01	.13	-.02	.01	-.11	.01	.04	.06	-.01	.03	.22	-.02	.02	.18
History	.02	.02	-.05	.05	.05	.35	.05	.04	-.14	.06	.05	.14	.05	.04	-.03
Managexpe	.05	.03	-.05	.05	.04	-.15	.00	-.01	.09	.01	-.02	-.21	.05	.03	-.08
Education	.07*	.08*	-.06	.06	.07*	-.18	.00	.01	-.35	-.02	-.00	-.24	.00	.02	-.07
CLsales		.24***	-.06		.18***	-.19		.20***	-.22		.30***	.31		.26***	.21
Region × CLsales			.12			.03			.20			-.18			-.21
Industry × CLsales			.48*			.72***			.39			-.07			.06
Size × CLsales			-.13			.12			-.02			-.19			-.16
History × CLsales			.08			-.33			.20			-.10			.08
Managexpe × CLsales			.08			.19			-.12			.21			.12
Education × CLsales			.14			.27			.39			.26			.10
<i>F</i>	1.73 ^c	9.99*** ^d	5.91*** ^e	2.21* ^c	6.79*** ^d	5.06*** ^e	.86 ^{c*}	6.54*** ^d	4.29*** ^e	1.08 ^c	15.41*** ^d	8.60*** ^e	.93 ^c	11.44*** ^d	6.36*** ^e
ΔR^2	.00	.06	.06	.01	.04	.05	-.00	.04	.04	.00	.09	.09	.00	.07	.06

Notes: a. N=1033.

b. Managexpe= managerial experience, CLsales= overall cost Leadership on sales volume.

c. Degrees of freedom=12.

d. Degrees of freedom=13.

e. Degrees of freedom=25.

f. * p<.05, **p<.01, and ***p<.001.

Table 25 demonstrates the results of hierarchical multiple regression analyses for relationships between the combined strategy of differentiation with overall cost leadership and the guanxi network facets. The results of this Table represent a key feature. The six examined moderators had non significant interaction effects on a high majority of the evaluated relationships, with several exceptions. There were four hypotheses to be tested in these analyses. The first two hypotheses postulated that the relationship between this strategy and the market position would be moderated by 1) regional location (H13h), 2) educational level (H18h). The last two hypotheses theorized that the relationship amongst this strategy and the market transaction would be moderated by 1) industrial affiliation (H14g), and 2) organizational history (H16h). As illustrated at step three of Table 25, the moderating variable of regional location had a significant interaction effect on the link between this strategy and the market position. However, the other three tested moderating variables did not have significant interaction effects on the evaluated relationships. Therefore, hypothesis 13h was supported, while hypotheses 14g, 16h and 18h did not receive any support.

Table 25 Results of Hierarchical Multiple Regression Analysis for the Moderating Effects of the Attributes of Organizations and Job Incumbents on the Relationships Between Differentiation with Overall Cost Leadership and the Vertical and Horizontal Guanxi Network Facets

Predictor	Source of Information			Source of Resources			Source of Procurement			Market Position			Market Transaction		
	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3
Region	.04	.02	.25	.04	.02	-.08	.05	.03	.30	-.03	-.05	.67***	.04	.02	.38*
Industry	.04	.03	-.77***	-.04	-.05	-.29	.02	.00	-.27	.04	.02	-.47*	.00	-.01	-.31
Size	-.02	-.02	-.12	-.02	-.01	.19	.01	.01	.18	-.01	-.01	-.23	-.02	-.02	-.01
History	.02	.01	.06	.05	.03	-.11	.05	.03	.01	.06	.04	-.11	.05	.04	-.28
Managexpe	.05	.05	.18	.05	.05	.16	.00	.01	.17	.01	.01	-.11	.05	.05	-.07
Education	.07*	.06	-.05	.06	.05	.11	.00	-.01	-.13	-.02	-.02	-.09	.00	-.00	.07
DOCost		.22***	-.05		.23***	.18		.29***	.32		.26***	.09		.16***	.02
Region × DOCost			-.25			.10			-.30			-.79***			-.39
Industry × DOCost			.89***			.27			.31			.55**			.34
Size × DOCost			.10			-.22			-.19			.24			-.01
History × DOCost			-.04			.17			.03			.18			.35
Managexpe × DOCost			-.15			-.12			-.18			.13			.13
Education × DOCost			.13			-.07			.14			.09			-.08
<i>F</i>	1.73 ^c	8.87*** ^d	6.85*** ^e	2.21* ^c	9.95*** ^d	5.62*** ^e	.86 ^{c*}	14.27*** ^d	8.18*** ^e	1.08 ^c	11.62*** ^d	9.17*** ^e	.93 ^c	4.49*** ^d	3.37*** ^e
ΔR^2	.00	.05	.07	.01	.06	.06	-.00	.08	.08	.00	.07	.09	.00	.02	.03

Notes: a. N=1033.

b. Managexpe= managerial experience, DOCost = differentiation with overall cost leadership.

c. Degrees of freedom=12.

d. Degrees of freedom=13.

e. Degrees of freedom=25.

f. * p<.05, **p<.01, and ***p<.001.

The results of hierarchical multiple regression analyses for relationships between focus strategy and the guanxi network facets are shown in Table 26. A key finding of this Table is that the six evaluated moderating variables had non significant interaction effects on the majority of the tested relationship, with some exceptions. Among these relationships there were five predictions for analyses. First, hypothesis 13c anticipated that regional location would moderate the relationship between focus strategy and the source of procurement. Second, it was predicted that the industrial affiliation would moderate the relationship amongst focus strategy and the market position (H14h). Third, Hypothesis 15h postulated that organizational size would moderate focus strategy and market transaction. The last two hypotheses were posited that the relationship between focus strategy and the source of resources would be moderated by 1) organizational history (H16d), and 2) educational level (H18c). As indicated at step three of Table 26, the moderating roles of regional location and educational level had significant interaction effects on the evaluated relationships respectively. Nevertheless, the other three tested moderating variables had non significant interaction effects on the three postulated relationships. As a result, hypotheses 13c and 18c were entirely supported, but hypotheses 14h, 15h, and 16d were not supported.

Table 26 Results of Hierarchical Multiple Regression Analysis for the Moderating Effects of the Attributes of Organizations and Job Incumbents on the Relationships Between Focus and the Vertical and Horizontal Guanxi Network Facets

Predictor	Source of Information			Source of Resources			Source of Procurement			Market Position			Market Transaction		
	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3
Region	.04	.04	.19	.04	.04	.11	.05	.05	.25*	-.03	-.03	-.22*	.04	.04	-.00
Industry	.04	.04	.06	-.04	-.04	-.21*	.02	.01	.09	.04	.04	.02	.00	-.01	-.12
Size	-.02	-.02	.01	-.02	-.01	.02	.01	.01	.24*	-.01	-.01	.08	-.02	-.01	.13
History	.02	.02	.14	.05	.06	.13	.05	.06	.09	.06	.06	.03	.05	.06	.07
Managexpe	.05	.05	.21	.05	.05	.12	.00	-.00	.07	.01	.01	.02	.05	.04	.19
Education	.07*	.07*	.03	.06	.06	-.18	.00	.00	-.09	-.02	-.02	.04	.00	.00	.03
Focus		.01	.33*		.07*	-.09		.12***	.45**		.03	-.02		.08*	.20
Region × Focus			-.18			-.10			-.24*			.24*			.05
Industry × Focus			-.03			.22			-.10			.02			.15
Size × Focus			-.04			-.04			.27*			-.12			-.17
History × Focus			-.14			-.09			-.04			.03			-.02
Managexpe × Focus			-.21			-.09			-.09			-.01			-.18
Education × Focus			.05			.33*			.12			-.07			-.03
<i>F</i>	1.73 ^c	1.51 ^d	1.37 ^e	2.21* ^c	2.53* ^d	2.18 ^e	.86 ^{c*}	2.66* ^d	2.25*** ^e	1.08 ^c	1.04 ^d	.98 ^e	.93 ^c	1.74 ^d	1.48 ^e
ΔR^2	.00	.00	.02	.01	.01	.02	-.00	.01	.02	.00	.00	.00	.00	.01	.01

Notes: a. N=1033.

b. Managexpe= managerial experience.

c. Degrees of freedom=12.

d. Degrees of freedom=13.

e. Degrees of freedom=25.

f. * p<.05, **p<.01, and ***p<.001.

Table 27 shows the results of hierarchical multiple regression analyses for relationships between the strategy of preemptive move and the sub variables of the vertical and the horizontal guanxi. The results of these analyses depict an interesting feature, which is each of the six moderating variables had a significant interaction effects on one or two individual relationships. Five hypotheses were to seek responses from these analyses. First, it was expected that the relationship between this strategy and the source of procurement would be moderated by 1) regional location (H13d), and 2) educational level (H18d). Second, there were predictions that the relationship amongst this strategy and the source of resources would be moderated by 1) organizational size (H15d), and 2) managerial experience (H17d). Last, hypothesis 17h proposed that the managerial experience would moderate the relationship of this strategy and the market transaction. As demonstrated at step three of Table 27, all the four examined moderating variables had significant interaction effects on the posited relationship respectively. Thus, hypotheses 13d, 15d, 17d, 17h and 18d were fully supported.

Table 27 Results of Hierarchical Multiple Regression Analysis for the Moderating Effects of the Attributes of Organizations and Job Incumbents on the Relationships Between Preemptive Move and the Vertical and Horizontal Guanxi Network Facets

Predictor	Source of Information			Source of Resources			Source of Procurement			Market Position			Market Transaction		
	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3	Step 1	Step 2	Step 3
Region	.04	.03	.07	.04	.02	-.14	.05	.04	.53*	-.03	-.04	.09	.04	.02	.14
Industry	.04	.04	-.36	-.04	-.04	-.10	.02	.03	-.15	.04	.04	.02	.00	.00	-.29
Size	-.02	-.02	-.58*	-.02	-.01	-.51*	.01	.01	-.14	-.01	-.01	-.16	-.02	-.01	-.08
History	.02	.03	.33	.05	.06	-.01	.05	.05	-.04	.06	.06	-.06	.05	.05	-.14
Managexpe	.05	.05	.52*	.05	.05	.56*	.00	.00	.35	.01	.01	.32	.05	.04	.59**
Education	.07*	.07*	-.15	.06	.06*	-.26	.00	.01	-.42*	-.02	-.01	-.36	.00	.01	-.25
Preemp		.30***	.16		.31***	.08		.28***	.20		.31***	.20		.31***	.21
Region × preemp			-.04			.17			-.52*			-.14			-.12
Industry ×preemp			.43			.07			.19			.03			.32
Size × preemp			.59*			.53*			.17			.17			.08
History × preemp			-.31			.07			.10			.13			.21
Managexpe × preemp			-.51*			-.55*			-.38			-.33			-.59*
Education × preemp			.25			.36			.47*			.38			.28
<i>F</i>	1.73 ^c	16.35*** ^d	10.24*** ^e	2.21* ^c	17.28*** ^d	10.51*** ^e	.86 ^{c*}	13.07*** ^d	8.12*** ^e	1.08 ^c	16.34*** ^d	9.25*** ^e	.93 ^c	16.74*** ^d	9.80*** ^e
ΔR^2	.00	.09	.10	.01	.10	.11	-.00	.08	.09	.00	.09	.09	.00	.10	.10

Notes: a. N=1033.

b. Managexpe= managerial experience, preemp = preemptive move.

c. Degrees of freedom=12.

d. Degrees of freedom=13.

e. Degrees of freedom=25.

f. * p<.05, **p<.01, and ***p<.001.

INDEPENDENT – SAMPLES T Test (T-Test)

Table 28 presents the comparison of mean tests for gender for all the study variables. Also presented in Table 28 are the mean and standard correlations of the conceptual model variables. A key feature of Table 28 is that there was a very high level of convergence among all the variables between the female and male managers. The only exception was for the variable of opportunism, and given that 18 tests were conducted this result may be, in fact, a type A error. The T-test procedure was also employed to assess the extent of difference between groups of the status of 1) employee and 2) employer as well as the status of organizational ownership (state owned, privately owned). The results of the analyses for the same list of attributes demonstrate a high degree of correlations. These analyses are presented in Table 29 and Table 30, which are attached in Appendix 3. The results demonstrate that the responses given by the male and female respondents were non significantly different for all the conceptual model variables.

Table 28

**Mean, Standard Deviation and Means Comparisons
Across Gender for the Variables of Guanxi Construct,
Business Strategy Orientation and Guanxi Network (N=1033)**

Category Variables	Male (1) N=642	Female (2) N=391	Mean contrasts P<.05
Favour	.77(4.74)	.74(4.76)	n.s.
Opportunism	.83(4.90)	.67(5.01)	1<2*
Trust	.79(5.30)	.74(5.28)	n.s.
Perception to uncertainty	1.05(4.81)	.88(4.86)	n.s.
Expectation to uncertainty	.89(5.17)	.83(5.26)	n.s.
Dependence	.76(5.07)	.67(5.12)	n.s.
Adaptation	.89(4.71)	.85(4.74)	n.s.
Overall cost leadership on resources	.85(5.27)	.82(5.23)	n.s.
Overall cost leadership on sales volume	.93(5.25)	.90(5.24)	n.s.
Overall cost leadership on quality	.88(5.15)	.80(5.14)	n.s.
Differentiation with overall cost leadership	.89(5.21)	.89(5.24)	n.s.
Focus	1.20(3.71)	1.17(3.65)	n.s.
Preemptive move	.76(4.97)	.68(4.88)	n.s.
Source of information	.80(5.26)	.79(5.26)	n.s.
Source of resources	.81(5.25)	.82(5.21)	n.s.
Source of procurement	.81(5.25)	.76(5.16)	n.s.
Market position	.90(5.40)	.85(5.39)	n.s.
Market transaction	1.01(5.21)	.91(5.18)	n.s.

Notes: a. The values in parentheses are standard deviations of the means.

b. N=number of respondents

c. p<.05, n.s.= non significantly different.

ANALYSIS OF VARIANCE (ANOVA)

Table 31 demonstrates the means and standard deviations of the study variables that were evaluated as well as the results of comparative mean tests across the organizational categories of regional locations. The key finding of Table 31 is that there was a high level of consensus among all the examined variables across the organizational locations of the respondents. ANOVA was also used to ascertain the significance of relationships among

the examined variables between subjects across the categories of organizational industrial field, organizational size, organizational history, managerial experience, and educational levels. The results of the tests for these five demographic elements of the study respondents are reported in Table 32 to Table 36, which are affixed in Appendix 4. The results of these tables indicate that the mean scores for all the conceptual model variables were non significantly different for the respondents of each study site. In general, the results of analysis of variance provided an initial insight of the attributes of the demographic elements of the study organizations and respondents. Moreover, these results laid the departure to evaluate the moderating effects that the attributes of the study organizations and respondents have on the relationships between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi network.

Table 31
Mean, Standard Deviation and Results of ANOVA Across Organizational Locations
for Variables of Guanxi Construct, Business Strategy Orientation, and Guanxi network (N=1033)

Group respondents Variables	Organizational location						Mean Contrasts p<.05
	Guangzhou (1) =220	Fushan (2) =175	Xiamen (3) =163	Kunming (4) =159	Hefei (5) =165	Dalian (6) =165	
Favour	.76(4.68)	.73(4.87)	.66(4.58)	.73(4.74)	.63(5.04)	.93(4.56)	n.s.
Opportunism	.73(4.83)	.75(5.14)	.66(4.82)	.73(4.97)	.75(5.09)	.97(4.80)	n.s.
Trust	.73(5.35)	.75(5.41)	.73(5.10)	.81(5.19)	.74(5.36)	.84(5.30)	n.s.
Perception to uncertainty	.92(4.78)	1.04(4.75)	.94(4.72)	1.01(4.87)	.97(4.88)	1.06(5.02)	n.s.
Expectation to uncertainty	.88(5.26)	.84(5.31)	.80(5.07)	.90(5.22)	.85(5.10)	.91(5.26)	n.s.
Dependence	.65(5.04)	.66(5.27)	.64(5.03)	.84(4.95)	.70(5.20)	.86(5.06)	n.s.
Adaptation	.88(4.61)	.85(4.82)	.70(4.77)	.94(4.64)	.89(4.86)	.80(5.14)	n.s.
Overall cost leadership on resources	.90(5.31)	.85(5.41)	.77(5.07)	.85(5.18)	.82(5.20)	.76(5.36)	n.s.
Overall cost leadership on sales volume	.95(5.28)	.88(5.44)	.91(5.05)	.97(5.30)	.84(5.15)	.89(5.25)	n.s.
Overall cost leadership on quality	.86(5.19)	.72(5.31)	.76(5.10)	.81(5.10)	.87(4.92)	1.01(5.22)	n.s.
Differentiation with overall cost leadership	.76(5.13)	.82(5.29)	.87(5.09)	1.01(5.26)	.86(5.19)	1.03(5.41)	n.s.
Focus	1.15(3.63)	1.05(3.48)	1.09(3.72)	1.10(3.96)	1.32(4.00)	1.30(3.31)	n.s.
Preemptive move	.73(4.91)	.78(5.00)	.68(4.80)	.70(4.92)	.66(4.97)	.81(5.05)	n.s.
Source of information	.77(5.25)	.77(5.27)	.78(5.17)	.78(5.22)	.77(5.31)	.91(5.34)	n.s.
Source of resources	.79(5.25)	.77(5.22)	.81(5.02)	.19(5.38)	.73(5.27)	.98(5.27)	n.s.
Source of procurement	.73(5.03)	.76(5.18)	.82(5.03)	.81(5.10)	.73(5.25)	.90(5.10)	n.s.
Market position	.91(5.41)	.78(5.54)	.89(5.37)	.81(5.21)	.78(5.50)	1.04(5.31)	n.s.
Market transaction	.98(5.17)	.91(5.37)	1.01(4.96)	1.02(5.11)	.92(5.27)	.96(5.31)	n.s.

Notes: a. The values in parentheses are standard deviations of the means.
b. N = Number of respondents
c. p<.05, n.s.= non significantly different.

SUMMARY OF HYPOTHESES TESTING

In summary, nine key features can be portrayed from the overall pattern of results, which are illustrated in Table 37. First, favour and adaptation were significantly related to all the guanxi network facets. This is a phenomenon with an indication that favour and adaptation were the vital techniques to sustain the guanxi relationship. Second, opportunism was associated significantly with almost all the guanxi network facets, which implied that opportunism played an essential role that drove people to manipulate the guanxi potential. Third, trust, perception to uncertainty, expectation to uncertainty and dependence were significantly associated with limited facets in the vertical guanxi network, but had non significant relationships with all the horizontal guanxi network facets. This is an interesting finding that deviates with the reported evidence in the existing literature. Fourth, the majority of the strategies (except differentiation with overall cost leadership, preemptive move) were significantly linked with the source of information, while most of the strategic approaches had significant relationships with the source of resources, with the exclusion of overall cost leadership on quality. Fifth, there were only two strategies (i.e. overall cost leadership on resources, differentiation with overall cost leadership) that had significant connections with the source of procurement, while only two strategies (i.e. overall cost leadership on sales volume, focus) were significantly correlated to market position. Sixth, the largest part of the business strategies had significant relationships with market transaction, with only two exceptions, which are overall cost leadership on quality and focus strategies. Seventh, regional location and managerial experience play significant

moderating roles to a large amount of the examined relationships, while educational level had significant interaction effects on half of the evaluated correlations. Eighth, industrial affiliation only significantly moderated one third of the tested relationships, while organizational size had significant interaction effects on nearly one third of the postulated links. Finally, it was observed that organizational history had a non significant moderating effect on nearly all the investigated associations.

A total of 108 hypotheses were originally developed in Chapter Two. However, as the factor of uncertainty was loaded into two discrete factors (from the result of the factor analysis) an additional 11 hypotheses were subsequently generated for these newly delineated factors underpinning by the theorization that was applied to the original factor. As a consequence, 119 hypotheses were examined in this Chapter. There were two broad categories of results. First, 56 hypotheses were supported. Second, 63 hypotheses were not supported. A summary of the results is presented in Table 37.

Table 37

Summary of Hypotheses

H1a	Favour will be associated with the source of information.	Supported
H1b	Favour will be associated with the source of resources.	Supported
H1c	Favour will be associated with the source of procurement.	Supported
H1d	Favour will be associated with the market position.	Supported
H1e	Favour will be associated with the market transaction.	Supported
H2a	Opportunism will be associated with the source of information.	Supported
H2b	Opportunism will be associated with the source of resources.	Not supported
H2c	Opportunism will be associated with the source of procurement.	Supported
H2d	Opportunism will be associated with the market position.	Supported
H2e	Opportunism will be associated with the market transaction.	Supported

H3a	Trust will be associated with the source of information.	Not supported
H3b	Trust will be associated with the source of resources.	Not supported
H3c	Trust will be associated with the source of procurement.	Supported
H3d	Trust will be associated with the market position.	Not supported
H3e	Trust will be associated with the market transaction.	Not supported
H4a=H4a1 & H4a2	<p>Perception to uncertainty will be associated with the source of information.</p> <p>Expectation to Uncertainty will be associated with the source of information.</p> <p>Perception to uncertainty will be associated with the source of resources.</p> <p>Expectation to uncertainty will be associated with the source of resources</p> <p>Perception to uncertainty will be associated with the source of procurement.</p> <p>Expectation to uncertainty will be associated with the source of procurement.</p> <p>Perception to uncertainty will be associated with the market position.</p> <p>Expectation to uncertainty will be associated with the market position.</p> <p>Perception to uncertainty will be associated with the market transaction.</p> <p>Expectation to uncertainty will be associated with the market transaction.</p>	Not supported
H4a1		Not supported
H4a2		Not supported
H4b=H4b1 & H4b2		Supported
H4b1		Supported
H4b2		Supported
H4c=H4c1 & H4c2		Not supported
H4c1		Not supported
H4c2		Not supported
H4d=H4d1 & H4d2		Not supported
H4d1	Not supported	
H4d2	Not supported	
H4e=H4e1 & H4e2	Not supported	
H4e1	Not supported	
H4e2	Not supported	
H5a	Dependence will be associated with the source of information.	Supported
H5b	Dependence will be associated with the source of resources.	Not supported
H5c	Dependence will be associated with the source of procurement.	Not supported
H5d	Dependence will be associated with the market position.	Not supported
H5e	Dependence will be associated with the market transaction.	Not supported
H6a	Adaptation will be associated with the source of information.	Supported
H6b	Adaptation will be associated with the source of resources.	Supported
H6c	Adaptation will be associated with the source of procurement.	Supported
H6d	Adaptation will be associated with the market position.	Supported
H6e	Adaptation will be associated with the market transaction.	Supported
H7a	Overall cost leadership on resources will be associated with the source of information.	Supported
H7b	Overall cost leadership on resources will be associated with the source of resources.	Supported
H7c	Overall cost leadership on resources will be associated with the source of procurement.	Supported
H7d	Overall cost leadership on resources will be associated with the market position.	Not supported
H7e	Overall cost leadership on resources will be associated with the market transaction.	Supported

H8a	Overall cost leadership on quality will be associated with the source of information.	Not supported
H8b	Overall cost leadership on quality will be associated with the source of resources.	Not supported
H8c	Overall cost leadership on quality will be associated with the source of procurement.	Not supported
H8d	Overall cost leadership on quality will be associated with the market position.	Supported
H8e	Overall cost leadership on quality will be associated with the market transaction.	Supported
H9a	Overall cost leadership on sales volume will be associated with the source of information.	Supported
H9b	Overall cost leadership on sales volume will be associated with the source of resources.	Not supported
H9c	Overall cost leadership on sales volume will be associated with the source of procurement.	Not supported
H9d	Overall cost leadership on sales volume will be associated with the market position.	Supported
H9e	Overall cost leadership on sales volume will be associated with the market transaction.	Supported
H10a	Differentiation with overall cost leadership will be associated with the source of information.	Not supported
H10b	Differentiation with overall cost leadership will be associated with the source of resources.	Supported
H10c	Differentiation with overall cost leadership will be associated with the source of procurement.	Supported
H10d	Differentiation and overall cost leadership will be associated with the market position.	Not supported
H10e	Differentiation and overall cost leadership will be associated with the market transaction.	Not supported
H11a	Focus will be associated with the source of information.	Not supported
H11b	Focus will be associated with the source of resources.	Not supported
H11c	Focus strategy will be associated with the source of procurement.	Not supported
H11d	Focus strategy will be associated with the market position.	Not supported
H11e	Focus strategy will be associated with the market transaction.	Not supported
H12a	Preemptive move will be associated with the source of information.	Not supported
H12b	Preemptive move will be associated with the source of resources.	Supported
H12c	Preemptive move will be associated with the source of procurement.	Not supported
H12d	Preemptive move will be associated with the market position.	Not supported
H12e	Preemptive move will be associated with the market transaction.	Supported

H13a	The relationship of opportunism and the source of information will be moderated by a firm's regional location.	Supported
H13b	The relationship of dependence and the source of resources will be moderated by a firm's regional location.	Supported
H13c	The relationship of the focus strategy and the source of procurement will be moderated by a firm's regional location.	Supported
H13d	The relationship of the preemptive move and the source of procurement will be moderated by a firm's regional location.	Supported
H13e	The relationship of favour and the market position will be moderated by a firm's regional location.	Supported
H13f=H13f1&H13f2		
H13f1	The relationship of perception to uncertainty and the market transaction will be moderated by a firm's regional location.	Supported
H13f2	The relationship of expectation to uncertainty and the market transaction will be moderated by a firm's regional location.	Not supported
H13g	The relationship of overall cost leadership on the resources and the market transaction will be moderated by a firm's regional location.	Not supported
H13h	The relationship of differentiation with overall cost leadership and the market position will be moderated by a firm's regional location.	Supported
H14a	The relationship of favour and the source of information will be moderated by a firm's industrial affiliation.	Not supported
H14b	The relationship of trust and the source of procurement will be moderated by a firm's industrial affiliation.	Supported
H14c	The relationship of overall cost leadership on quality and the source of resources will be moderated by a firm's industrial affiliation.	Not supported
H14d	The relationship of overall cost leadership on sales volume and the source of information will be moderated by a firm's industrial affiliation.	Supported
H14e	The relationship of trust and the market transaction will be moderated by a firm's industrial affiliation.	Not supported
H14f=H14f1&H14f2		
H14f1	The relationship of perception to uncertainty and the market position will be moderated by a firm's industrial affiliation.	Supported
H14f2	The relationship of expectation to uncertainty and the market position will be moderated by a firm's industrial affiliation.	Not supported
H14g	The relationship of differentiation with overall cost leadership and the market transaction will be moderated by a firm's industrial affiliation.	Not supported
H14h	The relationship of focus and the market position will be moderated by a firm's industrial affiliation.	Not supported

H15a	The relationship of favour and the source of information will be moderated by organizational size.	Not supported
H15b	The relationship of dependence and the source of resources will be moderated by organizational size.	Supported
H15c	The relationship of overall cost leadership on resources and the source of procurement will be moderated by organizational size.	Not supported
H15d	The relationship of preemptive move and the source of resources will be moderated by organizational size.	Supported
H15e	The relationship of opportunism and the market position will be moderated by organizational size.	Not supported
H15f	The relationship of adaptation and the market transaction will be moderated by organizational size.	Supported
H15g	The relationship of overall cost leadership on sales volume and the market position will be moderated by organizational size.	Not supported
H15h	The relationship of focus and market transaction will be moderated by organizational size.	Not supported
H16a	The relationship of opportunism and the source of resources will be moderated by organizational history.	Not supported
H16b	The relationship of trust and the source of procurement will be moderated by organizational history.	Supported
H16c	The relationship of overall cost leadership on sales volume and the source of information will be moderated by organizational history.	Not supported
H16d	The relationship of focus and the source of resources will be moderated by organizational history.	Not supported
H16e	The relationship of favour and the market transaction will be moderated by organizational history.	Not supported
H16f=H16f1&H16f2		
H16f1	The relationship of perception to uncertainty and the market position will be moderated by organizational history	Not supported
H16f2	The relationship of expectation to uncertainty and the market position will be moderated by organizational history	Not supported
H16g	The relationship of overall cost leadership on sales volume and the market position will be moderated by organizational history.	Not supported
H16h	The relationship of differentiation with overall cost leadership and the market transaction will be moderated by organizational history.	Not supported

H17a	The relationship of favour and the source resources will be moderated by managerial experience.	Not supported
H17b=H17b1&H17b2		
H17b1	The relationship of perception to uncertainty and the source of procurement will be moderated by managerial experience.	Not supported
H17b2	The relationship of expectation to uncertainty and the source of procurement will be moderated by managerial experience.	Supported
H17c	The relationship of overall cost leadership on quality and the source of information will be moderated by managerial experience.	Supported
H17d	The relationship of preemptive move and the source of resources will be moderated by managerial experience.	Supported
H17e	The relationship of favour and the market position will be moderated by managerial experience.	Not supported
H17f	The relationship of adaptation and the market position will be moderated by managerial experience.	Supported
H17g	The relationship of overall cost leadership on quality and the market position will be moderated by managerial experience.	Supported
H17h	The relationship of preemptive move and the market transaction will be moderated by managerial experience.	Supported
H18a	The relationship of opportunism and the source of resources will be moderated by educational level.	Supported
H18b=H18b1&H18b2		
H18b1	The relationship of perception to uncertainty and the source of procurement will be moderated by educational level.	Not supported
H18b2	The relationship of expectation to uncertainty and the source of procurement will be moderated by educational level.	Supported
H18c	The relationship of focus and the source of resources will be moderated by the educational level.	Supported
H18d	The relationship of preemptive move and the source of procurement will be moderated by educational level.	Supported
H18e	The relationship of trust and the market transaction will be moderated by educational level.	Not supported
H18f=H18f1&H18f2		
H18f1	The relationship of perception to uncertainty and the market position will be moderated by educational level.	Not supported
H18f2	The relationship of expectation to uncertainty and the market position will be moderated by educational level.	Supported
H18g	The relationship of the overall cost leadership on resources and the market transaction will be moderated by educational level.	Not supported
H18h	The relationship of differentiation with overall cost leadership and the market position will be moderated by educational level.	Not supported

QUALITATIVE ANALYSIS

Qualitative follow up sessions were subsequent to the completion of empirical analysis. During November to December in 2006, the researcher visited to each of the six researched cities to conduct focus group meetings, which were mainly held in the languages of Mandarin and Cantonese. Most of the meetings were approximately 90 to 120 minutes in duration. Where the participants were under tight time constraints, meetings were condensed to approximately 60 minutes, these participants were then followed up by telephone and facsimile communications to enable further discussions. For participants who were unable to attend feedback sessions, telephone discussions and facsimile communications were used as alternative means to facilitate the exchange of comments.

Feedback sessions that were conducted in the cities of Kunming, Foshan, Xiamen, Hefei and Dalian were videotaped and subsequently replicated into DVD plates. In Guangzhou city the focus groups were not videotaped as these meetings were held in the participant's working places or restaurants, where the use of recording facilities would cause inconvenience and embarrassment to the parties concerned. However, completed minutes for each of the meetings were recorded in Chinese and accredited English translations were subsequently arranged. The Chinese meeting record consists of almost 160,000 words in 240 pages, while the English translation had 248 pages with approximately 100,000 words. General details of focus group meetings are documented in Table 38.

Table 38**Focus Group Meeting Record****To be continued (1/2)**

No	Study city	Number of participants	Recorded by DVD	Detailed meeting notes	Participants Contacts	Date and duration of the meeting held	Place of the meeting held
1	Kunming	10p	Yes	Taken	Recorded	17.30pm –19.15pm 04/11/2006 Saturday	Kunming Field Corporation
2	Foshan	9p	Yes	Taken	Recorded	15.30pm –17.30pm 05/11/2006 Sunday	Foshan Acumen Resource Co., Ltd
3	Xiamen	9p	Yes	Taken	Recorded	19.45pm –22.00pm 11/11/2006 Saturday	Xiamen Strategy Marketing Co., Ltd
4	Hefei	12p	Yes	Taken	Recorded	16.45pm –18.00pm 12/11/2006 Sunday	Hefei Jinzhun Advertising Co., Ltd
5	Hefei	1p	No	Taken	Recorded	16.00pm – 18.30pm 20/11/2006 Monday	Meeting in Eastern Tiger Investment Co., Ltd Shenzhen Office
6	Guangzhou	5p	No	Taken	Recorded	18.30pm –22.00pm 07/11/2006 Tuesday	Dinner meeting in Guangzhou Century Pearl Restaurant
7	Guangzhou	1p	No	Taken	Recorded	22.30pm –24.00pm 07/11/2006 Tuesday	Supper meeting in Liwanting Restaurant of Garden Hotel
8	Guangzhou	1p	No	Taken	Recorded	10.30am-12.00am 08/11/2006 Wednesday	Guangzhou New Science Technology Development Co., Ltd
9	Guangzhou	1p	No	Taken	Recorded	12.30pm –14.30pm 08/11/2006 Wednesday	Lunch meeting in Welcome Inn Restaurant Tianhe
10	Guangzhou	1p	No	Taken	Recorded	16.30pm-17.30pm 08/11/2006 Wednesday	Meeting in office of Guangzhou Notary Public
11	Guangzhou	2p	No	Taken	Recorded	18.30pm-20.00pm 08/11/2006 Wednesday	Dinner meeting in Jingxing Restaurant Tianhe

Table 38**Focus Group Meeting Record****Continued (2/2)**

12	Guangzhou	4p	No	Taken	Recorded	18.30pm-22.30pm 19/11/2006 Sunday	Dinner meeting at Guangzhou Restaurant Tianhe
13	Dalian	24p	Yes	Taken	Recorded	14.30pm- 17.00pm 02/12/2006 Saturday	Dalian Huitong Marketing Co., Ltd
14	Hefei	1p	No	Taken	Recorded	13.00pm –14.30pm 11/07/2007	Shenzhen Tiger Investment Co., Ltd (Telephone Discussion)
15	Guangzhou	1p	No	Taken	Recorded	13.00pm 3.30pm 14/07/2007 Saturday	Lunch meeting at Café of Golf Club Guangzhou Huiqiaoxincheng
16	Guangzhou	4p	No	Taken	Recorded	18.00pm –22.00pm 14/07/2007 Saturday	Dinner meeting at the First Soup (Tao Dan Tung) Restaurant, Tianhe
17	Guangzhou	1p	No	Taken	Recorded	13.30pm –15.30pm 15/07/2007 Sunday	Lunch at Liwanting Restaurant of Garden Hotel, Guangzhou
18	Guangzhou	1p	No	Taken	Recorded	13.30pm –17.30pm 15/07/2007 Sunday	Café at Garden Hotel, Guangzhou
19	Guangzhou	1p	No	Taken	Recorded	18.00pm –21.00pm 15/07/2007 Sunday	Dinner meeting at Shunfeng Restaurant, He Nan District, Guangzhou
20	Guangzhou	1p	No	Taken	Recorded	20.00pm –21.30pm 20/07/2007 Friday	Tasty Congee & Wuntun Shop, Shop 403, International Finance Center, Central, Hong Kong
	Total	90 People	5 Sets	20Sets			

The topics that were discussed in the 20 qualitative feedback sessions with a total of 90 business executives mainly encompassed six aspects. First, the understanding and interpretation of respondents concerning the instruments and the suitability of the scales employed in the present study were discussed. Second, the analytical results including factor and reliability analyses, particularly in relation to some certain emerged patterns as well as the dimensionalities of scales were documented. Third, extensive comments to the empirical findings pertaining to the relationships that were anticipated in the studied model and the unexpected relationships were sought, and explanations of the phenomena caused were also elucidated. Fourth, outputs from the analyses of T-test, One Way Anova, path analysis, and regression for descriptive statistic and correlation were discussed. Finally, opinions to the discovery of the moderating effects that the moderating variables had on the relationships between the independent variable and the dependent variables were acquired and elucidation to the results were clarified. Overall, the qualitative study has broadly enriched the understanding and interpretation to the empirical findings gained from the quantitative analyses. Indeed, this was a result of the application of the extensive business guanxi network that the researcher has developed in mainland China since 1994. It is believed that business executives would be disinclined to share their business strategy orientation and guanxi secrets with people who are from a consultancy company. Particularized comments that were yielded from the qualitative analyses will be presented in Chapter Five.

CONCLUSION

In this chapter, a range of data analyses that guides hypotheses testing was reported. The results of preliminary data assessment showed no outlier and missing data. In addition, data were expectedly allocated and there was no evidence of non response rate bias. The results of psychometric assessments involved factor analyses and reliability analyses, which demonstrated the examined variables, had acceptable construct validities and good internal consistencies, which gave support for hypotheses testing. Descriptive statistics and correlations were then presented. The more sophisticated technique of path analysis was employed to overcome the weakness in bivariate type analyses. Path analyses were employed to analyze the hypothesized relationships simultaneously. This was followed by fixed effects regression as a supplementary analysis to further evaluate the postulated correlations of the study model. Consequently, the quantitative results were qualitatively analyzed by engaging a total of 90 business executives through 20 focus group meetings in the six research cities. The qualitative findings provided valuable information that was not captured through the survey. Particularly, the extensive qualitative information acquired from the focus group meetings is complementary to the quantitative information yielded from the survey, and essential for the interpretation and discussion of results. Finally, the results of hypotheses testing were reported, in which nearly half of the predicted relationships were supported. The following chapter, Chapter Five, will present a discussion of the results of analyses.

CHAPTER FIVE

DISCUSSION

The web of interpersonal connection plays a key role in East and Southeast Asia's business dealings. New research shows why and how.

Yeung & Tung (1996, p.54)

This chapter, which provides a discussion of the results of the study, will be presented in three parts. First, an overview of the study is provided. Second, the results that were presented in Chapter four are succinctly discussed with extensive reference to the contribution of the numerous business executives in the qualitative analytical sections. Lastly, an outline of the key findings of this research is documented. A dialogue of the discussion commences with the presentation of an overview of this study.

OVERVIEW

Despite numerous research studies on the Chinese cultural phenomenon of guanxi (e.g., Abramson & Ai 1997; 1999; Davies et al. 1995; Buttery & Wong 1999; Fock & Woo

1998; Hwang 1987; Hutchings & Murray 2003; Lovett et al. 1999; Luo & Chen 1996; Luo 2000; Park & Luo 2001; Seligman 1999; Seng & Lim 2004; Su & Littlefield 2001; Wong & Leung 2001; Tsang 1998; Wong 1998a, 1998c; Yoong 2001; Yeung & Tung 1996) existing research has not empirically investigated the dynamics between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi network. In addition, previous studies have not dedicated research endeavours to examine the moderating roles of the organizational properties and personal attributes on the interactions between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi network. The primary purpose of this study was to explore an integrated model that posited the guanxi construct and the business strategy orientation was correlated with the vertical and the horizontal guanxi network, and these postulated correlations were moderated by the study organizational properties and personal attributes. Accordingly, a total of 119 hypotheses were constructed and tested.

A cross cultural study was conducted in six large coastal and inland cities that are located in the southeastern, southwestern, northeastern, and southern regions on mainland China. The exploration included 1033 Chinese business executives from the top five senior managerial levels of 480 Chinese organizations. These executives, from each of the research cities, have extensive business acumen and global business experience. More than half (62.2 percent) of the study respondents had at least five years' experience in their current industrial field while nearly half (43.6 percent) had no less than five years' experience in senior managerial levels. All of these respondents provided questionnaire response data for examining a model of the dynamics of guanxi in the business context.

This was a complex investigation that evaluated demographic and perceptual data. The perceptual data were obtained from a 71 item questionnaire, and a further 12 questions pertaining to demographic information were solicited. Data were collected over a six week period, and then subsequently assessed. These assessments were followed by qualitative analyses through 20 focus group meetings, which involved 90 business executives. A discussion of the assessment of the research results is provided.

ASSESSMENTS OF RESULTS

In many respects, the results are surprising and interesting. A total of 56 of the 119 hypotheses were supported. The remaining 63 hypotheses were not supported. With the interactions of the guanxi construct and the guanxi network, there is a high degree of inter correlations between favour, opportunism, and adaptation with the vertical and the horizontal guanxi network, whereas trust, perception to uncertainty, expectation to uncertainty, and dependence were only significantly related to certain facets of the vertical guanxi network. Amongst the operations between the business strategy orientation and the guanxi network, half of the hypothesized relationships between the business strategy orientation and the vertical guanxi network were significantly correlated, while greater than half of the postulated interactions between the business strategy orientation and the horizontal guanxi network were significantly related. In respect of the

moderating effects that the organizational properties and personal attributes have on the posited relationships between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi network, nearly half of the theorized correlations had significant interaction effects with the moderating variables. Discussions of these results are organized under the following three sections. First, the outcomes of the correlation between the guanxi construct facets and the vertical and the horizontal guanxi network facets are elucidated. Second, a delineation of the outcomes of the interactions between the business strategy orientation facets and the vertical and the horizontal guanxi network facets is provided. Lastly, outcomes of the moderating effects that the organizational properties and individual attributes have on the relationships between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi network are discussed.

OUTCOMES OF INTERACTIONS BETWEEN GUANXI CONSTRUCT WITH VERTICAL AND HORIZONTAL GUANXI NETWORK

A total of 35 hypotheses were posited amongst the guanxi construct and the vertical and the horizontal guanxi network. There were seven facets in the guanxi construct as a result of the analyses. These seven facets have been defined as 1) favour, 2) opportunism, 3) trust, 4) perception to uncertainty, 5) expectation to uncertainty, 6) dependence, and 7) adaptation. In the vertical guanxi network, there are three facets, which have been delineated as 1) source of information, 2) source of resources, and 3) source of procurement. Whereas the horizontal guanxi domain consists of two facets, which have been identified as 1) market position, and 2) market transaction. It was predicted that the

seven facets of the guanxi network would be associated with the three facets of the vertical guanxi network as well as the two horizontal guanxi network facets. Accordingly, 21 hypothesized relationships were generated amongst the guanxi construct facets and the vertical guanxi network facets, while there were 14 postulated correlations for the guanxi construct facets and the horizontal guanxi network facets. A dialogue of the discussion begins with the outcomes of the interactions between the first facet of the guanxi construct and the three vertical guanxi network facets.

Outcomes of Interactions Between Favour and Source of Information, Source of Resources, and Source of Procurement

Three hypotheses relating to favour were proposed in Chapter Two. These three hypotheses predicted favour to be correlated with 1) source of information, 2) source of resources, and 3) source of procurement. As expected, the outcomes of this study revealed that favour was significantly associated with all these three vertical guanxi network facets. The significant relationships between favour and the three vertical guanxi network facets appear reasonable in retrospect, as favour (renqing) somewhat refers to the manipulation of the vertical guanxi potential to attain positive information and essential resources and special treatment (Wong & Leung 2001). The executives of the focus groups deeply believed in the importance of applying the renqing rule (reciprocity and equity) enables the pulling of a string in the vertical guanxi network, which is an express outlet for reliable information resources and applicable privileges. Such philosophy is a historical product that was generated from the prevalent appreciation to renqing, which is perceived to be bigger (more useful) than

documentation. A somehow rigid, but probably not unreasonable common saying was revealed in the focus groups that “no reliable guanxi, no affirmative information and interpretation of rules, and thus no helpful treatment (for resources) either”. The notion of this perception depicted that the outcome of the interactions between favour and 1) source of information, 2) source of resources, and 3) source of procurement were rational. Overall, these results support the previous findings (*Chinese culture* 2004; Gold et al. 2002; Luo 2000; Seng & Lim 2004; Wong & Leung 2001) that Confucian ideologies of reciprocity and equity still dominate the Chinese cultural value; particularly, face and favour act as an instrumental role in the power game (Hwang 1987). This leads to the prevailing of exchange of favour in the contemporary Chinese business world.

Outcomes of Interactions Between Favour and Market Position and Market Transaction

There was an expectation that favour would be associated with 1) market position, and 2) market transaction respectively in the horizontal guanxi network. As predicted, the results of this study indicated that favour was significantly correlated with these two horizontal guanxi facets. This is consistent with the previous finding that exchange of favour is a vital strategy in weaving an interpersonal web in the competitive task environment, which enhances effective business transaction and market positioning (Hwang 1987; Hackley & Dong 2001; Luo 2000; Wong & Leung 2001; Yeung & Tung 1996). According to the perspectives that were gathered from the discussions of the qualitative focus group sections, the practice of exchange of favour is prevailing and inevitable in the horizontal guanxi domain, given that the Chinese business structure is a business

family type, in which firms are directly or indirectly associated together through the widespread guanxi web. Especially, Chinese people place deeply belief on the golden rule of “hanging on to a thread of renqing for prospective liaison”, which was shaped by the Confucian virtue of ‘ren’ (kindness, humanity, benevolence). Indeed, exchange of favour is generally considered as a part of the business investment that earns certain return for smooth running of business and development of relationship marketing. The notion of this logic on one side consents that the results of these findings are reasonable, and on the other side, partially affirms the standpoint of Yau et al. (2000), who contended that favour giving was commonly regarded as a social investment in which reciprocity was expected in the future. These discoveries further support the prior findings (Jiang 2003; Luo 1995) that Chinese sales force marketing and activities rely on an expensive network of guanxi relation, which has become an effective marketing tool for expanding market shares.

Outcomes of Interaction Between Opportunism and Source of Information, Source of Resources, and Source of Procurement

Opportunism was predicted to be connected with the three vertical guanxi network facets. Yet, the results of this study are somehow surprising. Opportunism was significantly associated with the source of information and the source of procurement, respectively, but had a non significant relationship with the source of resources. The significant relationships between opportunism with the source of information and the source of procurement reveal that the insecure political and economic environmental elements influence opportunistic behaviour. A probable explanation to this phenomenon may lie in the fact that due to the distrust to the regulatory system, Chinese people have become

opportunists (So 2004), and subsequently rely on the vertical guanxi network for enhanced information and resources (Wong & Leung 2001). These results partially coincide with a perception whereby opportunism is a type of favour exchange that somewhat entails the influential power over the bureaucratic for information resources and preferential treatment (Wong & Chan 1999). The members of the focus groups considered these findings as reasonable. Further supplementary comment was that the plethora opportunities, which were produced during the process of Chinese economic reform, are actually the primary initiative that spurred the opportunistic behaviour. However, the non significant association between opportunism and the source of resources is inconsistent with the findings of the previous studies. The notion of this phenomenon was clarified in the qualitative focus group sections. Two reasons for the discrepancy between the finding in this study and the previous studies (So 2004; Wong & Leung 2001; Wong & Chan 1999) were discovered during the meetings of focus groups. First, the psychometric properties of the vertical guanxi network, which has source of resources as one of the three facets, only concentrated on one single dimension towards the bureaucratic procedures and approval. However, certain types of bureaucratic processes are rather costly and time consuming, which probably discourage opportunists to take the initiative. Second, opportunists normally have greater necessity and interest in the source of information, and the source of procurement than the source of resources. These opinions were generated in reference to the subscales of the vertical guanxi facets.

Comparisons between the three subscales of the vertical guanxi network facets were made in the qualitative sections. The finding was that the items that were listed in the

subscale of source of information (i.e. upcoming changes of policy, trading regulation and restriction, business opportunity lead, new market trends), and the items enclosed in the subscale of source of procurement (i.e. utility supplies, site usage, scarce raw materials, bank loan with better interest rate and conditions) appeared relatively more valuable to opportunists than the items included in the subscale of source of resources (i.e. solve complicate bureaucratic procedures, speed up process with relevant regulatory authorities, obtain approval, permit, registration license). Simple because opportunists seek to proceed promptly over competitors, and thus, time was essential. Particularly, opportunists would not have a great deal of interest in obtaining approvals or registration of licenses. Simply because their winning strategy in the Chinese marketplace is a preemptive approach, by which they swiftly 'step into' the target segment even without any formal licenses, and then quickly 'step out' from the market when the business opportunities ceased to exist. Alternatively, if the opportunities turn up during the operations of the existing business, the opportunists might not even need to apply for new business registration licenses or approvals. As a rule, the opportunities in Chinese business environment only 'stay fresh' for a short period of time (maybe months), as Chinese business people have a typical business sense and are eager to flock for chances together. It is, therefore, that opportunists were less inclined to make an effort for official permits and licenses. This maybe what lay behind the finding that opportunism had no significant interaction with the source of resources in the vertical guanxi network. Arguably, the outcome of the non significant relationship of opportunism and the source of resources was mainly due to the measurement of the source of resources, and the hypothesized relationships between these two facets might have been supported had the

measure focused specifically on other essential resources according to the given economic tread rather than purely emphasizing on the approvals and licenses. Consequently, further studies examining the relationship among opportunism and the vertical guanxi network, especially, with the source of resources are warranted.

Outcomes of Interactions Between Opportunism and Market Position and Market Transaction

Two hypothesized relationships were postulated between opportunism and the two horizontal guanxi network. First, opportunism was posited to be associated to the market position. Second, opportunism was forecasted to be connected with the market transaction. As anticipated, the outcomes of this study depicted that opportunism was significantly associated with these two horizontal guanxi network facets. These findings support the contentions provided by a number of scholars (Luo 2000; Park & Luo 2001; Wong & Leung 2001) that opportunism is strategically linked to the horizontal guanxi network for achievement of market transaction and business expansion due to the lack of transparency in the ‘rules of the game’. The members of the focus groups claimed the findings of this study were reasonable. The perception of this agreement is given on the consideration that opportunists aim to speculate in a risky adventure, the preemptive occupancy of market shares and smooth running operation is imperative for navigating the hazardous in the dynamic Chinese business environment. As a consequence, the horizontal guanxi network has strategically become an effective tool for opportunists to minimize the outcome uncertainty for their risk taking. This might be what lay behind the results of this study.

Outcomes of Interaction Between Trust and Source of Information, Source of Resources, and Source of Procurement

Three hypotheses were forecasted between trust and the vertical guanxi network facets. These postulated linkages are between trust and 1) source of information, 2) source of resources, and 3) source of procurement. However, the results of this study demonstrated that trust was only significantly related to the source of procurement, but had neither significant association with the source of information nor the source of resources. These results are surprising and partially inconsistent with the previous findings (Luo 1997b; Luo 2000; Yeung & Tung 1996; Wu 1998; Wickenheiser 2002). The unanticipated results of this study, and what lay behind the divergence between the outcomes of this study and the previous findings, were discussed in the focus group meetings. These qualitative deliberations have merged to two perspectives to explain the findings of this study. The first probable explanation for the results of the present study may lie in the typical practice of the Resource Allocators who control the dissemination of information and resources. As defined by the members of the focus groups, The typical practice is when whoever (insiders or outsiders) makes a demand for source of procurement such as limited utility supplies, desired site usage, favourable rate of bank loan, and taxation privilege, the officials who are in power must make advices and sign on certain documentation for allocation of these resources, which has become in short supply as a result of the rapid economic development. If an insider demands for source of procurement through the vertical guanxi connection, the official must have good personal trust on the insider to ensure the signing of the allocation of resources is 'safe' and will not be challenged.

Comparatively, there is no 'black and white' constraint for governmental official to privately release positive information or provide favourable interpretation in words for upcoming changing of policy, trading regulation and restriction, and even economic trend about business opportunity lead to the insiders within the guanxi web. More often than not, the source of information can be acquired directly or indirectly via the guanxi channel using face, favour, and even payment. Of course, some might argue that face is somehow given on the basis of trust. Yet, the commitment for the governmental official to verbally circulate information or give positive interpretation to the regulations to the guanxi connections is certainly less significant than officially signing for allocation of essential resources. Thus, trust might not be a major concern to officials when releasing information within the guanxi web. As a consequence, trust is significantly related to the source of procurement but had no significant interaction with the source of information.

Consideration to the non significant correlation of trust and the source of resources was also given by the executives in the focus groups. An interesting observation made by a number of executives was that there has been enormous changes over the last several years under the continuing economic reform, particularly in the processing of registration of business license and application of regular permits or approvals, except special type of business scope that were under control of the delegated governmental authorities, has become relatively transparent and simpler than ever before. Unless it is out of the ordinary, the manipulation of the vertical guanxi powers is considered worthless. This might be the reason that trust was not significantly interacted with the source of resources. The executives also added that the results of the findings were relevant to the industrial

field of the participants in the survey, if participants of this study were with the business fields that were under special control by the government, such as manufacturing of firework, medicine, wine, education and migration consultation, the cultivation of trust with the Resource Allocators would be vital for the attainment of business registration license and relevant approvals. In such contexts, trust would have been significantly related with the source of resources.

Further recommendation made by the executives in the focus groups was in relation to the scale of the source of resources. It was suggested by them that since the official process for normal business registration license and relevant permits has become transparent and effective, the statements that were comprised in the scale of the source of resources might well be substituted by the specific types of official approval certificates for meeting the standards of health, hygienic, fire protection, environmental protection, and quality control of import goods. These kinds of documentations are relatively difficult to acquire, but regularly required for almost all types of businesses in China. Such suggestion is of great value for future research in the guanxi related domain, particularly, in the area of the source of resources of the vertical guanxi network.

The second possible explanation for the unexpected findings of this study links to the recent changes of government policies. It was discussed in the focus groups that the freedom of gaining access to information resources in China has been gradually preserved while the bureaucratic power has been less interferential. This discovery is important because it demonstrated that reliance on guanxi for information resources is

less compelling to a certain extent. Such assertion unintentionally coincides with the prediction made by Vanhonacker (2004), who has argued that the role of guanxi should be less significant in the future when the legal framework, infrastructure and structural conditions has become properly developed. Notwithstanding the outcomes of this study did not entirely support the previous findings, the members of the focus groups generally believed the findings of this study are sensible and representing a true and fair view to the actual fact of the Chinese marketplace. Most notably, such patterns of results highlight the improvement of the transparency in information resources in the modern China.

Outcomes of Interactions Between Trust and Market Position and Market Transaction

There was anticipation that trust was respectively associated to the market position and market transaction in the horizontal guanxi network. Unexpectedly, the outcomes of this study did not support the postulated relationships. These outcomes are not in agreement with the findings that were reported in the previous studies (Davies et al. 1995; Tong & Yong 1998; Luo 2000; Wong & Leung 2001), where trust was linked to the horizontal guanxi network for enhancement of market position and market transaction. In the meetings of the focus groups, executives diverged in opinions to the results of this study. A number of the executives believed the results were reliable while some considered the findings were unreasonable. Those executives who agreed with the results of this study contended that the significance of trust had been vanishing due to the pervasive fraudulence and triangle business debts in the modern Chinese business environment. The notion of the viewpoint is mainly attributed to the widespread belief that ‘the one who

robs your money usually is the one you trust the most, nowadays nothing is trustworthy; simply nothing is true, except the relationship between a mother and her child is genuine'. Indeed, there has been emerging belief that trust is in danger in the contemporary Chinese business world as disclosed in the Chinese media. In addition, the contemporary Chinese business people have begun to adopt international business management systems, in which, business commitments are based on formal contracts, rather than interpersonal trust that is regarded as an insecure 'lending'. On the contrary, those executives who possessed opposite views of the focus group meetings argued that trust was the base of the smooth market transaction and market development. The notion of such contention was given on the basis that the traditional Chinese business practice, which has been culturally based on trust and interpersonal relationship, are still prevalent in the contemporary Chinese marketplace.

Although the executives of the focus groups did not reach consensus to the findings of this study, the arguments have suggested that the Chinese business practices are changing towards formalization. This finding is noteworthy because the informal business practices, which include paternalism, nepotism, cronyism and particularly *guanxi*, is one of the major challenges confronting foreign investors and MNCs in exploring business ventures in China (Cohen 2001; Conrad 2003; Einborn 2000; *The king of guanxi* 2004; Vanhonacker 2004; Wolff 2000). It is believed such change would be essence to overseas investors and MNCs for facilitating successful business in China.

Outcomes of Interaction Between Perception to Uncertainty and Source of Information, Source of Resources, and Source of Procurement

There was a prediction that perception to uncertainty was to be linked with the three vertical guanxi network facets. These three postulated associations were between perception to uncertainty and 1) source of information, 2) source of resources, and 3) source of procurement. However, the results of this study were surprising. Perception to uncertainty was significantly related with the source of resources, but had a non significant correlation with the source of information and the source of procurement. The significant correlation between perception to uncertainty and source of resources was consistent with the findings that were reported in the existing studies. Yet, the non significant associations among perception to uncertainty and the source of information and the source of procurement did not support the wisdom of the existing literature (Buttery & Wong 1999; Hwang 1987; Gold et al. 2002; Tong & Yong 1998; Kidd & Richter 2003; Pye 1995; Redding 1995; Vanhonacker 2000; Wong & Leung 2001; Wan, MacAulay, Zhou & Chudleigh 2000). The findings from these literatures have contended that Chinese business people prefer to utilize guanxi as a coping mechanism for attainment of reliable information and limited resources, and to substitute for the formal institution due to the widespread distrust and great uncertainty to the ambiguity of Chinese legal and economic systems. Clarifications to the findings of this study were then sought through qualitative analyses with numerous executives in the focus groups.

The executives of the focus groups considered the outcome of the significant correlation between perception to uncertainty and source of resources as rational. Such consent is

given on the deliberations that bureaucratic procedures in certain industrial fields, such as industries of Property development, Construction, Pharmaceutical, Medication, Catering, Entertainment, Import and Export of food or cosmetic products, Health care services, and Mining, are complicated and problematic. It is not surprising that business people from these given industrial fields might certainly have unpleasant experiences in dealing with the relevant administrative bureaucratic officials for approvals. In such context, utilizing the vertical guanxi power might be the most effective way to bypass the bureaucratic hassles. This might be the logic for the significant association between perception to uncertainty and the source of resources. The notion of this logic appears reasonable in retrospect, as numerous participants of this study were in these particular industrial segments. In addition, this finding is partially consistent with the observation made by Park and Luo (2001), who have asserted that service sector required more support from the vertical guanxi network than manufacturing sector. In respect of the outcome of the non significant associations between perception to uncertainty and the source of information and source of procurement, two probable clarifications for this unexpected finding were subsequently drawn from various discussions of focus groups.

The first possible explanation for the unanticipated phenomenon may lie in the psychometric properties of the facet of uncertainty in the guanxi construct. The executives of the focus groups perceived that the five statements that were comprised in the facet of uncertainty - which were demonstrated in section three as items one to 27 of the questionnaire that was attached as Appendix 2 - were not focused on the matter of uncertainty. For example, the statement of item five 'it is difficult to enter into Chinese

market if you do not have connections there' and statement of item seven 'the rules in our market are not clear and it is not easy to adapt to appears to link with people's perception to the environmental uncertainty, while the statement of item nine 'our market system is still problematic and improvement is required' and the statement of item 15 'in our market, we still lack an integrated business network and it needs further improvement' seems to tie to people's expectation of reducing uncertainty to the marketing system. Moreover, the statement of item two 'as the saying goes, opportunity must not be lost, time can not turn around, so it is essential to grasp chance' does not emerge to the issue of uncertainty, to a certain extent, it was perceived as a notion of opportunism. These qualitative findings appear to be consistent to the results of the factor and reliability analyses that were reported in Chapter Four. The results of the these analyses have depicted that four uncertainty items (five, seven, nine, & 15) were loaded onto two discrete factors, in which, item five was loaded with item seven whereas item nine and item 15 was loaded as another factor. These two factors were subsequently delineated as 1) perception to uncertainty, and 2) expectation to uncertainty in reference to the discussions of the prior focus groups. Perhaps, the unrelated statements, which were contained in the original uncertainty facet and subsequently resulted in the discrete factors in the quantitative analyses, might have led to the result of the non significant associations between perception to uncertainty and the source of information and source of procurement. This qualitative finding is significant and warranted for further study in the domain of the guanxi construct, particularly with the scale of uncertainty.

The second probable explanation is an astonishing one. As indicated by the executives of

the focus group meetings that the phenomenon of the non significant correlations between perception to uncertainty and the source of information and source of procurement in fact portrayed a genuine outlook to the Chinese business environment. The notion of this contention is mainly attributed to that the Chinese market conditions are progressing towards maturity, particularly after China had become a member of the WTO, and certain Chinese trading regulations have been compelled to be modified according to the treaties of the WTO. This has led to various adjustments in the transparency of the information and allocation of essential resources. Particularly, the Chinese government has been attempting to lower the trade and cultural barriers and laying the foundation for a system where competence counts more than interpersonal connections. Perhaps such visible improvements have somewhat reduced the uncertainty of business people to the Chinese business environment. Subsequently, the inference of uncertainty has resulted in the phenomenon that perception to uncertainty was not significantly interacted with the vertical guanxi network for source of information and source of procurement. In general, the members of the focus groups believed that the current finding on this matter was genuine and representative to the actual circumstance of the Chinese business environment.

Outcomes of Interactions Between Perception to Uncertainty and Market Position and Market Transaction

Perception to uncertainty was postulated to be associated with the two horizontal guanxi facets. First, perception to uncertainty was predicted to be correlated to the market position. Second, perception to uncertainty was hypothesized to be linked with the market

transaction. Unexpectedly, the findings of this study depicted that expectation to uncertainty had neither significant relationships with the market position nor the market transaction. These findings were surprising and inconsistent with the results of the previous studies (Davies et al. 1995; Kidd & Richter 2003; Luo 2000; Redding 1995; Seng & Lim 2004; Wong & Leung 2001), where the contention was the psychology of uncertainty, which was generated from the institutional insecurity, had, consequently, instituted the prevailing corroboration of interpersonal relationship in the horizontal guanxi network for smooth market transaction and business development. The discrepancy between the findings of this study and the findings from the previous studies was qualitatively analyzed and has resulted in three possible clarifications.

The first probable explanation may lie in the irrelevance of the five statements that were contained in the facet of uncertainty. The clarification of these five irrelevant statements was presented preceding this subsection on 'Outcomes of Interactions Between Perception to Uncertainty and Source of Information, Source of Resources, and Source of Procurement'. It was believed by the members of the focus groups that the five unrelated statements, which resulted in two discrete factors, would probably be one of the reasons that caused the non significant relationship between perception to uncertainty and the three vertical guanxi facets. The second possible elucidation possibly links with the recent improvements of Chinese marketplace. The Chinese government has made various adjustments on a number of trading policies in response to the treaties of the WTO. These enhancements have structured a relatively better regulated marketing system, which, in turn, has somehow moderated the philosophy of uncertainty. The third likely reason

relates to the continued booming Chinese economic atmosphere that has produced loads of fantastic opportunities for successful business ventures. The executives of the focus groups believed that the prosperous market surroundings would somehow relieve people's perception to the environmental uncertainty. These are possibly the reasons that perception to uncertainty was not significantly associated with the market position and market transaction in the horizontal guanxi network. These qualitative analytical views inadvertently affirm the previous findings that the manipulation of the horizontal guanxi potential for business enhancement was primarily driven by the philosophy of uncertainty, which was caused by information market imperfection (Luo 2000), but the guanxi influence would be declining in significance under the massive institutional changes during the economic transition (Vanhonacker 2004). Most appreciably, these qualitative findings would be valuable to overseas investors and MNCs for exploring business ventures in contemporary China.

Outcomes of Interaction Between Expectation to Uncertainty and Source of Information, Source of Resources, and Source of Procurement

Three hypotheses were postulated for the relationships between expectation to uncertainty and 1) source of information, 2) source of resources, and 3) source of procurement. Surprisingly, the outcomes of this study depicted that expectation to uncertainty only significantly related to the source of resources, but had no significant associations with source of information and source of procurement. The significant correlation between expectation to uncertainty and source of resources support the existing studies. However, the non significant associations among the expectation to

uncertainty and the source of information and the source of procurement did not support the findings of the existing literature. It was contended the psychology of uncertainty, which was generated from the lack of a strong judiciary (Wilson 2001) and the general absence of source of information and resources had caused the prevalence of personal power to substitute for the formal institution and achieve business goals (Hwang 1987; Gold et al. 2002; Pye 1995; Redding 1995; Kidd & Richter 2003). The findings of this study were then qualitatively analyzed through the feedback sessions.

Generally, the executives of the focus groups believed that the result of the significant association among expectation to uncertainty and source of resources as reasonable. The notion of this logic is based on the fact that bureaucratic procedures in particular industrial fields (e.g., Property development, Construction, Pharmaceutical, Medication, Catering, Import and Export of food or cosmetic products, and Mining) are especially obscured and protracted. Business people from these specified industrial fields might have suffered from deep uncertainty when processing applications with the relevant administrative governmental authorities for approvals. This might be what likely lay behind the result of the significant association between expectation to uncertainty and the source of resources. Observably, this clarification appears to be fairly consistent with the demographic data of this study, in which numerous study participants (business executives) were from these specific industrial sectors. Particularly, this phenomenon somewhat coincides with the previous study of Park and Luo (2001), whereby service sector was found to have high demand enhanced information resources from the vertical guanxi network. With regard to the unexpected outcome of the non significant associations between expectation to uncertainty and the source of information and source

of procurement, two probable clarifications have been yielded from qualitative analysis in the focus group meetings.

The first possible clarification may lie in the unrelated matter that was occurred in the facet of uncertainty. The clarification of this occurrence was documented in prior subsection on 'Outcomes of Interactions Between Perception to Uncertainty and Source of Information, Source of Resources, and Source of Procurement'. Perhaps, the unexpected finding of this study was partially due to the measurement of uncertainty, and the hypothesized linkages between uncertainty and the two horizontal guanxi facets might have been supported had the measure focused purposely on uncertainty at the single angle rather than on two directions. Accordingly, further studies evaluating the interactions between the guanxi construct and the vertical guanxi network are merited.

The second likely clarification possibly relates to the increasing transparency to information resources in modern China. The executives of the focus groups believed that the phenomenon of the non significant correlations between expectation to uncertainty and the source of information and source of procurement were reflecting information resources in a Chinese marketplace had been less ambiguous. As advised by the executives there have been noticeable changes in various trading regulations since China had entered into the WTO. These changes have expectedly resulted in the greater of transparency for information resources in certain areas. In addition, the Chinese government has intentionally developed a proper marketing system that was based on fair competition as a substitute to interpersonal relationships, and the improved business

environment might have somewhat moderated people's expectation to reduce environmental uncertainty. These are perhaps the reasons that expectation to uncertainty was not significantly interacted with the vertical guanxi network for source of information and source of procurement. Overall, the executives of feedback sessions considered the present findings on this aspect as sensible.

Outcomes of Interactions Between Expectation to Uncertainty and Market Position and Market Transaction

Two posited correlations were generated for expectation to uncertainty and the horizontal guanxi network facets. These two hypothesized associations were between expectation to uncertainty with 1) market position, and 2) market transaction. Nevertheless, the results of this study did not support these two postulated correlations. These findings are unanticipated and inconsistent with the existing conventional wisdom (Davies et al. 1995; Kidd & Richter 2003; Luo 2000; Redding 1995; Seng & Lim 2004; Wong & Leung 2001). These studies have contended that the psychology of uncertainty, which was caused by the institutional insecurity, had resulted in the prevalent manipulation of guanxi influence in the competitive force environment to enhance market transaction smoothness and expansion of market shares. Clarifications to the divergence between the findings of this study and the findings of the previous studies were then sought from the feedback discussions, which have merged to three possible clarifications. The first probable clarification relates to the five unrelated statements that were contained in the facet of uncertainty. The explanation to these unrelated statements was reported in the previous subsection on 'Outcomes of Interactions Between Perception to Uncertainty and

Source of Information, Source of Resources, and Source of Procurement'. Conceivably, the result of the non significant relationship between expectation to uncertainty and the two vertical guanxi facets was partly caused by the scale of uncertainty, or the posited associations between these two facets might have been supported if the measure targeted on one direction. This finding is valuable for future studies that examine the guanxi construct or the horizontal guanxi network.

The second possible elucidation may lie in the development of the Chinese business environment. In recent years, the Chinese trading regulation business policies have been adjusted according to the treaties of the WTO. These changes have led to a relatively more formal marketing system that somehow relieved the philosophy of uncertainty. The third probable reason possible links to the ongoing thriving Chinese economy, which has increased the stability of the market surroundings for business venture, is another key element that reduces people's expectation leading to reduction of the environmental uncertainty. These are probably the reasons that expectation to uncertainty was not significantly related to the market position and market transaction in the horizontal guanxi network. These qualitative analytical findings unintentionally support the existing literature (Davies et al. 1995; Gold et al. 2002; Luo 2000; Wong & Leung 2001). The results of these studies revealed that the reliance on the horizontal guanxi network for business enhancement was the end product of the philosophy of uncertainty, which was generated from the instability of institutional and economic environment. Also the guanxi power would be less influential when the political and economic systems have been properly developed (Vanhonacker 2004). It is believed that overseas investors and

business practitioners who are or will be navigating Chinese business ventures would appreciate these findings.

Outcomes of Interaction Between Dependence and Source of Information, Source of Resources, and Source of Procurement

Dependence was predicted to be associated to the three vertical guanxi network facets. However, the results of this study are somehow surprising. First, dependence was significantly associated with the source of information. Second, dependence was significantly but negatively related the source of resources. Third, dependence had no significant relationship with the source of procurement. The first result supports the existing literature (*Chinese business culture* 2004; *Chinese culture* 2004; *Chinese business culture: Guanxi, an important Chinese business element* n.d.; Davies et al. 1995; Luo 2000; Li, Tsui & Weldon 2000; Fock & Woo 1998; Wong & Leung 2001), where the contention was the psychology of self protection, which was generated from the legal and social insecurity and the lack of transparency of information resources, has stimulated the dependence on interpersonal relationship as a substitute for institutional codes and goal accomplishment. However, the second and third results did not support the existing literature. Clarifications to the results of this study were documented through qualitative analyses in the focus groups. These clarifications have led to two probable clarifications as explanations to the findings of this study. The first explanation replies to the first and the third results while the second explanation responds to the second result of this study. The first probable explanation may lie in the industrial domains of the participants of the survey. The members of the focus groups considered that if the participants of this study

were from certain industrial fields, such as Real Estate, Building, Construction, Pharmaceutical, Medication, Catering, Entertainment, Import and Export of food or cosmetic products, Health care services, and Mining, they might prefer to rely on the vertical guanxi power to attain updated information on regulations. The notion of this phenomenon is chiefly attributed to that the regulatory policies and restrictions for these certain industrial fields often change at an instant without prior notice. Yet, information for upcoming change of policies or trading regulation and restriction is the major determinant for the business development direction of firms that are in these particular industries. As a consequence, the reliance on the vertical guanxi network to attain advanced information would be a vital preference for firms from these particular industries. Comparatively, firms from these particular industrial fields may not demand for the source of procurement from the vertical guanxi network as frequently as the demand for the source of information. For example, a Property development firm only requires an official approval for desired site usage on one occasion, and such approval is valid for a number of years. Particularly, businesses in a trading and servicing domain usually have relatively limited demand for source of procurement on additional utility supplies or financial support from the vertical guanxi network. This might be the reason that dependence was non significantly associated with the source of procurement. These qualitative findings appear reasonable in recall, as numerous participants of the present study were with these particular industrial segments.

The second possible explanation responds to the significant but negative correlation between dependence and the source of resources. The members of the focus groups

considered the result of this finding represents the actual circumstance in the Chinese business practice. The notion of such a perception was based on two considerations. The first consideration relates to the subscale of dependence that was comprised of four statements, which were mainly corresponded to the mutual dependence between business associates in the horizontal guanxi network (i.e. ‘our business connections and us are mutually beneficial and complement with each others’; ‘our business partners can understand with each of the others the ways of doing business’; ‘our business connections and us are willing to share market feedback’; ‘our business partners and us are mutually cooperating well with each other and establishing a good business network’). It was believed by the members of the focus groups that organizations have high mutual dependence with their business associates, the more feedback and marketing support the organizations might share with each other. That is to say, the higher the mutual dependence the organization has with its business associates, the stronger mutual cooperation and support the organization possesses with its business connections. A common practice was mentioned by the members of the focus groups, if an organization is lacking of relevant approvals or particular business registration license due to the limitation or restriction for certain types of businesses practices, the organization may cooperate with its guanxi hu that has the required permit or relevant business license for the desired business venture. Indeed, it is considered as a strategic ‘short cut’, which has been culturally exploited over the last several decades in the Chinese marketplace, to bypass the bureaucratic irritations. Perhaps this might be one of the factors that lead to the less reliance on the vertical guanxi network.

The second consideration is concerning to the substances of the source of resources in the vertical guanxi network. According to the discussions of the qualitative focus group sections, certain bureaucratic processes such as business registration licenses or relevant approvals are normally required for new business organizations, or when the existing business organizations intend to develop new business ventures that are beyond the permitted scopes of the existing businesses. Generally, organizations (except certain types of business that are under governmental control) have obtained business licenses would reduce certain demand for official approvals and business licenses apart from the annual examination. This, in turn, probably leads to the significant but negative correlation between dependence and the source of resources. This qualitative finding appears to be applicable to the present research, where more than two third of the study organizations had existed for no less than five years.

Outcomes of Interactions Between Dependence and Market Position and Market Transaction

Two hypotheses were generated for the relationships between dependence and the market position and market transaction in the horizontal guanxi network. Unexpectedly, the results of this study neither support the posited correlations nor the existing literature. The findings from the relevant studies have forged a conclusion that dependence was inescapable associated with the horizontal guanxi network for achievement of market transaction and business development. And dependence was a defense strategy that was induced by the unstable economic environment and the unfeasibility in generating operational resources and demanded to maintain the business process (Davies et al. 1995;

Luo 2000; Leung et al. 1995a; Wong 1998a; Wong & Leung 2001). Based on the qualitative discussions, there are three likely explanations for the findings of this study.

The first possible explanation may lie in the latest development of the Chinese marketing system and the flourishing economy. The improved transparency of the information resources in certain fields and the prosperity of business opportunities may have fairly relieved the psychology of defense, which in turn, reduced the necessity of dependence on the horizontal guanxi network for business achievement. The second likely reason is perhaps the advanced technology of the Internet, which has popularly become one of the effective tools that enhance market transaction and business development in modern China. To some extent, the prevalent business websites, which lays the ground for fair trading and minimizing transactional costs, may have somehow declined the significance of the horizontal guanxi network in certain industrial domains. Coincidentally, these qualitative findings support the philosophy of the freer the market, the smaller the role that guanxi will be (Joseph 2002). The third possible explanation may connect to the study sample of the survey. As discussed in the qualitative sections, if participants of the study were in the industrial fields where the business revenues are principally dependent on referrals or recurring channels (e.g., Accounting, Construction, Decoration, Security service, and Consultation service), the support of the horizontal guanxi network would still be significant for these types of businesses to enhance market transaction and market position. In such contexts, dependence would have been significantly interacted with the market position and market transaction in the horizontal guanxi facets. The notion of such consideration appears supportive to the empirical finding reported by Yeung and Tung

(1996), who have revealed that firms in the tertiary and exporting sectors are more inclined to develop extensive horizontal guanxi network for business development.

Outcomes of Interaction Between Adaptation and Source of Information, Source of Resources, and Source of Procurement

Adaptation was posited to be related to the three vertical guanxi facets. First, adaptation was predicted to be associated with the source of information. Second, adaptation was hypothesized to be related to the source of resources. Third, adaptation was postulated to be linked with the source of procurement. As expected, adaptation was significantly correlated with the three vertical guanxi facets. These findings support the previous findings (Hwang 1987; Luo 2000; Wong 1998a; Wong & Leung 2001) whereby adaptation was regarded as a flexible tool to acquire reliable information resources through the vertical guanxi network. The executives of the focus groups highly believed in the significance of adopting an adaptation approach when utilizing the vertical guanxi network influence. The notion of this perception is typically driven by the golden rule that ‘only the person who knows adaptation will survive from rivalry’, which has been applying as a winning strategy in the Chinese business world. Indeed, the prevailing business success in Chinese society reflects the ability to be flexible and adaptable within the network based on the Confusion social norms (Hwang 1987; Luo 2000; Wong & Leung 2001). This probably is what lay behind the result that adaptation was significantly interacted with 1) source of information, 2) source of resources, and 3) source of procurement in the vertical guanxi network. Overall, the results of the qualitative analyses support the quantitative findings of this study.

Outcomes of Interactions Between Adaptation and Market Position and Market Transaction

Adaptation was postulated to be correlated with the market position and market transaction respectively in the horizontal guanxi network. Predictably, the results of this study demonstrated that these two hypothesized relationships were significantly correlated. This is consistent with the previous findings where the contention was that adaptation with guanxi hu in the horizontal guanxi network has been prevalingly utilized as a strategic approach for facilitating business engagements (Wong 1998a; Wong & Chan 1999; Wong & Leung 2001). The executives of the qualitative sections considered the findings of this study as reasonable. The perception of this agreement is based on the belief that the extent of the adaptability of an organization determines the level of the business success in the fast moving Chinese business environment. The notion of this contention appears practical in retrospect, as adaptation was revealed to be positively correlated with sales stability, as well as past and future sales performance (Wong 1998a; Wong & Chan 1999; Wong & Leung 2001). Additionally, adaptation has been regarded as "... a mutual and substantial investment, which affects sales performance to a large extent ..." (Wong & Leung 2001, p. 187). Indeed, Chinese people have been taught since young with the skill of adaptation, which is deeply believed to be a vital approach to cope with the ever changing political and social environment in China. Although there are numerous aspects of Chinese people's daily and business practices that might be viewed as unreasonable or even illegal in the Westerner's prospective, such practices probably would be considered as practical and acceptable by the Chinese cultural value of adaptability.

OUTCOMES OF INTERACTIONS BETWEEN BUSINESS STRATEGY ORIENTATION WITH VERTICAL AND HORIZONTAL GUANXI NETWORK

Thirteen hypotheses were postulated amongst the business strategy orientation and the vertical and the horizontal guanxi network. The business strategy orientation consists of six facets, which are 1) overall cost leadership on resources, 2) overall cost leadership on quality, 3) overall cost leadership on sales volume, 4) differentiation with overall cost leadership, 5) focus, and 6) preemptive move. In the vertical guanxi network, there are three facets, which have been delineated as 1) source of information, 2) source of resources, and 3) source of procurement. Whereas the horizontal guanxi domain consists of two facets, which have been identified as 1) market position, and 2) market transaction. It was predicted that the six facets of the business strategy orientation would be interactive with the three facets of the vertical guanxi network as well as the two horizontal guanxi network facets. Accordingly, 18 hypothesized relationships were generated amongst the facets of business strategy orientation and the vertical guanxi network facets and 12 postulated correlations for the facets of business strategy orientation and the horizontal guanxi network facets. A dialogue of the discussion begins with the outcomes of the interactions between the initial facet of the business strategy orientation and the three vertical guanxi network facts.

Outcomes of Interactions Between Overall Cost Leadership on Resources and Source of Information, Source of Resources, and Source of Procurement

Three hypotheses relating to overall cost leadership on resources were proposed in Chapter Two. These three hypotheses predicted overall cost leadership on resources to be

correlated to 1) source of information, 2) source of resources, and 3) source of procurement. As expected, the outcomes of this study demonstrated that overall cost leadership on resources was significantly associated with all these three vertical guanxi network facets. The significant relationships between overall cost leadership on resources and the three vertical guanxi network facets appear reasonable in retrospect, as firms applying the strategy of overall cost leadership on resources are essential to sustain positive relationships with the vertical guanxi network for enhancement of the information resources (Chen 2006; Luo 2005; *How to develop digitalization with Chinese characteristics* 2006; *Price war, the business strategy drives rivals to the end* 2005; Tian 1996; *How was the hidden rules of the governmental authorities formulated?* 2007; *Twenty five thousand swaps one million: a case of promoting branding image at low cost* 2007; Zhang 2004; Yuan 2007). The members of the focus groups believed in that information and operational resources are vital for the survival of the strategy of overall cost leadership on resources. However, particular information resources is still under the control of various levels of Chinese administrative authorities, firms applying the strategy of overall cost leadership on resources need inescapably to manipulate the vertical guanxi power for essential resources on positive information and limited resources. For example, manufacturers of medicines or health care products may constantly demand for advanced source of information about the public medical coverage of medicines, because the market demands for medicines are directly linked to the public medical scheme, which covers the payment of medicines that are under the protection of the scheme. In addition, these manufacturers are regularly required to apply for official approvals for manufacturing of each type of product. This might be what lay behind the result that

overall cost leadership on resources was significantly interactive with the vertical guanxi network for enhanced source of information, source of resources, and source of procurement in the vertical guanxi domain.

Outcomes of Interactions Between Overall Cost Leadership on Resources and Market Position and Market Transaction

There was an expectation that overall cost leadership on resources would be associated with 1) market position, and 2) market transaction respectively in the horizontal guanxi network. Surprisingly, the results of the present study revealed that overall cost leadership on resources was only significantly correlated with the market transaction but had a non significant correlation with the market positions. The significant relationship between overall cost leadership on resources and the market transaction supports the previous findings, while the non significant correlation between overall cost leadership on resources and the market position did not support the previous findings (Fu 2006; Chen 2006; *The distinctive study on the outsourcing mode in the context of supply chain* 2007; *The strategy and approach of minimizing purchasing cost* 2007; *The eight successful sales strategies for small to medium size construction material companies* 2007). The members of the focus groups consented that the results of this study were logical. This agreement is based on two possible considerations. First, firms applying the strategy of overall cost leadership on resources are based on the effectiveness of various operational resources, particularly on the resources of capital funds to compete with competitors; the efficiency of market transaction is crucial for cost effectiveness. Especially, there are prevailing commercial tricks and three triangle debts in the current Chinese marketplace,

the collaboration with the horizontal guanxi network may somehow reduce the risk uncertainty and enhance payment collection and credit granting. As a consequence, overall cost leadership on resources is significantly interactive with the market transaction in the horizontal guanxi network.

The second probable consideration may lie in the capacity of resources that the user has commanded in implementing the strategy of overall cost leadership on resources. According to the qualitative discussions, firms applying the strategy of overall cost leadership on resources would generally collaborate with the horizontal guanxi network to enhance market position to a certain extent. The exception for the non significant interaction between the strategy of overall cost leadership on resources and the market position perhaps relates to the command of operational resources of the study organizations. As explained by the executives of the focus groups, if a firm that applies the strategy of overall cost leadership on resources possesses high competitive advantage on essential resources, particularly in information, human resources, labour, marketing, material, operational, and capital resources, this firm should have already occupied good market shares and be capable for further business development via usual marketing channel rather than using the horizontal guanxi network. For example, some medicine manufacturers mainly produce certain types of medicines because they have acquired advanced information through the vertical guanxi network that these certain types of medicines are protected by the public medical insurance scheme, and these medicines would certainly become a regular demand by all the hospital and pharmacies. In this way, the medicine producer may not need to manipulate the horizontal guanxi power for

marketing of these medicines, as the essential information resources has brought in substantial market shares to the business. In practice, this tactic approach is commonly adopted in various industrial fields, particularly in the market segments where the products or services are governmental monitored, such as experimental facilities for utility, electronic, health, hygiene, environmental, food and medication. Indeed, the strong command on the essential resources would certainly strengthen a firm's competitive advantage, which in turn, leads to a constructive market position. Perhaps, this explains the result of the non significant correlation between overall cost leadership on resources and the market position in the horizontal guanxi network.

Outcomes of Interaction Between Overall Cost Leadership on Quality and Source of Information, Source of Resources, and Source of Procurement

Overall cost leadership on quality was predicted to be connected with the three vertical guanxi network facets. Unexpectedly, the outcomes of this study indicated that none of the postulated relationships were significantly correlated. These outcomes are inconsistent with the existing findings, where overall cost leadership on quality was strategically associated with the vertical guanxi network for enhancement of information and resources (*About customer management* 2006; *Children wares: How to economically expand business* 2007; Xie 2006; Gao & Xu 2004; Luo 2005; Tian 2001; *The robust sales dissemination at low cost* 2005; *The foundation and development of Pujiang crystal* 2006; Zhang 2007). However, the findings of this study partially support the propositions of Luo (2000), as well as Park and Luo (2001), who contended that firms applying an overall cost leadership strategy are less inclined to engage the vertical guanxi network

due to the high emphasis on cost edge. The results of the present study were discussed in the qualitative focus group sections. The executives of the focus groups considered the present findings as reasonable. The explanation for such consideration was three fold.

First, firms applying the strategy of overall cost leadership on quality are likely to be in manufacturing segment and surviving on cost advantage and acceptable quality. Yet, the cost advantage may not be achievable from the vertical guanxi network; instead, good competency in business and marketing management might advance the cost advantage of the organization. Second, the quality standards for mainstream products are not regulated by the government authorities except certain types of produces, instead, the users of the products and services adjust the required norm of quality. Third, firms applying the strategy of overall cost leadership on quality, except particular types of businesses that are under close monitor by the government, generally have less demand for bureaucratic procedures whilst the business has been established. In addition, the Chinese regulatory systems have gradually become more transparent in the recent years after entering into the WTO (Dayal-Gulati & Lee 2004), the information that the users of overall cost leadership on quality may usually require for is accessible from the public or the market channel. It is believed that these are possibly the reasons that overall cost leadership on quality was non significantly related to the three vertical guanxi network facets.

Outcomes of Interactions Between Overall Cost Leadership on Quality and Market Position and Market Transaction

Two hypothesized relationships were postulated between overall cost leadership on

quality and the two horizontal guanxi network facets. First, overall cost leadership on quality was posited to be associated to the market position. Second, overall cost leadership on quality was forecasted to be connected with the market transaction. As anticipated, the outcomes of the present study depicted that overall cost leadership on quality was significantly associated with these two horizontal guanxi network facets. The results of the present study are consistent with the existing findings (*Attitude wins respect while honesty rewards understanding* 2006; *ERP and outsourcing management* 2001; “*Bizfriends Telecommunications*” *management of CRM business network* 2007; Mo 2003; “*Three specialties mode*” *successful operates tonic food market at low cost* 2007; Tian 1996; Yu & Liu 2006; Yuan 2007). The executives of the focus groups believed the results of this study were reasonable. The notion of such perception was based on the fact that the user of the strategy of overall cost leadership on quality seeks to increase cost effectiveness and quality of product and service. Yet, the ‘short cut’ to achieve cost effectiveness is to engage with the horizontal guanxi connections, which, to a certain extent, helps cost reduction on promotion and marketing of products. Most importantly, the horizontal guanxi hu might share the information feedback on the market standard of quality, which enhances the competitive edge of the strategy of overall cost leadership on quality. Perhaps, this is what likely lay behind the result that overall cost leadership on quality was significantly correlated with the market position and market transaction.

Outcomes of Interaction Between Overall Cost Leadership on Sales Volume and Source of Information, Source of Resources, and Source of Procurement

Three hypotheses were forecasted between overall cost leadership on sales volume and

the vertical guanxi network facets. These postulated linkages are between overall cost leadership on sales volume and 1) source of information, 2) source of resources, and 3) source of procurement. However, the results of this study demonstrated that overall cost leadership on sales volume was only significantly related to the source of information, but had neither significant association with the source of resources nor the source of procurement. These results are surprising and partially inconsistent with the previous findings that were reported in the literature, where the contention was that the user of an overall cost leadership on sales volume is required to maintain close or cooperative relationship (if possible) with the vertical guanxi network for positive information and essential resources (*How can agricultural enterprises improve their cost competitive edge* 2007; Jiang 2002; Liao 2007; Liu & Wang 2006; Luo 2005; Shen 2005; *Shenzhen Creativity United: Realization of digitalization through cost leadership strategy* 2006; Yan 2005; Zhang 2007; Xiao 2006). Clarification to the unexpected outcomes of the present study was consequently acquired from the qualitative focus group sections and has resulted in two probable explanations for the findings of this study.

The first possible explanation responds to the result of the significant correlation between overall cost leadership on sales volume and the source of information. The executives of the focus groups perceived the result of this study as rational. Such consideration was based on the fact that the information resources is crucial for the user of the strategy of overall cost leadership on sales volume. Given that firms applying the strategy of overall cost leadership on sales volume are most likely in manufacturing or bulk sales business field, the source of information may directly or indirectly affect the sales volume. For

example, Trading of Import and Export businesses applying the strategy of overall cost leadership on sales volume must closely monitor the changes of the trading regulation of import and export, particularly to the information and restriction about anti-dumping, as such changes may have great impact on the sale volume. Indeed, certain information, particularly in relation to the change of market regulation and trading policies is imperative to firms that are mainly focus on large sales volume. This might have led to the result that overall cost leadership on sales volume was significantly correlated with the source of information in the vertical guanxi network.

The second probable explanation corresponds to the unexpected result of non significant association between overall cost leadership on sales volume and the source of resources and source of procurement. According to the discussion of the qualitative focus sections, a probable explanation for this phenomenon may lie in the trait of the strategy of overall cost leadership on sales volume, which mainly focuses on the advantages of cost control and high sales volume. However, these two advantages can be directly achievable by firm's internal and marketing management, but may not be effectively attainable from the support of the vertical guanxi network. Particularly, firms applying the strategy of overall cost leadership on sales volume, expect in certain types of businesses that permits are required regularly, may gradually have less demand for the bureaucratic approvals and relevant processes after the businesses have been established, so the reliance on the vertical guanxi network might become less significant. Indeed, such condition is applicable to most of the users of overall cost leadership on sales volume in the Chinese marketplace. Perhaps this explains what likely lay beneath the phenomenon of the non

significant correlation between overall cost leadership on sales volume with the source of resources and the source of procurement in the vertical guanxi network.

Outcomes of Interactions Between Overall Cost Leadership on Sales Volume and Market Position and Market Transaction

There was a prediction that overall cost leadership on sales volume was respectively associated with the market position and market transaction in the horizontal guanxi network. As anticipated, the results of the current study demonstrated that overall cost leadership on sales volume was associated with the market position and market transaction. The results of the present study are consistent with the existing findings (Chen 2006; *Children wares: how to economically expand business* 2007; Fu 2006; Kuang 2007; *Roundtable documentary: from overall cost leadership strategy to manufacturing center of the world* 2005; *The overall cost leadership marketing strategy for small to medium enterprises* 2007; Yuan 2007). These studies have led to a prospective whereby the horizontal guanxi network is one of the most economical and effective channels to enhance market transaction and business development. The members of the focus groups believed that the results of this study were very sensible. The explanation for this consent is two fold. Firstly, firms applying the strategy of overall cost leadership on sales volume usually have limited budget for marketing and tight cash flow capacity, the collaboration with the horizontal guanxi network might reduce various operational costing such as advertising, market research, and probably time cost. Secondly, the strategy of overall cost leadership on sales volume hunts for high sales volume, the horizontal guanxi network would help grow business deals as Chinese

business people commonly apply an philosophy that “to deal with someone you are familiar with rather than dealing with someone you do not know”. In such contexts, the user of the strategy of overall cost leadership on sales volume is tactically associated with the horizontal guanxi network for business engagements. As a consequence, overall cost leadership on sales volume was significantly interacted with the horizontal guanxi network for accomplishment of market position and market transaction.

Outcomes of Interaction Between Differentiation with Overall Cost Leadership and Source of Information, Source of Resources, and Source of Procurement

There was a prediction that differentiation with overall cost leadership was to be linked with the three vertical guanxi network facets. These three postulated associations were between differentiation with overall cost leadership and 1) source of information, 2) source of resources, and 3) source of procurement. However, the results of this study were surprising. Differentiation with overall cost leadership only significantly related to the source of resources and source of procurement but had no significant correlation with the source of information. The significant correlations between differentiation with overall cost leadership and the source of resources and source of procurement were consistent with the findings that were reported in the existing documentaries (Feng & Zhang 2005; *Happy marketing: Constructing a strong marketing system* 2003; Liu 2007; Li 2007; *The low cost marketing strategy of children wares’ brand and the network becomes the core* 2007; Wu 2006; Weng 2007; Zhou 2005). Yet, the non significant association among differentiation with overall cost leadership and the source of information did not support the existing literature. The results of this study were

discussed in the feedback sessions. These discussions have led to two clarifications as probable explanations. The first explanation relates to the expected result while the second explanation is in response to the unexpected findings of this study.

The first possible explanation may lie in the principle of the strategy of differentiation with overall cost leadership. The executives of the qualitative focus sections indicated that firms applying a differentiation with overall cost leadership approach may not have high demand for governmental information through the vertical *guanxi* network, as the information that the users of differentiation with overall cost leadership normally require, except in particular industrial domains that are under control by government, can be obtained either through public media or from the competitive task environment. Typically, differentiation with overall cost leadership firms must closely observe the new standards of the products or services that the market users demand for and make relevant adjustment to differentiate with competitors. As indicated by several executives in the feedback sessions, the competition in the Chinese marketplace is extremely violent. Simply put, there are countless firms flocking in one market segment, so the information and the experience that has emerged from the competitive task environment, particularly from the competitors is most valuable for enhancement of differentiation and cost reduction. This probably is what lay behind the result that differentiation with overall cost leadership was non significant related with the source of information.

The second possible explanation relates to the product nature that the user of differentiation with overall cost leadership promotes in the marketplace. In reference to

the qualitative findings from the focus group sections, certain type of produces, which the users of differentiation with overall cost leadership most likely market - such as imported vehicles, cosmetics, healthcare products, electronic appliances and some other luxury goods - are normally required for special business registration license or official approvals for each type of the marketed product. In addition, firms employing a differentiation with overall cost leadership strategy might need support of essential resources on scarce materials, financial support and superior location from the vertical guanxi network to be differentiated from competitors. In these cases, firms applying a differentiation with overall cost leadership strategy may have to manipulate the vertical guanxi potential to break through the bureaucratic process. These explanations might be the reasons that differentiation with overall cost leadership was significantly associated with the source of resources and source of procurement in the vertical guanxi domain. Overall, the qualitative comments agreed the findings of this study are reasonable.

Outcomes of Interactions Between Differentiation with Overall Cost Leadership and Market Position and Market Transaction

Differentiation with overall cost leadership was postulated to be associated with the two horizontal guanxi facets. First, differentiation with overall cost leadership was predicted to be correlated to the market position. Second, differentiation with overall cost leadership was hypothesized to be linked with the market transaction. Unexpectedly, the results of this study discovered that differentiation with overall cost leadership only significantly associated with the market transaction, but had a non significant relationship with the market position. These results are interesting and partially inconsistent with the

previous findings, whereby firms employing a differentiation with overall cost leadership strategy are interactive with the horizontal guanxi network for effective marketing and business development (Chen 2005; Han 2007; Feng & Zhang 2005; *From brand differentiation to product differentiation* 2005; Li 2007; Jiang 2003; Jiang 2007; *Made in China' globalization, implementing overall cost leadership strategy* 2004; *Twenty five thousand swaps one million: a case of promoting brand image at low cost* 2007; Zhou 2005; Wu 2006; Weng 2007; Yu 2007). The discrepancy between the findings of the present study and the findings of the previous studies were subsequently discussed in the qualitative focus sections, whereby two probable clarifications were merged.

The first possible clarification explains the result of the non significant correlation between differentiation with overall cost leadership and the market position. The executives of the focus group meetings considered this result is rational. Such perception is based on the fact that exists in the Chinese business environment. The fact is that firms applying a differentiation with overall cost leadership strategy in the Chinese marketplace are usually the winners over various price batters in the given market segments. These winners originally employed overall cost leadership strategy when the businesses were initially established. The strategy of differentiation is a supplementary competitive edge to the overall cost leadership in order to maintain the winning position in given industrial domain. Apparently, firms applying a differentiation with overall cost leadership strategy might have occupied certain market positions in their business domains. This may lead to relatively less reliance on the horizontal guanxi network for enhancement of market position. In addition, under the economic transition over the last three decades, certain

percentages of modern Chinese people have been financially wealthy and pursue unique and distinctive products and services. Such phenomenon has resulted in a high demand for differentiated products and services in the Chinese marketplace. The best elucidation to the phenomenon is perhaps a Chinese idiom that ‘a princess has no worry about getting married’. The executives of the focus groups further indicated that there are countless characteristic products and daily goods that are well sought after by modern Chinese people, and these excessive demands on differentiated products and services have led to the rapid expansion of shops that are in selling branded products in China. In this way, firms applying a differentiation with overall cost leadership strategy may have comparatively less necessity to collaborate with the horizontal guanxi network for expansion of market shares, as the business has turned up right in front of their feet. As a result, differentiation with overall cost leadership was non significantly associated with the market position through the horizontal guanxi network.

The second probable clarification identifies the result of the significant, but negatively correlation between differentiation with overall cost leadership and the market transaction. According to the qualitative comments, the result of this study is logical and reflects the prestige of the strategy of differentiation with overall cost leadership. The notion of this comment may lie in the fact that firms that apply a differentiation with overall cost leadership strategy have limited demand on the horizontal guanxi network to enhance market transaction. Simple because the market demand is higher than the supply capability, which means, the selling of these distinctive products has become a seller’s market. In such context, the business processes on the subjects of negotiation, payment

connection, credit granting, delivery and service are likely more beneficial to the seller. In turn these advantages enhance the market transaction of the differentiation with overall cost leadership firms. The executives of the focus groups further commented that it is commonsensical that the more effective market transaction the users of differentiation with overall cost leadership strategy have commanded in their business fields, the less demand the users of this strategy might have on the horizontal guanxi network for achievement of the market transaction. Indeed, such phenomenon exists in various industrial domains under the rapid changes toward modernization. This has possibly led to the situation that differentiation with overall cost leadership was significantly but negatively associated with the market transaction in the horizontal guanxi network.

Outcomes of Interaction Between Focus and Source of Information, Source of Resources, and Source of Procurement

Three hypotheses were postulated for the relationships between focus and 1) source of information, 2) source of resources, and 3) source of procurement in the vertical guanxi network. Surprisingly, the results of this study show that focus was significantly but negatively related to the source of information and source of resources while it had a non significant association with the source of procurement. These results are inconsistent with the contentions that were reported in the existing literature, which emphasized the importance of interaction between focus strategy and the vertical guanxi network for enhancement of information and resources (*Creating marketing saves ancient white wine – Hengshui ancient white wine rejuvenation project 2007; Zhao 2007; Wang 2005; Wang 2007; What does Foshan Nanhai commercial illumination corporation lack of?*

2007). Clarifications to the divergence between the discoveries of the present study and the findings of the existing literature were subsequently sought in qualitative focus sections. The members of the focus groups considered the findings of this study as reasonable. Such agreement was given on the consideration of the business practice of firms with focus strategy in Chinese marketplace. There have been two probable explanations merged from the feedback sessions for the unexpected results of this study.

The first possible explanation answers the results of the significant, but negative correlations between focus and the source of information and the source of resources. As explained by a number of executives in the qualitative discussions, there are actually limited small and medium size Chinese organizations that solely or constantly adopt a focus strategy, except the group enterprises that employ a regional focus or a production line focus strategy for their divisional businesses. The reason of this phenomenon is because the pervasive business opportunities that are generated from the different stage of the economic reform would somehow distract the approach of focus, which limits the business scope in a constrained market portion. In particular, modern Chinese people have become typically opportunist and pragmatist. Firms may initially apply a focus strategy when the businesses were newly established, but under the process of the business development, other business strategic approaches might be alternatively or simultaneously adopted when new business opportunity emerges. The probable exception is that those small to medium size traditional business practices are affiliated in the minor industrial fields. For example, firms producing certain plastic clothing materials, which are merely demanded by traditional artist for traditional performances. Elsewhere,

probably firms manufacturing a special type of old fashion underwear that is exclusively required by the traditional elderly. Apparently, small to medium size firms that are not affiliated in the major industrial fields and solely applying a focus strategy might not have great interest in the information resources for the vertical guanxi network; simply the governmental information resources might not have a big impact on their businesses. The members of the focus groups believed it is logical that with the higher intensity of the focus strategy that the firm applies the narrower the market segment they might serve. This may lead to the less demand on the vertical guanxi network for information resources. In this manner, it is reasonable that focus was significantly but negatively associated with the source of information and source of resources.

The second probable explanation responds the result of the non significant interaction between focus and the source of procurement in the vertical guanxi network. The executives of the qualitative focus sections agreed the result of this study was rational. Such consensus was based on the philosophy that most of the firms applying a focus strategy are unlikely to be affiliated in the major industrial fields that are under close monitor and regulated by various governmental bodies, so the resources that the focus strategy firms are entitled to procure from the governmental authorities might be limited. To view from the other side of the coin, focus strategy firms that are affiliated in minor industrial fields are unlikely to have great demand on source of procurement from the vertical guanxi network, which in turn, probably leads to the situation that focus strategy was not significantly associated with the source of procurement in the vertical guanxi network. However, the members of the focus groups mentioned that the discrepancy between the results of this study and the findings of the previous studies might also lie in

the composition of the study sample. If the study organizations are group enterprises that employ a regional or a production line focus strategy for their divisional businesses and affiliated in the major industrial fields (e.g., informational technology, communication, public transport) they may have high demand for information resources from the vertical guanxi network. In that context, focus strategy could have been significantly and positively associated with the three vertical guanxi facets.

Outcomes of Interactions Between Focus and Market Position and Market Transaction

Two posited correlations were generated for focus and the horizontal guanxi network facets. These two hypothesized associations were between focus with 1) market position, and 2) market transaction. Unexpectedly, the results of this study revealed that focus was significantly but negatively correlated with the market position and had a non significant association with the market transaction. The results of this study are inconsistent with the findings of the previous studies, where firms applying a focus strategy are essential to develop expensive business connections in the horizontal guanxi network for facilitating business image and logistic smoothness in the selected market domain (e.g., *Three big strategies to increase competitive edges* 2007; *Creating marketing saves ancient white wine – Hengshui ancient white wine rejuvenation project* 2007; Zhao 2007; Wang 2005; Wang 2007; *What does Foshan Nanhai commercial illumination corporation lack of?* 2007). According to the qualitative findings of the focus groups, there are possibly two reasons that caused the discrepancy between the results of this study and the findings that were reported in the existing literature.

The first probable reason replies to the result of significant but negative association between focus and the market position. According to the discussions of the focus groups, with the exception of that group enterprise that apply a regional focus or a production line focus strategy for part of their businesses, the small to medium size firms that are applying a focus strategy seek to purely serve small groups of buyers who may otherwise have limited alternatives for the desired products. In other words, these focus strategy users are favourably located in a seller's market position. Obviously, market position is unlikely a major concern to them. In addition, because focus strategy users position in narrowed market fragments, which may restrict the range of their horizontal guanxi network, so their reliance on the horizontal guanxi network for market position is limited. It is believed that the higher intensity of focus strategy the firms employs, the lesser concern of the market position the firm may have. Such contention was based on the logic that the higher intensity the focus strategy a firm applies, the narrower the market sector a firm may target. These explanations are probably what lay behind the fact that focus was significantly but negatively interacted with the market position in the horizontal guanxi network.

The second possible reason responds to the non significant correlation between focus and the market transaction. The members of the focus groups considered this result as reasonable, because focus strategy users in the Chinese marketplace are in a favourable market position. In other words, the product that the focus strategy user markets for is a seller's market rather than a buyer's market. In this context, the business processes on negotiation, payment connection, credit granting, delivery and service are more likely

favourable to the sellers, which in turn, enhance the market transaction of the focus strategy firm. In addition, focus strategy firms may have a relatively narrow ranged guanxi network in the competitive task environment, given that the small to medium size focus strategy firms predominantly deal with small groups of buyers. As a consequence, the interaction between focus strategy firm and the horizontal guanxi network might become non significant, which explained the reasoning behind the phenomenon of the non significant correlations between focus and the market transaction.

Outcomes of Interaction Between Preemptive Move and Source of Information, Source of Resources, and Source of Procurement

Preemptive move was predicted to be associated to the three vertical guanxi network facets. However, the results of this study are somehow surprising. Preemptive move only significantly related the source of resources, but had neither significant correlations with the source of information nor the source of procurement. The results of this study partially support the finding that were reported in the previous studies, which emphasized the significance of the association between preemptive move strategy and the vertical guanxi network for information and resources (Ai & Wang 2006; Cui 2005; Li 2006). Clarification to the unexpected findings was subsequently sought in the qualitative focus sections and three probable explanations were generated.

The first likely explanation is in response to the non significant correlation between the preemptive move with the source of information. The executives of the focus groups considered the result of this study as reasonable. Such consideration was based on the

typical practice of preemptive move firms in Chinese marketplace. As elucidated by several executives in the qualitative focus sections, the application of preemptive move strategy is usually mainly lead by the market trend and demand, although official information resources may be somehow useful for decision making in certain circumstances. For example, if a wine producer intends to preemptively launch some wine products in a new regional market, the most important information that the wine producer must acquire is the competition and demand in the targeted marketplace, although the official information such as regulatory polices on marketing wines in the given market is also essential, this type of information might be attained through public or market channels. In this practice, firms applying a preemptive move strategy might not have to interact with the vertical guanxi network for information resources. In reality, this is consistent with the Chinese market condition, which has been gradually driven by the market led economy (Dalay-Gulati & Lee 2004). Hence, it is sensible that preemptive move was non significant associated with the source of information in the vertical guanxi network.

The second probable explanation relates to the result of the significant correlation between preemptive move and the source of resources. According to the qualitative discussions, the result of this study may lie in the official requirements for the business that preemptive move users have engaged. As explained by the focus groups members, in Chinese business organizations, preemptive move strategy is generally applied for launching products or services to the marketplace. Yet, launching products or services to the market, relevant official procedures might be required. For example, if a cosmetic

wholesaler desires to launch a new cosmetic product to the marketplace, relevant official approvals for meeting the health and hygienic standards are inescapable. In this case, the interaction with the vertical guanxi network for speed approval becomes significant for the cosmetic wholesaler to preemptively occupy the market share. This possibly clarifies what lay behind the finding that preemptive move was significantly correlated with the source of resources in the vertical guanxi network.

The third possible explanation replies to the outcome of the non significant association between preemptive move and the source of procurement in the vertical guanxi network. Based on the qualitative finding, firms applying a preemptive move strategy might not have great interest in procuring resources for utility supply, scarce raw material, desired site usage, and better interest bank loan through the vertical guanxi network, as the relevant bureaucratic procedures for the procurement of these resources are rather complicated and protracted. Particularly, these types of resources are unlikely essential for preemptive move users to promptly take up the marketplace. In such context, it is explainable that preemptive move was not significant interacted with the source of procurement in the vertical guanxi network. In general, the executives of the feedback sections accepted that the result of this study represented the Chinese market condition.

Outcomes of Interactions Between Preemptive Move and Market Position and Market Transaction

Two hypotheses were generated for the relationships between preemptive move and the market position and market transaction in the horizontal guanxi network. Unexpectedly,

the results of this study depicted that preemptive move only significantly associated with the market position but had a non significant correlation with the market transaction. The results of the present study are surprising and somewhat inconsistent with the findings from the existing literature, whereby the significance between preemptive move and the horizontal guanxi network was highly emphasized (Chen 2006; Cui 2005; *'Duracell' burst through the mountain at a lightening speed* 2006; Li 2006; *Weekend pictorial: preemptive move of Pizza CEO Novak over McDonald's* 2005; *Out of legend's confusion* 2006). The discrepancy between the outcome of this study and the findings from the existing literature was discussed in the focus group meetings, which have led to two likely explanations that classify the phenomenon of divergence.

The first possible clarification responds to the result of the non significant correlation between preemptive move and the market position. The executives considered the result of this study was logical. Such contention was given by two philosophies. Firstly, the common approaches that users of preemptive move strategy adopt to swiftly take up market position are widespread advertising and attractive promotion. Secondly, firms applying a preemptive move strategy are unlikely to share the information with their business network, as information dissemination is most likely to disadvantage the implementation of the preemptive move, which seeks to promptly occupy the targeted market sector. These two explanations clarified the reason that preemptive move was not significantly associated with the horizontal guanxi network for enhancement of market position. The second clarification relates to the significant interaction between preemptive move and the market transaction. The executives of the qualitative focus

sections perceived that the result of this study was rational, as it is practical that the users of preemptive move strategy rely on the horizontal guanxi network for effective market transaction when the preemptive move has been initiated. The reason is that the horizontal guanxi connections might somehow simplify certain business processes in terms of negotiation and contract commitment, particularly in payment connection and credit granting. These advantages would no doubt enhance the market transaction. This may clarify what lay behind the significant correlation between preemptive move and the market transaction in the horizontal guanxi network.

OUTCOMES OF THE MODERATING EFFECTS OF ATTRIBUTES OF ORGANIZATIONS AND JOB INCUMBENTS

A total of 54 hypotheses were generated for the moderating effects that the attributes of organizations and job incumbents have on the postulated associations between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi network. The moderating roles comprise of six moderating variables, which are 1) regional location, 2) industrial affiliation, 3) organizational size, 4) organizational history, 5) managerial experience, and 6) educational level. In the guanxi construct, there are seven facets, which have been labeled as 1) favour, 2) opportunism, 3) trust, 4) perception to uncertainty, 5) expectation to uncertainty, 6) dependence, and 7) adaptation. The business strategy orientation consists of six facets, which are 1) overall cost leadership on resources, 2) overall cost leadership on quality, 3) overall cost leadership on sales volume, 4) differentiation with overall cost leadership, 5) focus, and 6) preemptive move. In the vertical guanxi network, there are three facets, which have been

delineated as 1) source of information, 2) source of resources, and 3) source of procurement. Whereas the horizontal guanxi domain consists of two facets, which have been identified as 1) market position, and 2) market transaction. It was posited that the six moderating roles would moderate the 54 hypothesized relationships between the guanxi construct facets and the business strategy orientation facets with the facets of the vertical guanxi network and the horizontal guanxi network. Amongst these 54 relationships, there is an expectation that moderating roles of 1) regional location, 2) industrial affiliation, 3) organizational history, and 4) managerial experience would individually moderate nine associations, and organizational size would moderate eight correlations while educational level would affect ten associations. The discussion of the outcomes begins with the finding for the moderating role of regional location.

Outcomes of the Moderating Effect of Regional Location

A total of nine hypotheses were generated for the moderating effects of regional location. It was predicted that regional location would significantly moderate nine correlations, which are between 1) opportunism and the source of information, 2) dependence and the source of resources, 3) focus and the source of procurement, 4) preemptive move and the source of procurement, 5) favour and the market position, 6) perception to uncertainty and the market transaction, 7) expectation to uncertainty and the market transaction, 8) overall cost leadership on the resources and the market transaction, and 9) differentiation with overall cost leadership and the market position. However, the results of this study indicated that the regional location had a significant interaction effects on the first six and the last tested relationships, but did not significantly moderate the seventh and the eight

posited associations. The results of this study are interesting. The results that the correlations which were significantly moderated by a firm's regional location support the previous findings, whereby the engagement of both the vertical and the horizontal guanxi network varied from regional location, particularly between the early 'open' and late 'open' economic regions (Child & Stewart 1997; Lee 2000; Yang 1990; Luo 2000; Park & Luo 2001). However, the findings of the relationships that were not significantly affected by the moderating roles of the regional location are inconsistent with the existing literature. Explanations to the results of this study were then sought from the qualitative analyses in the focus group meetings. These qualitative discussions have led to the eight probable clarifications for the phenomenon of divergence. A dialogue of the clarification begins with the initial hypothesized relationship between opportunism and the source of information.

The executives in the focus groups believed the result that a firm's regional location significantly moderated the relationship between opportunism and the source of information was logical. The notion of such perception was based on the fact that China is still under economic transition and the information resources are normally not completely released to the public, which is consistent with the existing finding (*How to develop digitalization with Chinese characteristics 2006*). Particularly, the leaders of individual regional governmental authorities possess power over the extent of information resources that are made available to the public. As a rule, the higher degree of the 'open' and commercial mindsets the regional governmental leaders have the higher extent of information resources they would make freely available. Indeed, the extent of

the freedom for access into information resources influences the ultimate manipulation of the vertical guanxi potential for source of information. In addition, opportunism diverges from regions, especially across the more 'open' to less 'open' economic region. This is mainly attributed to that opportunism is a defensive strategy to cope with the limited information (bounded rationality) the market may provide (Williamson 1075). In other words, the significant dissimilarity in the freedom of information across regions may cause significant divergence in opportunistic behaviour. This might be the reason that a firm's regional location had a significant moderating effect on the relationship of opportunism and the source of information.

The second clarification links to the finding of the significant moderating role of a firm's regional location on the relationship between dependence and the source of resources. The members of the qualitative focus sections considered the finding of this study as rational, because the reality is that the availability of the source of resources, particularly in the matter of bureaucratic processes and procedures for business registration licenses and relevant approvals are significantly diverse from regions as a result of the uneven economic reform implementation. Such phenomenon is best elucidated by the saying "different regions have different rules", which means an individual region has specific interpretation and execution of the rules. In the regions where the rules are lacking of transparency, the dependence on the vertical guanxi network would be useful for positive interpretation of the rules or by pass bureaucratic frustrations. To a great extent, the notion of such thought supports the previous findings that reported in a number of the guanxi studies (e.g., Fock & Woo 1998; Li, Tsui & Weldon 2000; Leung et al. 1995b;

Luo 2000; Wong & Leung 2001). In such context, it is logical that the regional location significantly affected the relationship of dependence and the source of resources.

The third clarification provides a probable explanation to the results that the respective relationships between focus and preemptive move with the source of procurement were significantly affected by a firm's regional location. The executives of the focus groups elucidated that the allocation of the source of resources differed from regions. The major differences typically reflect in regulatory policies and governmental support of finance, utility and scarce materials. For example, the policies in economic development zones (regions) or 'open' economic regions favourably allow various taxation privileges and financial support in start up capital to newly established organizations, whereas firms in non economic development or 'non open' economic regions are normally not entitled for these subsidies. In addition, organizations in the economic development or 'open' economic regions have higher possibility for the supply of limited utility and scarce resources than firms in 'non open' economic development or non 'open' economic regions. The notion of these comments appears sensible in retrospect, as it is consistent with the empirical findings that were reported in numerous guanxi studies (e.g., Child & Stewart 1997; Lee 2000; Luo 2000; Park & Luo, 2001; Yang 1990). A number of the executives in the qualitative discussions indicated that they had either personally experienced or witnessed the diversity in the allocation of the source of resources between regions. In practice, the diversity of the allocation of the source of resources across regions has a direct impact on a firm's procurement in source of resources from different regions, which in turn, influences the manipulation of the vertical guanxi

network for source of procurement. These are probably what lay behind the result that a firm's regional location significantly moderated the individual relationships between the strategies of focus and preemptive move with the source of procurement.

The fourth clarification is in response to the finding of the significant moderating effect of a firm's regional location on the relationship between favour and the market position. According to the qualitative discussions, the perception was that the acceptance and the practice of the rule of renqing (favour) significantly varied between regions. For example, people in Foshan may perceive renqing is more important than people from Guangzhou although these two cities are located in the same province of Guangdong. The notion of this contention could probably be attributed due to Foshan being a relatively smaller city, whose people are living and working more intimately with each other than what the Guangzhou people are. Indeed, the cultural differences, especially the business culture differences vary across Chinese regional locations (*Chinese culture 2004; Chinese business culture 2004*). It is believed that the variation between the appreciations to favour across regions has resulted in the significant moderating effect that a firm's regional location had on the relationship between favour and the market position. Besides, the executives of the focus groups indicated that individual regions might implement dissimilar marketing and economic policies, which directly influence a firm's strategic approach in occupying market position, especially for marketing new products. Typically, in the regions where the rule of renqing (favour) is highly adapted, the utilization of the horizontal guanxi network is likely more prevailing and essential for the development of market position. The significant disparity in the practice of the renqing (favour) rule is

possibly the reason that the relationship of favour and the market position was moderated by a firm's regional location.

The fifth clarification relates to the result that the significant moderating effect of the regional location had on the relationships between the perception to uncertainty and the market transaction. Based on the qualitative discussions, it is commonly acknowledged that the perception to uncertainty differs across regions, as the uneven economic development progress has resulted in the diversity in the marketing systems and business environment across regions. This qualitative finding supports the previous studies (Luo 2000; Park & Luo 2001), which have reported that the uneven economic development had resulted in wide diversity in cultural environment, business atmosphere and infrastructure conditions. In addition, it is understandable that the leadership of individual regional governments varies in the commercial and global mindsets. Visibly, the marketing system and business environment in the early 'open' economic regions are relatively better developed compared to the late 'open' economic regions. The divergence of the business environmental elements between regions might cause significant dissimilarity in people's perception to the environmental uncertainty, which in turn, affects the manipulation of the horizontal guanxi power for facilitating market transaction. This probably clarifies the likely reason that the relationship between the perception to uncertainty and the market transaction was significantly affected by regional location.

The sixth clarification provides a possible explanation to the finding that a firm's regional location had a non significant moderating effect on the relationship between expectation

to uncertainty and the market transaction. The executives of the focus groups believed the result of this study was genuine and representing the truth that Chinese business people have a common expectation to the reduction of the environmental uncertainty notwithstanding of regional location. An interesting observation was that the general desire for the change of the environmental uncertainty had been historically generated over the different eras. However, it would be reasonable that there is some certain dissimilarity in the expectation to the environmental uncertainty across regional locations. The probable reason for the unexpected result of this study is the quantity and the locality of the study regional locations. Perhaps, the moderating effect of the regional location might have become significant had additional regional locations, particularly if the lately developed regions been selected for this research.

The seventh clarification connects to the outcome that a firm's regional location did not significantly moderate the relationship between the strategy of overall cost leadership on resources and the market transaction. The members in the qualitative focus sections considered the result of this study was rational. Because firms applying the strategy of overall cost leadership on resources are normally collaborate with the horizontal guanxi network to improve the effectiveness of the market transaction, and this usual practice is unlikely varied significantly across different regional location. This explains the likely reason that a firm's regional location had a non significant moderating effect on the linkage between overall cost leadership on resources and the market transaction.

The last clarification responds to the result of the significant moderating effect on the

relationship between differentiation with overall cost leadership and the market position. This finding was perceived to be reasonable by the members of the focus groups. Such consideration was based on two philosophies. First, it is commonly known that the trading regulations are dissimilar across regions to a certain extent, particularly in the restrictions of marketing of products. The notion of this philosophy is somewhat consistent with the finding reported by several researchers (Bao 2002), who revealed that the uneven economic development process had caused significant variations in the economic condition and market system across regional locations. As such, the marketing approach that the users of differentiation with overall cost leadership may adopt might significantly vary between different regions. Second, the levels of buyer for differentiated products and services are unlike across regions. For example, people in Dalian city are likely to pursue branded products than people in Hefei city. This is similar to Guangzhou people, who are more inclined to pay for the products that are differentiated by others. The significant disparity in policies and recognition to differentiation that exists in different regional locations are probably the reasons that the relationship between differentiation with overall cost leadership and the market position was significantly moderated by regional location.

Outcomes of the Moderating Effect of Industrial Affiliation

There were nine hypothesized correlations selected to test the moderating effect of industrial affiliation. These nine posited relationships are 1) favour and the source of information, 2) trust and the source of procurement, 3) overall cost leadership on quality and the source of resources, 4) overall cost leadership on sales volume and the source of

information, 5) trust and the market transaction, 6) perception to uncertainty and the market position, 7) expectation to uncertainty and the market position, 8) differentiation with overall cost leadership and the market transaction, and 9) focus and the market position. Unexpectedly, the results of this study demonstrated that industrial affiliation only significantly moderated the second, fourth, and sixth postulated correlations, but had a non significant interaction effect on the remaining six hypothesized associations (first, third, fifth, seventh, eighth, ninth). The results on the relationships that have significant interaction effects with the industrial affiliation are consistent with the previous findings, which has led to a contention that a firm's industrial affiliation level affects the practice of the vertical guanxi network (Nee & Cao 2005; Gold et al. 2002; Park & Luo 2001) and the horizontal guanxi network (Gold et al. 2002; Park & Luo 2001; Yeung & Tung 1996). Nevertheless, the correlations that were not significantly moderated by the industrial affiliation did not support the existing literature. Clarifications to the results of the present study were gathered from the qualitative focus sections. The qualitative analyses have led to nine probable explanations, which are discussed, next, in sequence. The discussion commences with the first hypothesized correlation of favour and the source of information.

According to the qualitative finding, the unanticipated result that the relationship between favour and the source of information was not significantly moderated by the industrial affiliation was considered as logical. The notion of such contention was given the fact that the application of the rule of renqing (favour) to advance information resources through the vertical guanxi network is prevalently recognized in all the Chinese industrial

fields. In reality, the relationship of favour and the source of information are significantly associated regardless of the industrial affiliation. It is not surprising that the interaction between favours and the source of information in different industrial domains were not significantly different. As a consequence, the industrial affiliation had a non significant moderating effect on the correlation of favour and the source of information.

The second explanation is associated to the result that the industrial affiliation had a significant moderating effect on the relationship between trust and the source of procurement. The executives of the focus groups considered this finding was practical, because firms in different industrial fields have varied necessity for the source of procurement from the vertical guanxi network. The higher demand for the source of procurement the higher level of trust is required. For example, firms that are affiliated in the Property development field might have higher demand in procuring certain approvals and financial support in the vertical guanxi network; whereas, firms in the field of manufacturing of garments might have less necessity in attaining those resources in the vertical guanxi domain. Apparently, the Property development firms are required high degree of trust by the Resource Allocators in procuring resources from the vertical guanxi network. In other words, the intensity of the interaction between trust and the source of procurement are diverse between different industrial affiliations. As a result, the industrial affiliation significantly moderated the relationship of trust and the source of procurement. Indeed, the result of this study somehow supports the previous studies (Gold et al. 2002; Nee & Cao 2005; Park & Luo 2001), which have stressed that a firm's industrial affiliation influenced the engagement of the vertical guanxi network.

The third explanation replies the unexpected result that the industrial affiliation had a non significant moderating effect on the relationship of the strategy of overall cost leadership on quality and the source of resources. The members of the focus groups believed that the result was consistent to the actuality. Such consideration was based on the usual practice that firms applying the strategy of overall cost leadership on quality, regardless of their industrial affiliation, principally focus on their internal management for better command of cost control and quality standard. In other words, the principles of this strategic approach are unlikely to be significantly affected by the industrial affiliation. Particularly, the source of resources in relation to the business registration license and relevant approval might not be relevant to them once their businesses have been established. In these contexts, the interaction between the strategy of overall cost leadership on quality and the source of resources might be less significant. In particular, firms employing the overall cost leadership on quality are most likely affiliated in manufacturing or trading industries, which should not have significant variation on demand for source of resources. As a result, the industrial affiliation had a non significant impact on the relationship between the strategy of overall cost leadership on quality and the source of resources.

The fourth explanation is related to the finding that the industrial affiliation had a significant moderating effect on the association between overall cost leadership on sales volume and the source of information. In reference to the qualitative discussions, which have led to a perspective that the source of information that firms with the strategy of overall cost leadership on sales volume required for from the vertical guanxi network vary across industrial fields. For example, the industrial field of Trading of Import and

Export might require national and international trading information resources, particularly the regulation about anti-dumping, whilst food producers are most likely to demand for the information about the health and hygienic regulations. Apparently, these information resources are essential for firms that are implementing the strategy of overall cost leadership on sales volume. However, the marketing regulations and trading policies might be diverse across industrial fields (Lee & Mark 1991; Field 1984). The variations in regulations and policies across industrial fields may have resulted in significant disparity in demand for specific information resources between different industrial domains. This possibly have, in turn, led to the outcome that the industrial affiliation had a significant interaction effect on the relationship between the strategy of overall cost leadership on sales volume and the source of information.

The fifth explanation is concerning to the result that the industrial affiliation had a non moderating effect on the relationship of trust and the market transaction. The executives of the qualitative focus sections considered that the result of this study reflected the veracity of the Chinese business practice. The reality is that business people have become pragmatic and disinclined to dedicate investment on personal trust, simply because there have been pervasive commercial traps and triangle business debts in the marketplace. The widespread distrust between people has resulted in an ideology that trust is in danger in the Chinese business environment. Such phenomenon has been widely discussed in the Chinese media. In other words, the phenomenon of prevailing distrusts surrounding all the Chinese industrial domains, perhaps, the common distrust that has encircled around all the industrial domains is what lay behind the result that industrial affiliation had a non

significant interaction effect on the relationship of trust and the market transaction.

The sixth explanation is in response to the finding that the industrial affiliation had a significant moderating effect on the correlation between perception to uncertainty and the market position. According to the qualitative analyses, the members of the focus groups agreed that the perception to uncertainty differs between industrial fields, because the governmental policies and relevant bureaucratic procedures are varied in different industrial domain, which means, the degrees of uncertainty that are caused by the bureaucratic irritation diverge in different industrial fields. The degree of uncertainty had a direct impact on the utilization of the horizontal guanxi potential for achieving market position, which in turn, may cause the relationship of perception to uncertainty and the market position was significantly influenced by the industrial affiliation.

The seventh clarification provides a possible explanation to the result that industrial affiliation had a non significant moderating effect on the relationship between expectation to uncertainty and the market position. The executives of the focus groups perceived this result was logical and symbolizing that Chinese business people have been longing for the minimization of the environmental uncertainty. However, it is expected that certain variation in the expectation to the reduction of the environmental uncertainty is existent across industrial affiliations. A likely explanation to the unexpected finding of this study is the quantity and the locality of the study industrial affiliations; the significant moderating role of the industrial affiliation might have been presented had additional industrial fields been involved in this research. Perhaps, this is the probable reason that

the relationship between expectation to uncertainty and the market position was not significantly affected by a firm's industrial affiliation.

The eighth explanation links to the result that the industrial affiliation had a non significant moderating effect on the correlation between the strategy of differentiation with overall cost leadership and the market transaction. The executives of the focus groups considered the result of this study as reasonable. Such consent was based on the philosophy that firms with the strategy of differentiation with overall cost leadership place high emphasis on the principles of differentiation and cost effectiveness, which are unlikely to have significant dissimilarity across industrial fields. This might be the reason that the linkage between the strategy of differentiation with overall cost leadership and the market transaction was not significantly moderated by the industrial affiliation.

The last explanation responds to the finding that industrial affiliation had a non significant moderating effect on the relationship of focus strategy and the market position. The executives of the focus group meetings considered that the result of this study was sensible. The notion of such agreement was given on the logic that the firms applying a focus strategy in Chinese marketplace, except the group enterprises that apply a regional focus or a production focus strategy for some of their businesses are favourably situated in a seller's market position. In fact, such favourable market condition actually applies to the users of focus strategy in various industrial domains due to relatively limited competitions in the targeted segments. In addition, these focus strategy users are generally affiliated in minor industrial fields, which may have led to the non significant

moderating effect on the relationship between focus and the market position. The notion of such consideration appears reasonable in recall, as firms that applied a focus strategy in this study were neither the group enterprises nor affiliated with the major industries.

Outcomes of the Moderating Effect of Organizational Size

Organizational size was hypothesized to have significant moderate effects on eight posited correlations. These correlations are amongst 1) favour and the source of information, 2) dependence and the source of resources, 3) overall cost leadership on resources and the source of procurement, 4) preemptive move and the source of resources, 5) opportunism and the market position, 6) adaptation and the market transaction, 7) overall cost leadership on sales volume and the market position, and 8) focus and the market transaction. Surprisingly, the outcomes of this study depicted that only the second, fourth and sixth posited correlations were significantly moderated by organizational size, while the remaining five theorized relationships (first, third, fifth, seventh, eighth) had non significant interaction effects with organizational size. The results that the relationships which were moderated by the organizational size support the previous studies, where organizational size had direct impact on the manipulation of the guanxi power (Hutchings & Murray 2003; Luo 1995; Luo 2000; Park & Luo 2001; Yeung & Tung 1996). Nevertheless, the outcomes for the relationships that were not significantly moderated by organizational size are inconsistent with the existing findings. The results of this study were qualitatively analysed in the focus groups. These qualitative analytical findings have resulted in eight possible clarifications. A dialogue of the discussion begins with the first postulated correlation of favour and the source of information.

The members of the focus groups believed the result that organizational size did not moderate the relationship between favour and the source of information was reasonable. Such perception was based on the fact that the prevailing appreciation and application of the rule of renqing (favour) in the vertical guanxi network to enhance information resources in the Chinese business environment. Notwithstanding of the organizational size, favour is a strategic approach to attain enhanced information resources from the vertical guanxi network. The interaction of favour and the source of information is intensive and culturally accepted. As indicated by several executives, the organizational size was not a key element that could affect the relationship of favour and the source of information. Instead, the degree of the freedom of information resources might affect the significant interaction between favour and the source of information. It is believed that the interaction between favour and the source of information may not have significant variation across different organizational sizes. Thus, the organizational size had a non significant moderating effect on the correlation of favour and the source of information.

The second classification corresponds to the result that the relationship of dependence and the source of resources was significantly moderated by organizational size. The executives of the focus groups believed the finding of this study characterized the actual guanxi practice in the Chinese business marketplace. The explanation to such perception is that the demand on the source of resources varies across organizational sizes significantly, and the variation in the demand for the source of resources leads to a varied degree of dependence on the vertical guanxi network. For instance, large size organizations have the right to practice Import and Export trading business by applying

for an Import and Export approval and relevant business licenses. However, small size firms are not entitled to practice Import and Export trading and have to appoint the Import and Export agents to operate the import and export business on their behalf. In this context, large size organizations might have to depend on the vertical guanxi network to get through the bureaucratic processes effectively, while the small size firms are unlikely to be concerned with these bureaucratic hassles. The significant variation in demand of the source of resources across different organizational sizes is possibly the reason that the organizational size had a significant moderating effect on the correlation of dependence and the source of resources. However, this finding is interesting and inconsistent to the previous studies (Hutchings & Murray 2003; Luo 1995; Luo 2000; Park & Luo 2001; Yeung & Tung 1996), which have led to a conclusion that small size organizations are more inclined to relay on the vertical guanxi network to conquer the weakness of their size than large size firms. Perhaps, the finding of this study indicates that the role of guanxi is adapted under the rapid economic transition (Chen 1995).

The third classification connects to the result that organizational size did not significantly affect the relationship of overall cost leadership on resources and the source of procurement. The executives of the focus groups felt surprised about the result of this study. They considered that firms applying the strategy of overall cost leadership on resources are likely to have significant variation for the source of procurement across different organizational sizes. A possible explanation for this unexpected finding may lie in the study sample of this research. Perhaps the study organizations that are with the strategy of overall cost leadership on resources have no significant dissimilarity in

demand for procuring resources from the vertical guanxi network. The non significant variation in demand for source of procurement in the vertical guanxi domain might have led to the result that organizational size had a non significant moderating effect on the correlation between overall cost leadership on resources and the source of procurement.

The fourth explanation relates to the outcome that the linkage of preemptive move and the source of resources was significantly moderated by organizational size. The qualitative analyses have resulted in consensus that the result of this study was sensible. The notion of such agreement was given on the logic that large size firms applying a preemptive move strategy are likely to demand greater resources than what small size firms require, because large size firms would possibly be more interested in large projects, which might require official approvals from relevant administrative authorities. Whereas, small size firms probably be more interested in small projects, which might not require official approvals. Perhaps, the significant disparity in demand for source of resources across different organizational sizes is the reasoning behind to the result that organizational size had a significant moderating effect on the relationship between preemptive move strategy and the source of resources. Nevertheless, this finding did not support the previous studies, which has asserted that the small size firms have higher demand on the guanxi network than large size organizations (Hutchings & Murray 2003; Luo 1995; Luo 2000; Park & Luo 2001; Yeung & Tung 1996). A probable reason to the phenomenon of the result of this study is that the role of guanxi is changing under the growing pressure of modernization and globalization (Chen 1995).

The fifth explanation is in response to the result that correlation of opportunism and the market position was non significantly affected by organizational size. The executives of the focus group meetings considered the result of this study was reasonable. Such consideration was based on the fact that there is a prevailing opportunistic approach in the Chinese business organizations in spite of organizational size. As a usual practice, opportunists seek to manipulate all the potentials counting the horizontal guanxi power to take up market position. And this usual practice is unlikely to be significantly affected by organizational size, simple put that opportunists are unlikely to abandon the horizontal guanxi influence for enhancement of market position regardless the sizes of organizations that they are managing. That is to say, the relationship between opportunism and the market position in the horizontal guanxi domain is intensively bonded, and the degrees of the intensity of this correlation are not significantly different across organizational sizes. This might be the reason that organizational size had a non significant effect on the relationship of opportunism and the market position.

The sixth explanation responds to the outcome that organizational size had a significant moderating effect on the correlation of adaptation and the market transaction. According to the qualitative finding, the result of this study was considered as realistic. The logic is that large size firms generally have greater capacity for higher adaptability in dealing with guanxi hu for enhancement of market transaction than small size firms. For example, large size firms might be able to afford various adjustments for technical features or production schedules, but small size firms are unlikely to adapt frequent changes due to the weaknesses of size and competitive edge. In this way, the adaptabilities are

significantly diverse across organizational sizes. As a result, the organizational size had a significant moderating effect on the relationship of adaptation and the market position.

The seventh explanation links to the finding that organizational size did not significantly moderate the relationship of overall cost leadership on sales volume and the market position. The members in the qualitative focus section believed the result of this study was rational. Such consent was given on the concern of the trait of the strategy of overall cost leadership on sales volume. As elucidated by several executives of the focus groups, firms applying the strategy of overall cost leadership on sales volume are operating on two principles, which are cost effective and high sales volume. These two principles are unlikely to be significantly diverse across different organizational sizes. Particularly, the users of overall cost leadership on sale volume generally collaborate with business associations for facilitating business engagements. The intensity of the collaboration between the users of overall cost leadership on sales volume and the horizontal guanxi network are unlikely to be significantly different across organizational sizes, as it is a cultural practice, which have been prevalently adopted in the Chinese marketplace. Perhaps the non significant disparity in the principles of the strategy of overall cost leadership on sales volume and the collaboration with the market position in the horizontal guanxi network is what lay behind the result of this study.

The last explanation relates to the finding that organizational size had a non significant moderating effect on the correlation between focus and the market transaction. The qualitative analyses have led to the contention that the result of this study was expected.

According to the qualitative comments, with the exception of those large group enterprises that employ a regional focus or a production focus strategy for their division business, firms that solely employ focus strategy are most likely those small sized and aged practices, as focus strategy is normally adopted at the initial development stage of the business or implemented along with the business strategy of the organization. Particularly, firms that are solely with focus strategy are unlikely to have high demand to significantly rely on the horizontal guanxi network for facilitating market transaction, because the focus strategy users are in the favourable position that is called a seller's market. The non significant difference in organizational size and interaction with the horizontal guanxi network is probably the reasoning behind the result that the relationship of focus strategy and the market transaction was not significantly moderated by organizational size.

Outcomes of the Moderating Effect of Organizational History

There were nine hypotheses generated to test the moderating effect of organizational history. It was anticipated that organizational history moderated the associations between 1) opportunism and the source of resources, 2) trust and the source of procurement, 3) overall cost leadership on sales volume and the source of information, 4) focus and the source of resources, 5) favour and the market transaction, 6) perception to uncertainty and the market position, 7) expectation to uncertainty and the market position, 8) overall cost leadership on sales volume and the market position, and 9) differentiation with overall cost leadership and the market transaction. Nevertheless, the results of the present study were fairly surprising. Almost none of the tested correlations were significantly

moderated by organizational history except one relationship, which was the connection between trust and the source of procurement. To a great extent, these results are inconsistent with the findings that were reported in the previous study, whereby organizational history was contended to have impact on the manipulation of both the vertical and the horizontal guanxi network ((Luo 2000; Park & Luo 2001). Qualitative analyses were then sought through focus group meetings. The qualitative discussions have led to three possible explanations, of which, one was for the expected result while the other two corresponded to the unanticipated findings.

The first explanation links to the expected result that organizational history significantly moderated the correlation of trust and the source of procurement. Based on the qualitative finding, the results of this study were considered acceptable. The explanation to this concern is that organizational history has certain impact on the relationship of trust and the source of procurement. Such impact is mainly reflected when an organization requests support for limited utility supply, scarce materials, site usage, and financial support from the vertical guanxi network, long organizational history is likely weight added on trust in certain occasions. The variation on trust that is existent across organizational history is possibly what lay behind the result that the correlation between trust and the source of procurement was significantly moderated by organizational history.

The second explanation links to part of the unexpected results of this study. These results are that organizational history did not play a significant moderating role on the relationships between 1) opportunism and the source of resources, 2) overall cost leadership on sales volume and the source of information, and 3) focus and the source of

resources. According to the qualitative discussions, the belief is that organizational history is unlikely to have a direct impact on these relationships. The logic is that organizational history might not be a major concern to the Resource Allocators when organizations engage the vertical guanxi network to attain source of information on trading regulation and upcoming change of policy, as well as the source of resources on business registration licenses and approvals. In the first correlation between opportunism and the source of resources, the members of the focus groups considered that organizational history is unlikely to be in the position to significantly influence opportunists to manipulate the vertical guanxi potential for source of resources. Because opportunism is essentially shaped by personal value and social environment, particularly, the engagement of the vertical guanxi power is socially and culturally acceptable. The insignificant role that organizational history has played on the correlation of opportunism and the source of resources is probably the reason for the unexpected result of this study.

In the second and third correlations, the executives of the focus groups believed that organizational history is unlikely to significantly affect the respective relationships between the strategy of overall cost leadership on sales volume and the source of information, and focus with the source of resources, because the intensities of these two correlations are chiefly determined by the principles of these strategies and the degree of the freedom in accessing information resources. And the principles of these two strategies are unlikely to have great dissimilarity across organizational history. The irrelevance that organizational history has on the guanxi practice for information resources and the non significant divergence in the strategic principles may have led to the situation that organizational history neither significantly moderated the relationship between overall

cost leadership on sales volume and the source of information, nor the association of focus and the source of resources. This might be the possible reason for the result of this study.

The third explanation relates to the rest of the unexpected results of this study. These results are that organizational history had non significant moderating effects on the correlations between 1) favour and the market transaction, 2) perception to uncertainty and the market position, 3) expectation to uncertainty and the market position, 4) overall cost leadership on sales volume and the market position, and 5) differentiation with overall cost leadership and the market transaction. The executives of the focus groups considered that organizational history is unlikely to have a great impact on the market position and market transaction. The explanation of this contention is that modern Chinese people highly focus on three key values, which are 1) price, 2) quality, and 3) service. In other words, organizational history is irrelevant in the Chinese marketplace. In such context, long organizational history is unlikely to add great value to moderate the intensities of the interactions of the five tested correlations. As elucidated by the members of the focus groups, organizational history is unlikely to significantly change the intensity of the correlation of favour and the market transaction, as the level of the intensity of such interaction is mostly influenced by the Chinese cultural value and the market system.

Similar logic applies to the respective relationships between perception to uncertainty and expectation to uncertainty with the market position. The members of the focus groups perceived that organizational history is unlikely to have significant effect on intensities of

these two linkages, as the most influential elements that would significantly affect the intensity of these two interactions are the institutional and marketing systems. It is also considered by the members of the focus groups that organizational history is unlikely to make a huge impact on the individual correlations between the strategy of overall cost leadership on sales volume and the market position, as well as differentiation with overall cost leadership and the market transaction. The reason is that the accomplishment of these two strategies is unlikely to be significantly diverse across organizational history, particularly; the intensities of the interactions of these two correlations are principally affected by the unique cultural practice of guanxi. These explanations are likely what lay behind the unexpected findings of this study.

Outcomes of the Moderating Effect of Managerial Experience

It was hypothesized that managerial experience would significantly moderate nine posited relationships in this study. 1) favour and the source resources, 2) perception to uncertainty and the source of procurement, 3) expectation to uncertainty and the source of procurement 4) overall cost leadership on quality and the source of information, and 5) preemptive move and the source of resources, 6) favour and the market position, 7) adaptation and the market position, 8) overall cost leadership on quality and the market position, and 9) preemptive move and the market transaction. However, the results of the finding show that managerial experience had significant interaction effects on six of the theorized connections (i.e. third, fourth, fifth, seventh, eighth, ninth), but had non significant moderating effects on the rest of the relationships (i.e. first, second, sixth). The results on the relationships that have significant interaction affects with managerial

experience are consistent with the previous findings, which have led to a contention that the managerial experience of a firm's decision maker affect the ultimate manipulation of both the vertical and the horizontal guanxi potential (Chan et al. 2002; Luo 2000; Yeung & Tung 1996). However, the results on the correlations that have non significant moderating effects with managerial experience are inconsistent with the previous findings. Clarifications of the results of the present study were yielded from the qualitative analytical meetings. The qualitative discussions have led to six probable explanations, which are discussed, next, in a sequence. The discussion begins with the first hypothesized correlation of favour and the source of resources.

The first explanation connects to the results that the managerial experience had a non significant moderating effect on the correlation of favour and the source of resources. The executives of the focus groups considered that the result of the study was interesting. The concept is that applying the rule of renqing (favour) to attain source of resources for certain restricted official approvals and business registration license in the vertical guanxi network is a deep seated and prevailing cultural practice in the Chinese business world, but a certain degree of variation in such practice is likely exist across the levels of the managerial experience. It is believed the less the managerial experience the less intensity of the correlation between favour and the source of resources in the vertical guanxi network, as the intensity of the interaction between favour and the source of resources is strengthened through many occasions, which takes a great deal of time. A probable explanation for the unexpected result of this study is that the study managers in this study were selected from the top five senior managerial levels, which might have resulted in

non significant difference across the levels of managerial experience. The non significantly dissimilarity across the level of the managerial experience might be the reason that the managerial level had a non significant moderating effect on the relationship of favour and the source of resources.

The second explanation responds to the result that managerial experience did not moderate the relationship between perception to uncertainty and the source of procurement. Summed up from the qualitative analytical findings, the majority comments are that the result of this study reflected the experience and treatment that executives have had in utilizing the vertical guanxi potential for source of procurement, perhaps there is coincidentally no significant variation in the perception to uncertainty existing across the levels of the managerial experience in this study because the executives who participated in this study were at the top five senior managerial levels. However, it is considered that there is certain dissimilarity in the experience in dealing with bureaucratic process across different levels of managerial experience, which would lead to certain variation in the perception to uncertainty. The moderating role of the managerial experience might have become significant had lower managerial levels of executives participated in this research. This probably explains what lay behind the finding that the managerial experience had a non significant moderating effect on the correlation between perception to uncertainty and the source of procurement.

The third explanation relates to the result that the managerial experience had a significant moderating effect on the correlation between expectation to uncertainty and the source of

the procurement. Based on the qualitative findings, it is reasonable that the expectation to the reduction of the environmental uncertainty differs across the level of the managerial experience, because such expectation is generated from the practice in dealing with the bureaucratic systems for source of procurement and influenced by the commercial and global mindsets of the executives. The divergence in the expectation to the minimization of the environmental uncertainty across different levels of the managerial experience is likely the explanation to the result that the association between expectation to uncertainty and the source of procurement was significantly affected by the managerial experience.

The fourth explanation replies to the results that the managerial experience had a significant moderating effect on the respective correlations between overall cost leadership on quality and the source of information, as well as preemptive move and the source of resources. The members of the focus groups considered that the results of this study are reasonable, because the implementation of the strategies of overall cost leadership on quality and preemptive move with the involvement with the vertical guanxi network for the source of information is chiefly determined by the executives of the organizations. In other words, the business executives are in the position to command the intensity of the correlation amongst the strategy of overall cost leadership on quality and the source of information, as well as relationship of preemptive move and the source of resources. Hence, it is logical that there is a certain disparity in the command of the relationship between the implementation of the strategies of overall cost leadership on quality and preemptive move, as well as the engagement with the vertical guanxi network for information resources in various levels of managerial experience. As a result,

managerial experience played a significant moderating role to the individual relationships between overall cost leadership on quality and the source of information, as well as preemptive move and the source of resources.

The fifth explanation responds to the result that the managerial experience did not play a significant moderating role on the correlation of favour and the market position. The majority comments that were gathered from the qualitative analyses are that there should be a certain difference in the interaction between favour and the market position in the horizontal guanxi network across the levels of managerial experience, although such interaction is a societal phenomenon, which is mainly influenced by the Chinese cultural value and the market system. Yet, the intensity of the interaction between favour and the market position is reinforced by a series of favour exchange over a certain period of time, so it is not surprising that the higher level of the managerial experience the executives has the more intensity of the collaboration between favour and the market position might be. A possible reason that has led to the unexpected finding of this study is that the study samples were selected from the top five senior managerial levels, which might have resulted in a non significant variation in the interaction between favour and the market position across the level of the managerial experience. However, the moderating role of the managerial experience might have become significant had lower managerial experience of the executives been selected in this study.

The sixth explanation corresponds to the remaining correlations that were tested with the moderating role of the managerial experience. These results are that the managerial

experience significantly moderated the correlations between 1) adaptation and the market position, 2) overall cost leadership on quality and the market position, and 3) preemptive move and the market transaction. Summarized from the outcomes of the focus group findings, it is believed that the levels of the managerial experience have certain impact on the interactions of the three tested relationships in this study. The logic of this consideration is that the adaptability in the guanxi practice and business strategy implementation are closely related to the level of the managerial experience of the business executives, because the managerial experience was accumulated through a long time investment, which also lay the foundation for building up the horizontal guanxi network that is essential for facilitating effective market transaction and business development. It is reasonable that the higher level the managerial experience the executives would have the better command in the correlations between 1) adaptation and the market position, 2) overall cost leadership on quality and the market position, and 3) preemptive move and the market transaction. The variation in the commands of these relationships across different levels of the managerial experience is possibly what lay behind the results of the present study.

Outcomes of the Moderating Effect of Educational Level

Educational level was posited to have significant moderating effects on ten hypothesized correlations. These correlations are 1) opportunism and the source of resources, 2) perception to uncertainty and the source of procurement, 3) expectation to uncertainty and the source of procurement, 4) focus and the source of resources, 5) preemptive move and the source of procurement, 6) trust and the market transaction, 7) perception to

uncertainty and the market position, 8) expectation to uncertainty and the market position, 9) overall cost leadership on resources and the market transaction, and 10) differentiation with overall cost leadership and the market position. Unexpectedly, the outcomes of this study suggested that educational level only had significant interaction effects on half of the posited relationships (first, third, fourth, fifth, eighth), but had non significant moderating effects on the remaining five associations (second, sixth, seventh, ninth, tenth). The results that the correlations which were moderated by the educational level support the previous findings, whereby the educational level affects the engagement of the vertical guanxi network (Chan et al. 2002; Luo 2000; Yeung & Tung 1996) and the horizontal guanxi network (Chan et al. 2002; Gold et al. 2002; Hutchings & Murray 2003). However, the findings of the relationships that were not significantly affected by the educational level are inconsistent with the existing literature. Explanations to the results of this study were then sought from the qualitative analyses in the focus group meetings. These qualitative discussions have led to eight probable clarifications for the phenomenon of divergence. A dialogue of the clarification begins with the initial hypothesized relationship between opportunism and the source of resources.

The first clarification replies to the result that the educational level significantly moderated the correlation of opportunism and the source of resources. The findings from the qualitative analyses affirmed that the result of this study was rational. The notion of this assertion was made on the widespread belief that people at different education levels have different possibilities to associate with different levels of the business and personal networks. Such belief has been resulted in the phenomenon that modern Chinese business

executives are keen to participate in MBA, EMBA and business management related courses, which are regarded as an express channel for development of business and personal networking. The diversity in the business and personal network across the educational levels is likely to result in the dissimilarity in the opportunistic behaviour, which in turn, affects the intensity of the interaction with the vertical guanxi network for the source of resources. As a consequence, the educational level played a significant moderating role on the relationship between opportunism and the source of resources.

The second clarification responds to the result that educational levels had a non significant moderating effect on the relationship between perception to uncertainty and the source of procurement. Summarized from the qualitative discussions, the majority comments are that the result of this study reflects experience and treatment the business executives have had in the manipulation of the vertical guanxi power for source of procurement. However, the executives of the focus groups considered that there should be a certain variation in the perception to uncertainty across the educational levels, as people at different educational levels usually have different chances to interact with different groups of business and personal networks, which might have resulted in dissimilar experience and treatment when procuring resources from the vertical guanxi network. It might be a coincidence that there was no significant deviation in the perception to uncertainty across educational level in the present study possibly due to the high managerial level of study executives, and which would be unlikely at a particular low educational level. This may explain what has led to the result that the educational level had a non moderating effect on the correlation between perception to uncertainty

and the source of procurement. It is believed that the moderating role of educational level might have become significant had substantial amount of the executives had a lower educational level in this study.

The third clarification relates to the result that the educational level had a significant moderating effect on the correlation between expectation to uncertainty and the source of the procurement. Based on the qualitative findings, it is reasonable that the expectation to the reduction of the environmental uncertainty differs across different educational levels, because such expectation is created from the engagement with the vertical guanxi network and influenced by the professional knowledge of the business executives. The deviation in the expectation to the minimization of the environmental uncertainty and the level of the professional knowledge across educational levels is possibly the reason that the educational level played a significant moderating role on the interaction between expectation to uncertainty and the source of procurement.

The fourth clarification is in response to the results that the educational level significantly moderated the correlations between 1) focus and the source of resource, and 2) preemptive move and the source of procurement. The qualitative findings have led to consent that the results of this study were reasonable. The notion of such agreement was given on the philosophy that educational level links to the knowledge horizon, which in turn, influences the managerial competence in formulation and implementation of the strategies of focus and preemptive move. It is believed that these two strategies require broad perspective in related knowledge. As well, people at different educational levels

might have the chance to group with different business and personal networks, which might have resulted in dissimilarity in the command of interaction between with the vertical guanxi network for advanced resources. The disparity in the command of the business strategies and the vertical guanxi potential might have led to the results that the educational level played a significant moderating role on the relationships between focus and the source of resource, and preemptive move and the source of procurement.

The fifth clarification connects to the result that educational level had a non significant impact on the correlation of trust and the market transaction. The members of the focus groups believed that the result of this study presented the actual circumstance that exists in the Chinese marketplace. The reality is that the educational level plays little role in the interaction of trust and the market transaction due to two reasons. First, people at a high education level might not be trustworthy whilst people at low educational level might not be unreliable. In other words, qualification may not be able to add much weight on trust. Second, it is observably that the prevailing commercial traps and triangle business debts in the Chinese business world are generated by people from different levels of education. Chinese business people have learnt from the painful experience from various types of commercial tricks and become pragmatic in business engagements. As indicated by the executives in the qualitative focus sections, Chinese business people have now been more inclined to dedicate on tangible investment rather the intangible investment such as trust, which is regarded as an investment on the stock exchange market and the return is not guaranteed. Consequently, the educational level did not play a significant moderating role in the interaction between trust and the market transaction.

The sixth clarification responds to the result that educational level had a non significant moderate effect on the relationship between perception to uncertainty and the market position. According to the qualitative discussions, it is considered that the result of this study presented the practice of the business executive in engagement of the horizontal guanxi network for market position. However, the members of the focus groups believed that there should be certain dissimilarity in the perception to uncertainty across the educational levels, because usually people at different educational levels have different chances to interact with different groups of business and personal networks, which might have resulted in dissimilar conduct and management when dealing with the horizontal guanxi network for business development. Perhaps, it is coincidence that there was no significant divergence in the perception to uncertainty across educational levels in this study because of the top five senior managerial levels of the study executives who may have had high educational levels. This explanation may clarify what lay behind the result that the educational level had a non significant moderating effect on the correlation between perception to uncertainty and the market position. However, the moderating role of the educational level might have become significant had substantial amount of the executives had a lower educational level in this study.

The seventh clarification relates to the result that the educational level had a significant moderating effect on the correlation between expectation to uncertainty and the market position. Summarizing the qualitative findings, the common opinion is that the result of this study was rational. The notion of such perception was based on that the expectation to the reduction of the environmental uncertainty are varied across the educational levels,

because such expectation is generated from the application of the horizontal guanxi network and affected by the professional and industrial knowledge of the business executives. The divergence in the expectation to the decrease of the environmental uncertainty and the level of the professional knowledge across the educational levels is probably the reason that the educational level played a significant moderating role on the interaction between expectation to uncertainty and the market position.

The final clarification acts in response to the last two results that are in relation to the moderating role of the educational level. These results show that the educational level had a non significant effect on neither the relationship between overall cost leadership on resources and the market transaction nor the correlation between differentiation with overall cost leadership and the market position. The qualitative findings have led to consent that the results of this study were reasonable. The notion of such concern was based on the philosophy that educational level is unlikely to have a great impact on the implementation of the strategies of overall cost leadership on resources and differentiation with overall cost leadership, as qualification levels may not directly influence to the principles of these two strategic approaches. The factors that have a direct effect on the principle of overall cost leadership on resources are the command in effectiveness of cost and resources. Whereas, the elements that directly influence the strategy of differentiation with overall cost leadership are the control in cost and differentiation. In addition, the implementation of these two business strategies might be affect by the managerial and industrial experience of business executives, but might not be significantly influenced by the educational levels of the business executives. These

explanations are possibly what lay behind the result that the educational level had a non significant moderating effect on the respective correlations between overall cost leadership on resources and the market transaction, as well as differentiation with overall cost leadership and market position.

OUTLINE OF KEY FINDINGS

In this section the key findings of this study are summarized into three divisions. The first division provides an outline of the principal findings of the operations between the guanxi construct and the vertical and the horizontal guanxi network. Next, a summary of outcomes that are related to the interactions amongst the business strategy orientation and the vertical and the horizontal guanxi network are documented. Finally, the major results pertaining to the moderating effects that the organizational properties and personal attributes had on the postulated correlations of the conceptual model are elucidated. The summary of the results commences with the interactions between the guanxi construct and the vertical and the horizontal guanxi network.

KEY FINDINGS OF THE INTERACTIONS BETWEEN GUANXI CONSTRUCT AND VERTICAL AND HORIZONTAL GUANXI NETWORK

One of the empirical observations was that the rule of renqing (favour) significantly influenced the ultimate realization of the vertical and the horizontal potential. This

phenomenon signifies that the Chinese cultural value is still strongly affected by the Confucian ideologies of reciprocity, equity and harmony. In other words, the dynamics of guanxi continues to be a diffusion influencing the Chinese business practice, as favour initiates a guanxi relationship and the accumulation of favour exchange is a key driver underlying the development of guanxi relationship (Yi & Ellis 2000).

A key observation was that adaptation played an essential role in the practice with both of the vertical and the horizontal guanxi domain. The high flexibility and adaptability in the business engagement implies the importance of Chinese cultural value, which emphasized on maintaining internal harmony and social conformity (Hwang 1987). Yet, the attitude of adaptation lays the fertilized soil for the growth of the guanxi network.

Another major finding was that opportunism strongly motivates the manipulation of the vertical and the horizontal guanxi power. Particularly, the pervasive business opportunities that were produced under the economic reform process have directly or indirectly propagated opportunism. The prevailing opportunistic behaviour in the Chinese business environment in fact reproduces the hemisphere for the practice of the guanxi to endure, as opportunism is tactically linked with the guanxi network.

An interesting finding was that the role of trust is diminishing its significance in both the vertical and the horizontal guanxi network. Trust has become irrelevant when attaining information resources through the vertical guanxi network. To a certain extent, this phenomenon indicates that the general information resources have been less ambiguous.

However, the dismissing role of trust in the horizontal guanxi domain was chiefly due to the prevalent commercial tricks and triangle business debts in the Chinese business force. This finding specifies that the Chinese market condition is yet to be stabilized. The widespread belief that trust is in danger in the Chinese marketplace may drive away the foreign investors. Nevertheless, a pleasing observation was that the Chinese business practice is gradually changing towards formalization, whereby business commitments are rather based on formal contracts than trust, which is perceived as an insecure loan.

There are certain pleasing findings that demonstrated the improvement on the transparency of the 'rules of the game'. The improvement was resulted in the less significant interactions between perception to uncertainty and expectation to uncertainty with the source of information, source of resources, market position and market transaction. In addition, the less significant association between dependence and the vertical and the horizontal guanxi network further ascertained that the information resources and the marketing regulations are gradually less ambiguous. Such improvement on the transparency of the information resources was made in response to the WTO treaty.

Another key empirical finding was the complementary correlation between the vertical and the horizontal guanxi network. Such interaction was observed through the significant but negative correlations between dependence and the source of resources. The explanation for this result was that the high mutual dependence in the horizontal guanxi network possibly leads to the less reliance on the vertical guanxi network for source of resources, which are possible to be shared within guanxi hu. In this context, the vertical

guanxi network and the horizontal guanxi network is complementarily linked to a certain extent. This finding is important, as it indicates that the mutual reliance with business associates is likely to reduce the reliance on the vertical guanxi network, which in turn, lays a positive way for transforming towards a formal market system.

Additional observation was made to the results of T test and ANOVA. The results of these tests demonstrated that there was a substantial degree of convergence among all the assessed variables of the guanxi construct and the guanxi network between the personal demographic elements and structural properties. Consensus to the results of this study was generated from the qualitative analyses. It is believed that these results suggested that the Chinese value emphasized on the interpersonal relationship of guanxi and the practice of guanxi is a cultural phenomenon, which has been deeply seated in the Chinese society. As predicted by Vanhonacker (2004) that the role of guanxi should be less significant in the future when the legal framework, infrastructure and structural conditions have become better developed, however, the cultural heritage will remain as it has been historically rooted in the Chinese psyche.

Generally, the scale of the guanxi construct was found to be satisfactory for exploratory research. However, cautions must be given when adapting certain subscales in future study. For instance, the subscale of uncertainty, which was revealed by CFA to be comprised of two discrete constructs that were subsequently deliberated as 1) perception to uncertainty, and 2) expectation to uncertainty due to the divisive statements in the uncertainty subscale. Moreover, particular attention needs to be drawn for the trust

subscale, which is consisted of five statements. However, only three statements (i.e. four, six & 12) were retained in the CFA and the Cronbach alpha coefficient was .53, which was moderately low. The members of the focus groups considered that the two removed statements, which were items 19 and 24, were not reflecting sincere trust. Instead, these two statements reflected superficial trust, which was purely a strategic approach to cultivate interpersonal relationships. This finding is valuable, as it highlights the cultural differences in the sense of language. Perhaps, future research in investigating trust in the guanxi domain may consider excluding these two removed statements. In such context, the reliability of the trust subscale might be acceptable.

The guanxi network scale was found to have acceptable validities and reliabilities. However, awareness must be placed to the subscale of source of resources. The executives in the qualitative analysis sections considered the statements that were comprised in the subscale of source of resources were inappropriate to the current Chinese market condition. It was suggested that the statements should not purely focus on official approvals or business licenses; as usual types of official approvals and licenses are attainable effortlessly without wasting the vertical guanxi potential. The statements, which are recommended for future study in the field of guanxi network, should focus in various specified areas, such as approval certificates for meeting the standards of health, hygienic, fire protection, environmental protection, and quality control of import and export goods. These kinds of official documents are relatively difficult to attain and the utilization of the vertical guanxi power is a common practice in this way. In addition, attention needs to be drawn to the economic trend and the contemporary market context

when incorporating statements of the scale for the source of resources. Indeed, this finding is valuable for future study in guanxi research field pertaining to the vertical guanxi network.

KEY FINDINGS OF THE INTERACTIONS BETWEEN BUSINESS STRATEGY ORIENTATION AND VERTICAL AND HORIZONTAL GUANXI NETWORK

One of the prominent observations was the affirmation on the advancement of the transparency in the information resources. Such advancement was resulted in that the vertical guanxi network facets were only significantly connected with certain business strategies. For example, the source of information was significantly associated with three business strategies, which were overall cost leadership on resources, overall cost leadership on sales volume and focus strategy. However, focus strategy was negatively correlated with the source of information. Moreover, the source of resources was significantly related with three business strategies, which are overall cost leadership on resources, differentiation with overall cost leadership, focus and preemptive move. But again, focus had a negative relationship with source of resources. Furthermore, the source of procurement was only significantly associated with two business strategies, which are overall cost leadership on resources and differentiation with overall cost leadership. In effect, the less significant interactions between the business strategy orientation and the vertical guanxi network the more transparency of the information resources in the public.

Further observations were made to what lay behind the significant and positive interactions between the business strategies and the three vertical guanxi network facets.

First, the significant correlations between overall cost leadership on resources with all the three vertical guanxi facets was possibly caused by the trait of the strategy, which highly emphasizes on the effectiveness of essential resources that are possibly in the command of the Resource Allocators. Second, the reason for the significant correlation between overall cost leadership on sales volume with the source of information is probably industrial affiliation related. Generally, organizations that are in certain industrial fields such as trading of Import and Export might have higher demand on particular information from the vertical guanxi network. Third, the products that the users of differentiation with overall cost leadership or preemptive move market might affect the ultimate manipulation of the vertical guanxi potential for source of resources and source of procurement because trading of certainty products such as imported vehicles, cosmetics, healthcare products, electronic appliances, and other certain luxury goods are normally required to have special licenses or relevant official approvals. Logically, the explanations of the significant interactions between the business strategies and the vertical guanxi network facet, to a certain extent, mirror the level that the Chinese governmental authorities control in the information resources.

An interesting finding was that focus strategy is seldom employed solely and constantly by small and medium size Chinese business organizations, except the group enterprises that are applying a regional focus or a production line focus strategy for their divisional businesses. In practice, the focus strategy is mainly applicable when business is at the initial stage of development. However, other business strategies might be alternatively or simultaneously adopted, as the prevailing attractive business opportunities that are

produced under the development process of the economic transition distracted the focus. Moreover, The small and medium size firms that solely apply a focus strategy in Chinese marketplace are likely the traditional business practices that are affiliated in the minor industrial fields. However, focus firms favourably situate at a seller's market position, and this may have resulted in the significant but negative correlations between focus with the source of information and the source of resources.

One of the key observations was the non significant associations amongst overall cost leadership on quality and the vertical guanxi facets. A possible explanation to this unexpected result is that the quality standard for mainstream products, excluding special types of products that are under monitoring by the government, are mainly influenced and adjusted by the market users. Thus, firms applying the strategy of overall cost leadership on quality are unlikely to have high demand on the vertical guanxi network for information and resources. In this context, the quality of the products or services is more important than the vertical guanxi power. In other words, the market trend on the quality of the products and services becomes one of the factors that influence the reliance on the vertical guanxi network. This finding is valuable and suggests that the Chinese marketing system is proceeding more towards the market led economy from the planned economy.

An additional key finding was that the Chinese market system has gradually formalized. Such improvement was resulted in that the horizontal guanxi network facets were only operationlized with certain business strategies. For example, the market position was significantly correlated with the strategies of overall cost leadership on quality, overall

cost leadership on sales volume, and focus strategy. However, focus strategy was significantly but negatively related with the market position. In addition, the market transaction was significantly associated with the strategies of overall cost leadership on resources, overall cost leadership on sales volume, differentiation with overall cost leadership, and preemptive move. Yet, differentiation with overall cost leadership and the market transaction was significantly, but negatively connected. Effectively, the less significant interactions between the business strategy orientation and the horizontal guanxi network the better the market systems are regulated.

Another major empirical result was the affirmation for the complementary relationship between the vertical and the horizontal guanxi network. Such interaction was observed through the non significant correlations between overall cost leadership on resources and the market position in the horizontal guanxi network. The clarification for this unexpected result was that the strong command in the vertical guanxi network for essential resources is likely to lead to a favourable market position through the normal market channels without using the horizontal guanxi network. In such context, the vertical guanxi network is complementarily connected to the horizontal guanxi network.

An additional observation was made to the analytical findings from T test and ANOVA. The results of these tests depicted that there was a considerable degree of consensus for all the tested variables of the business strategy orientation across the demographic elements and structural properties. In addition, the qualitative analyses demonstrated consensus to the quantitative findings. It is considered that the results of this study

represented a true and fair view to the Chinese business strategy orientation.

An useful finding was observed to the newly launched instrument of the business strategy orientation. As indicated by the members of the focus groups, the words of ‘premium and over-valued prices’ were a bit too sensitive to use in survey as it relates to the profit making of business. It is advisable that future study may consider using other words, such as ‘good prices’. Overall, this newly launched instrument was considered to have acceptable internal consistencies with good validities and reliabilities. As well, the data were shown to be robust. The development of this instrument was unique, and the joint application of adopted and new instruments allowed the testing of the relevance of the scales in the Chinese contemporary business organizations. Most importantly, the successful development of this instrument suggests the prospect of appraising Western based theoretical philosophies in a non Western context, particularly in the mainland China, which has been predominated by the Confucian ideology for over 2500 years and under the rapid economic reform progress over the last three decades.

KEY FINDINGS OF THE MODERATING EFFECTS OF ATTRIBUTE OF ORGANIZATIONS AND JOB INCUMBENTS

Six important findings were generated from the evaluation of the moderating role of a firm’s regional location. First, the degree of the information resources that is released to the public might be affected by the leaders of the regional governmental authorities. It is believed that the more commercial and the global mindset the regional leaders have, the higher degree of the information resources is freely available. Second, it is observed that

different regions could have its preferential rules in allocating resources. However, the divergence in the availability of information and resources across regions had resulted in the dissimilarity in the perception to the environmental uncertainty as well as the expectation to the reduction of the environmental uncertainty in different regions. Third, Dependence on the vertical guanxi network for the source of resources are unlike across regions. Particularly, the adaptation of the rules of renqing (favour) was diverse in different regions. This had resulted in that the application of the rule of renqing to enhance market position in the horizontal guanxi network significantly varied across regions. Fifth, the trading regulations and market systems was dissimilar across regions, particularly in the rules of marketing. Last, the interaction between the strategy of overall cost leadership on resources and the market transaction had no significant deviation across regions. This finding indicates that the reliance on the horizontal guanxi network for market transaction is inescapable for the users of overall cost leadership strategy on resources in the Chinese business marketplace. Generally, regional location played a significant moderating role to the dynamics of guanxi.

A total of four prominent observations were made to the moderating role of industrial affiliation. Firstly, there was no significant variation in the application of the rule of renqing for the source of information in the vertical guanxi domain across industrial fields. This finding suggests that the practice of the rule of renqing (favour) in attaining advanced information resources through the vertical guanxi network is prevalingly adopted in the Chinese business environment. The second observation was that there was a significant deviation in the level of trust when procuring essential resources through the

vertical guanxi network across industrial affiliations. This phenomenon reflects that there were certain dissimilarities in handling official procedures and criteria across industrial fields. A third observation was that the accessibility of the information resources was diverse across industrial affiliations. This was possibly because the industrial leadership and management were varied across industrial fields. However, the divergence in the management and official procedures had resulted in the disparity of perception to uncertainty across industrial fields. Overall, industrial affiliation had a significant moderating effect on certain guanxi interactions.

Three major findings were observed on the moderating role of organizational size. First, the prevailing adaptation of the rule of renqing for advanced information resources through the vertical guanxi network had no significant difference across organizational sizes. This finding further ascertains that the rule of renqing is culturally deep seated in the Chinese value, and the practice of the rule of renqing (favour) is prevalent in the Chinese marketplace regardless of the organizational size. Next, organizational size affected the interaction between dependence and the source of information significantly due to the disparity in the organizational capacity. A similar condition had also applied to the collaboration between preemptive move and the source of resources, as well as adaptation and the market transaction. However, organizational size was not a major concern in certain occasions. Such phenomenon was found in the correlations between 1) overall cost leadership on resources and the source of procurement, 2) opportunism and the market position, 3) overall cost leadership on sales volume and the market position, and 4) focus and the market transaction. In general, the results of this study indicated that

organizational size significantly affected the manipulation of the guanxi potential in some contexts.

An interesting finding was observed from the investigation of the moderating role of organizational history. It was found that organizational history moderated the interaction between trust and the source of procurement. This was expected because long organizational history is probably valued added on trust in certain guanxi practice. However, organizational history did not significantly affect any of the remaining tested correlations in this study. The qualitative findings have lead to a probable explanation that organizational history is not a major concern in most of the guanxi commitments, particularly when achieving enhanced information resources through the vertical guanxi network. In addition, the modern Chinese people have become pragmatic and mainly emphasizes on three key components, which are price, quality and service. This had resulted in that organizational history not being value added in the guanxi interactions in the competitive force environment. On the whole, the significant moderating role of organizational history was barely limited to a particular guanxi practice.

An important observation was yielded from the evaluation of the moderating role of managerial experience. The results that the managerial experience did not have a significant moderating effect on the correlations, which are 1) favour and the source of resources, 2) perception to uncertainty and the source of procurement, and 3) favour and the market position were believed to be a coincidence due to the study sample, of which, the business executives who participated in this study were at the top five senior

managerial levels. It was considered that the more extensive managerial experience the job incumbents have the wider range of the guanxi network possess. As such, the commitment with both the vertical and the horizontal guanxi network might be different across various levels of managerial experience. This had resulted in that the six remaining tested correlations were significantly moderated by the managerial experience. Overall, managerial experience played a significant moderating role on certain guanxi operations.

A total of four major findings were observed through the examination of the moderating role of the educational level. First, educational level was found to be significantly linked to the exploration and development of a guanxi network. This had resulted in that the educational level had significant moderating effect on the relationship between opportunism and the source of resources. Second, educational level is considered to be connected with the knowledge horizon, which in turn, influences the interaction with the vertical and the horizontal guanxi network. Third, educational level was perceived irrelevant to trust. The logic is that people with high educational levels are not necessary trustworthy, as the pervasive fraudulences involved people from low to high educational levels. This phenomenon was reflected in that the educational level did not influence the relationship between trust and the market transaction. Last, educational level was predicted to be associated with the treatment and experience, which might lead to variation in the perception and expectation to the environmental uncertainty. This had resulted in that the educational level moderated the respective correlations between the expectation to uncertainty with the source of procurement and the market position. However, the results that the individual relationships amongst the perception to

uncertainty with the source of procurement and the market position were possibly due to the study business executives who are likely to have had certain educational levels. Generally, educational level significantly moderated certain guanxi commitments.

Generally, the demographic scales were found to be practical. Especially, the education background measure, which was set according to the Chinese education systems that were implemented and reformed since the founding of the People's Republic of China in 1949, were considered suitable for the contemporary Chinese. The overall responses to the four demographic scales and the three interval scales that were employed in this study were positive. The statements that were comprised in these seven instruments were found to be comprehended effortlessly although the three interval measurement instruments were somehow sensed to be a Chinese translation, which was probably caused by the cultural difference and deemed to be inescapable and understandable.

SUMMARY

Overall, the results of this study suggest the value of examining the model of the dynamics of the guanxi. This study investigated the interactions between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi network, and how the organizational properties and personal attributes moderate the investigated interactions. The findings indicate that certain facets of the guanxi construct

have strong influences on the application of both of the vertical and the horizontal network, whereas particular business strategic approaches have intense interactions with the vertical and the horizontal guanxi network. Also the organizational properties and personal attributes play significant moderating roles on a number of the tested correlations between the guanxi construct and the business strategy orientation and the vertical and the horizontal guanxi network. As such, these findings make several important contributions to research and practice in the guanxi domain. The theoretical and practical implications of the results as well as suggestions for future research will be deliberated in the final chapter, Chapter Six.

In this chapter, an overview of the present study was provided. Particularly, the salient feature of the research data was documented. In addition, comprehensive assessments of the results of the interactions between the guanxi construct with the vertical and the horizontal guanxi network were provided. Moreover, lengthy discussions of the findings of the correlations amongst the business strategy orientation and the vertical and the horizontal guanxi network were offered. Furthermore, in depth elucidations of the outcomes of the moderating affects that the organizational properties and personal attributes had on the tested relationships between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi network were discussed. Finally, an outline of the major findings was summarized. The following chapter, Chapter Six, will present a concluding commentary to this study with the objective of indicating the direction for future research.

CHAPTER SIX

CONCLUSION

With China emerging as a world economy, there is a corresponding interest in guanxi, believed by both foreign managers and local Chinese leaders to be critical for business success in this context.

Li et al. (2000, p.225)

This final chapter will present, in five stages, a review of the special features of the investigation and suggestions for further theoretical and empirical development. First, a brief description of the distinctive characteristics of the project is provided. Second, a delineation of the salient observation of the study will be presented. Third, the limitations and potential of the research will be indicated. Fourth, the theoretical and the practical implication of the results are elucidated through extensive reference to the contribution of the many executives of the focus groups. Lastly, suggestions for future research are offered. This study is believed to make a modest, but unique contribution to advance the current theoretical and practical knowledge of the guanxi construct, the guanxi network and the business strategy orientation in a Chinese business context.

OVERVIEW

A cross cultural research was conducted in six large coastal and inland cities of the five mainland Chinese provinces of Guangdong, Fujian, Yunnan, Anhui and Liaoning. These six study cities were purposely selected across the ‘early’ to ‘late’ open economic regions, which are geographically dispersed from southeastern, southwestern northeastern, and southern China. This investigation was undertaken with 1033 business executives who were positioned at the top five senior managerial levels of 480 Chinese organizations amongst four major industrial fields, which were located in the six study cities of Guangzhou, Foshan, Xiamen, Kunming, Hefei and Dalian. Despite extensive research endeavour that has been invested in the Chinese cultural phenomenon of guanxi, study that was implemented across a number of industrial sectors and regional locations in the research domain of guanxi remains scarce. Arguably, this study is the first project of its kind that was undertaken to investigate the dynamics of guanxi across four industrial fields in six regional locations of mainland China.

This was a complex research that involved ten characteristic processes with specific investigation technique. The first process involved extensive interviews with eight prominent indigenous Chinese business people for the generation of the instrument for assessing the business strategy orientation in Chinese organizations. Next, the items of the instrument were translated and back translated (English to Mandarin to English) by 12 professional translators. In the third process the empirical examination to the

instrument was undertaken with 202 Chinese business managers from seven cities. The fourth process was an in depth qualitative analyses through four feedback sessions with 16 successful Chinese business people in mainland China. During this process, the inaugural 19 item instrument was then refined and extended to a 24 item scale. The fifth process was the second empirical study, which involved 76 experienced Chinese managers, to investigate the extended 24 item scale. In the sixth phase further amendments and purifications were made to the refined instrument and other adapted scales that were to be employed in the recent study. This action was undertaken with 22 successful Chinese business people in five focus group meetings. In the seventh process a pilot study was conducted in Dalian city involving 151 prominent Chinese business executives from 46 Chinese organizations. The results of the pilot study were then qualitatively analyzed with 24 business people in the same city. This was the eighth process of the study. The data of the pilot study were subsequently used in the main study. The ninth process was the main study of this research, which involved 1033 Chinese senior business executives in six large cities. This was followed by comprehensive qualitative assessments engaging 90 business executives in 20 focus group meetings from the six research sites as the final analytical process. These ten distinctive processes involved a total of 1369 Chinese business executives, of whom, 136 participated in the qualitative focus sections.

Broadly, the study investigated the dynamics of guanxi in the business context under China's economic transition. The investigation was undertaken by evaluating first, the interactions between the guanxi construct and the business strategy orientation with the

vertical and the horizontal guanxi network, and then second, the moderating effects that the study organizational properties and personal attributes have on the postulated interactions of the conceptual model. Observably, there has, so far been, limited empirical evidence reported on how these identified relationships are operationalized in the existing literature. As a result, this investigation has become the first of its kind to make theoretical and practical contributions to this research area.

The results of this study have theoretical and practical implications for the Chinese business engagements. For instance, the results obtained could be incorporated into the business strategic implementation, especially in business development towards relationship marketing in a guanxi based Chinese business environment. Such an endeavour was only possible because the research model had included a selection of theories that had been previously examined in isolation. A salient theoretical constituent of the study is to evaluate Western based theoretical notions in a non Western context; such endeavour was achieved by developing a seven point Likert scale instrument for assessing the business strategy orientation in the study Chinese organizations. This newly developed instrument is likely to facilitate practical contribution to the development of an universal scale. Hence, this fresh approach to investigate a model of the dynamics of guanxi allowed for a better integration of theories and practices.

This research also gave opportunity to employ particular types of advanced statistical tests that entailed a meshing of quantitative and qualitative investigation techniques. The quantitative evaluations were achieved by applying both of the exploratory and

confirmatory analytical methodologies, whereas the qualitative assessments were accomplished by numerous in depth focus group discussions involving more than one hundred Chinese business executives in the research cities. Such investigation techniques were based on the theory that caution must be exercised when conducting statistical analyses (Cronbach & Furby 1970; Roberts & Glick 1981). These techniques allowed for a more comprehensive insight of the study model, and most importantly, enabled the generalization of a conceptual perspective to conclude the findings of this research.

SALIENT OBSERVATIONS

This study investigated the dynamics of guanxi in the mainland Chinese business context by examining the complex interrelationships between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi network. Specifically, the impacts that the organizational properties and personal attributes have on the examined relationships were evaluated, simultaneously. The investigated model was developed after a thorough review of the literature related to guanxi and business management. Accordingly, a total of 119 hypotheses were generated and tested in this research. The results of this study demonstrated that 56 of the hypotheses were supported, whilst the other 63 hypotheses were not supported. Having systematically incorporated the finding from both quantitative and qualitative analytical processes, two salient observations have emerged from the course of this research.

The first salient observation relates to the interest of cross cultural study. In this study, the inaugural developed instrument for assessing the business strategy orientation in Chinese business organizations were generated from a Western business strategic framework (Aaker 1992; Porter 1980, 1985) in the English language. The Chinese Western questionnaire items were back translated by 12 qualified Chinese translators, who were the members of three mutually exclusive teams (English to Mandarin, Mandarin back to English). Each of the translators held membership in only one team. Similar action was also performed on the two adapted scales that were employed in the current survey. Such approach was to ascertain the 'reasonableness' of the translated statements, given that a perfect correspondence between the English version and the Chinese format is not possible. In summary, a literal translation of the words was undertaken, but the results of this study appeared to show that although a reasonable level to the correspondence between the original English and the Chinese translated scales was ensured, the Western notions might not have been entirely transmitted and conceptualized by the Chinese participants due to cultural differences. This phenomenon was not initially observed as the assessments of the quantitative analytical results from factor analyses and reliability assessments on particular subscales were quite reasonable. Later, when there was a lack of statistical support for a number of the hypotheses it became apparent that there might not have been a strong correspondence of notions and concepts between the two languages. This observation was then extensively discussed in the qualitative study sessions, which provided valuable comments that are particularly beneficial to cross cultural study analyses.

Through the qualitative study it was revealed that under the Chinese cultural point of view, the perceptions to the statements that were comprised in the three subscales of uncertainty, trust and preemptive move were somewhat disparate from the Western concept. The disparity of the perception is probably mainly attributed to the intricate communication between a high context Chinese culture with a low context Western culture. In a high context culture, meaning is determined from how a thing is said, rather than what is said. On the contrary, meaning is determined by what is said, rather than how a thing is said in the low context culture (Seng & Lim 2004). Indeed, the low context Western paradigms are probably difficult to be generalized to a Chinese high context environment, particularly under its ever changing economic reform (Wong & Chang 1999). Thus, the theme of the Western ideology is unlikely to be transmitted and assimilated into the Chinese mindsets completely over a set of questionnaires, and vice versa to the transmission of knowledge from a high context culture to a low context culture. According to the 'grapevine', the qualitative investigation technique is essential to capture information that was not attainable through the quantitative assessment and complement the quantitative result. Hence, an amalgamation of a quantitative and a qualitative investigation methodology is essential for cross cultural studies to attain a more comprehensive insight of the research problem.

An extended remark links to the theme of the sampling method when conducting research in an Asian context, particularly in mainland China. Chinese people are reluctant to answer questionnaires driven by the defense mechanism that was generated from many political conflicts. Specifically, ruled by the Confucian humanity codes of 'make use of

principle of the mean' and harmony, Chinese are disinclined to make discussions with people who are unfamiliar or a stranger who comes from a research consultancy. This Chinese traditional human value is unlikely to be supportive to the Western 'mail out' system for a reasonable response rate. Previous studies (e.g., Leung et al. 1995b; Leung et al. 1996; Wong & Leung 2001) have reported a fairly low response rate using a 'mail out' methodology in mainland China. Preferably, the guanxi ideology is practical in overcoming the deficiency of the cultural difference in conducting cross cultural study in China. More importantly, guanxi relationship plays a significant role in attaining genuine and liberated comments in qualitative analytical meetings. Although the application of the guanxi ideology does not ensure complete randomness of the data collected, it eliminates the bias in results that usually occurs due to lower than expected response rate. Arguably, the guanxi approach has the potential to capture open comments into the research matters through the qualitative discussions.

The second salient observation is concerning the global mindsets of Chinese individuals. The quantitative analytical results on T test and ANOVA of this study demonstrated that there was a high degree of convergence among all the examined variables of the conceptual model between the demographic elements and structural properties. The strong consensus in the results probably suggests that the global environment has reshaped the quality and mindset of Chinese people. Over the last three decades, Chinese business environment has been undergoing dramatic changes under the economic transition, which has been conceptualized as a triple process of decentralization, marketization, and globalization (Wei 2000). Specifically, the growing pressure of

globalization has been intensely influenced the Chinese marketing system and Chinese business people since China entered into the WTO in late 2001. The globalization impact has reformed Chinese market from a low quality products exporter to producing sophisticated high technology products (Dayal-Gulati & Lee 2004). Perhaps, the globalization force has restructured the viewpoint of Chinese business executives and this has resulted in the substantial consensus in conceptualizing the theories of the present study. This finding is valuable, as it indicates that the global winners are now inextricably enmeshed into patterns of behaviour, and China is considered as the new engine of the global economic growth (Dayal-Gulati & Lee 2004). Having provided the salient observations of this research, a delineation of the limitation and the potential of this research are presented, next.

LIMITATION AND POTENTIAL OF THE RESEARCH

The findings and conclusions drawn from the results of this study should be interpreted with the following four limitations in mind. Firstly, as this study was cross sectional in design, causality among the variables cannot be determined, but inferences can be made from the associations. The constraint of this study is related to the sample. Although this study sampled 1033 business executives at the top five senior managerial levels of 480 Chinese business organizations from four major industrial fields across six large regional cities, the limits on the generalizability of the results of this study within mainland China

need to be tested. In addition, due to the sensitivity of the research topic of guanxi and the lengthy process for official approval for conducting surveys in mainland China, this study adopted a convenience sampling method that endorsed a guanxi ideology. This data collection method does not ensure complete randomness though it is considered acceptable for studies with an exploratory purpose (Weiss 1994). Moreover, owing to the complexity of this research model, it may be necessary for the model to be tested with a larger and more diverse sample, perhaps other Chinese regions and industries with participants from various managerial levels. Thus, future researchers may wish to examine the model in other industrial domains across various sizes of newly developed or well developed economic regions in China. Such endeavours have great potential to advance understanding of the dynamics of guanxi in the business context.

A third limitation of this study lies in its selective examination of moderating variables. There may be other demographic elements and structural properties that affect the interactions between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi network. In addition, the examined moderating variables were unable to be tested with all the hypothesized relationships of the study model due to pragmatic restriction. Perhaps, the moderating variables have significant interaction effects on the unexamined correlations of the study model, which in turn, influence the dynamics of guanxi. The last restriction of the present study is that the analyses of moderating effects were limited to testing the significant interaction effects of the moderating roles, but the extent of difference of the moderating effect across the demographic elements and structure properties were not further evaluated due to certain

pragmatic constraints. Despite such shortcomings, the potential of this study more than compensated the constraints. These strong points are listed.

- 1) The study evaluated a wide spectrum to the dynamics of guanxi in the Chinese business context under its economic transition. This project is the first of its kind in the guanxi research domain to empirically investigate the relationships between the guanxi construct and the business strategy orientation with the respective vertical and the horizontal guanxi network, as well as the moderating effects that the organizational properties and personal attributes had on these hypothesized correlations. This enabled a comprehensive evaluation of the authority of the Chinese business practice, which was ruled by the emphasis of Chinese cultural value. Most meaningfully, the empirical examination of the individual vertical guanxi network and the horizontal guanxi network allowed for a less ambiguous insight of the ‘rules of the game’ in the Chinese marketplace.

- 2) A prominent feature of this study was that the research is the first of its kind to be undertaken in six large coastal and inland cities across the ‘early’ to ‘late’ open economic regions in southeastern, southwestern, northeastern to southern mainland China. This enhanced the study sample to be geographically representative to a certain extent. Most valuably, the results of this study made the implications more practically relevant.

- 3) A crucial component of the study is that it was conducted with 1033 business executives who were at the top five senior managerial levels of 480 Chinese business organizations across the four major industrial domains. This was the result of the initiative of this study to yield a better insight of the dynamics of guanxi from the senior professional managers. Few previous studies have been undertaken with such a large number of business executives from the top five senior managerial levels across several Chinese industrial fields and regions.
- 4) The response rate of 78.67 percent was relatively high and consistent across the study sites. This avoids the non response bias in results. In particular, this reflects the importance of the phenomenon of guanxi and the techniques to encourage respondent participation rates. It is believed that a traditional 'mail out' system in mainland China is unlikely to capture data from a reasonable number of respondents. It is noticeable that earlier studies in the same research field that had a response rate of higher than 30 percent remain scarce (e.g., Leung et al. 1995b; Leung et al. 1996; Wong & Leung 2001).
- 5) The newly developed instrument, which involved two empirical studies engaging 314 Chinese professional managers from seven large cities, for assessing the business strategy orientation in Chinese business organizations, was successful. The scale was found to have good validities and reliabilities. Most prominently, this scale lays a crucial basis for future research in the guanxi domain.

- 6) The choice of instruments was unique. The modified subscales were found to be practical. The application of old and new instruments allowed the examination of the relevance of the scales in the contemporary Chinese business marketplace, particularly under its fast moving economic transition.

- 7) An integrated number of statistical analyses were employed to evaluate the data. The demographic data and descriptive statistics were examined first. This was followed by exploratory factor analysis and reliability analysis to evaluate the psychometric properties of the instruments. Next, correlation analysis was applied to evaluate the hypothesized bivariate correlations of the conceptual model. Path analysis was then utilized to test the hypotheses postulated in Chapter Two. In addition, regression analysis was used to further examine the hypothesized relationships of the conceptual model. Moreover, the hierarchical multiple regression analysis was undertaken to determine the moderating effects that the study organizational properties and personal attributes have on the hypothesized relationships between the dependent variables and independent variables of the study model. Furthermore, the analyses of T-test and ANOVA were used to assess the extent of difference in the demographic elements and structure properties. The application of multiple statistical tools has enhanced the confidence in interpreting the results.

- 8) The qualitative study that involved 90 business executives in 20 focus group meetings offered two main benefits. First, the follow up study encouraged

business executives to share their guanxi secrets, which was not usually discussed openly, and allowed the researcher to capture information that was not obtained through the survey. Second, the extensive qualitative information acquired from the focus group meetings was complementary to the quantitative information yielded from the survey, and consequently applied for the interpretation and discussion of results. Most significantly, the qualitative study was a result of the application of the extensive business guanxi network that the researcher has developed over some ten years business practice in mainland China. Without guanxi, it is believed that business executives would be reluctant to confer their business strategy orientation and the informal way of doing business in China with strangers who would not be regarded as insiders.

IMPLICATIONS

In spite of the limitations, the results of this study have several theoretical and practical implications. This study offers several theoretical contributions as the research makes a unique contribution to the literature that are in the study areas of guanxi, guanxi network, business strategy orientation and Chinese relationship marketing. In addition to the theoretical contributions, this study also provides practical implications, which was generated from the investigation of the perception of 1033 mainland Chinese senior business executives of their engagements with the vertical and the horizontal guanxi

network. In particular, this research specifically offers certain insights into the ways in which overseas business executives could facilitate their cross cultural business engagements in contemporary Chinese business environment. However, due to certain constraints, which have been discussed in the previous section on 'Limitation and Potential of the Research', the findings are not intended to be generalized across all the industries and regions in mainland China. The deductions are elucidated in the following two sub sections, begins with theoretical implications.

THEORETICAL IMPLICATIONS

The results of the current study provide additional support for the use of an adapted scale for measuring the guanxi construct. Wong and Leung (2001) developed an instrument to measure the incentives of the guanxi practice of overseas Chinese business executives who were involved in joint venture businesses in mainland China. There seems to have been a lacking of proper instruments for guanxi research (Wong & Leung 2001). The instrument of the guanxi construct is possibly one of the few guanxi instruments in the guanxi study domain, and it appears that this instrument has so far not been tested by other guanxi related studies. The present study adapted the scale for assessing the business executives in other industrial fields. Acceptable psychometric properties were obtained for most of the adapted subscales, providing support for the viability of the instrument in measuring the construct of guanxi. Nevertheless, cautions must be given to the use of the subscales of uncertainty and trust, in which certain statements were not attributed due to irrelevance. Detailed discussions about the problem of unrelated statements in these two subscales are reported in page 240 and page 322 of Chapter Five.

Further researchers may wish to employ the guanxi construct to study the inducement of the guanxi practice by modifying the subscales of uncertainty and trust.

Another theoretical contribution of this study is in the area of the business strategy orientation. Although the interaction between the business strategy orientation and the guanxi network has gradually received attention (Luo & Chen 1997; Luo 2000; Park & Luo 2001; Wong 1998b, 1998c), there has been little reported empirical research on the topic. The lack of the empirical evaluation in this study domain has become evident that there were no standard instruments that can be adapted or modified for a new appropriate instrument to assess the study model. In order to make the study model assessable, this study has successfully developed an instrument to evaluate the business strategy orientation in Chinese business organizations. This newly developed instrument was found to be valid and reliable in the Chinese business context. As such, this study adds the knowledge literature in investigating the business strategy orientation in the Chinese business organizations. Further replication of studies has great potential in enhancing the understanding of the Chinese business strategy orientation.

The results of this study are significant because they empirically extend the current available research on the study of the vertical and the horizontal guanxi network. The guanxi network instrument used in this study was adapted from a scale of the guanxi network scale, which was developed by Davies et al. (1995). Despite the availability of the Davies et al. (1995) scale, which was designed to evaluate the importance of the guanxi in the business negotiation process in China with executive managers of overseas

or Hong Kong import/export companies that were involved in China joint venture businesses, it was deemed that the original scale was inappropriate for the present study. Elsewhere it has been observed that the guanxi network should be appraised on separate vertical and the horizontal dimensions (Luo & Chen 1996). As a result, this study has refined and extended the items of the original guanxi network scale to make the instrument more applicable for local contemporary Chinese organizations in the four investigated industrial domains across six regional locations. Satisfactory psychometric properties were attained for the modified scale, which was found to have acceptable internal consistencies. This finding provides added assurance for future researchers to further study in the area of the vertical and the horizontal guanxi network. However, future researchers may need to be aware of the qualitative comments on the subscale of source of resources. These comments were reported on page 322 of Chapter Five.

Additional theoretical implication may lie in the general preference of measurement instruments in mainland China. It was observed from the qualitative study meetings that Chinese people mostly prefer a five point Likert scale instead of seven point Likert scale. The notion of this concern was mainly caused by the Chinese language, as the Chinese translations for 'somewhat disagree' and 'somewhat agree' means 'not completely disagree' and 'not completely agree', which should be placed at the lower level of 'disagree' and 'agree'. In other words, the wordings of the seven point Likert scale in a Chinese mindset would be positioned as 'strongly disagree, disagree, somewhat disagree, neither disagree nor agree, somewhat agreed, agree, strongly agree'. In such contexts, respondents may find difficulty in choosing a proper answer, as the scale orders are

confused in classification. Further attention that also needs to be drawn is that Chinese people do not like reverse statement, because it is fairly easy to overlook the negative wording that is typically the core meaning of the reverse statements. In particular, two sentence statements are preferable than single sentence statements, as one sentence statements are similar to the political slogans, which remind people of the era of Mao, Zedong. These theoretical suggestions are valuable for future studies to avoid ambiguous or incorrect responses that have a significant impact on the empirical findings.

PRACTICAL IMPLICATIONS

This study has several practical implications. First, it extends the understanding on the strategic interactions between the guanxi construct and the business strategy orientation with the vertical and the horizontal guanxi network by extending the anecdotal evidence to empirically investigate the dynamics of guanxi in the business context. The results of this study imply that the facets of the guanxi construct and the business strategy orientation had significant interaction with at least one of the facets of the vertical and the horizontal guanxi network. These results suggest that guanxi will continue to play an active and significant role in the business task environment. Amongst the investigated interactions, the facets of favour and adaptation of the guanxi construct were significantly associated with all the facets of the vertical and the horizontal guanxi network. This phenomenon indicates that the importance of the rule of renqing (favour) and adaptability in attaining support from the vertical and the horizontal guanxi network. Thus, an implication for foreign business people who want to navigate Chinese business ventures is to be prepared to accept the rule of renqing (favour) and foster durable adaptability to

deal with the complex operation of guanxi. The notion of the suggestion perhaps be best elucidated by a statement, which was made by Chen (1995) that an essential knowledge of the dynamics of guanxi is important to Western executives when conducting business in a relation based society, even though they may not have to follow the Chinese rules.

Another practical implication of this study would be the improvement of the transparency of the 'rules of the game'. Such improvement was observed from the non significant interactions between perception to uncertainty and expectation to uncertainty with the source of information, source of resources, market position and market transaction. Affirmation to the improvement was detected from the results that the strategies of differentiation with overall cost leadership and preemptive move had no significant interactions with the source of information. Indeed, this improvement was a result of the adjustments in relevant trading regulations and the transparency in information resources that were especially made by the Chinese government in accordance to the treaties of the WTO. It has also been the intention of the Chinese government to lower the trade and cultural barriers for foreign investors and formulate a market system where competence counts more than interpersonal relationships.

Although certain essential information resources, specifically the ultimate 'rules of the game' are still under the discretion of the Resource Allocators, and it might take decades to realize complete freedom for information resources (Seng & Lim 2004), overseas investors may rest assured that there is a positive indication that the Chinese market condition is gradually progressing towards formalization. However, given the practice of

guanxi is a deep rooted cultural phenomenon, it is impossible to be eradicated in a short period of time. Even though Hong Kong, Singapore and Taiwan, which have been modernized and globalized for several decades, the role of guanxi has not fundamentally changed. Whereas in China under the economic reform over the last three decades, guanxi practice has become implicit and widespread compared to the explicit action prior to 1970s (Chen 1995). As such, tolerance to the slow progress towards market formalization is, therefore, required.

An understanding of the complementary correlations between the vertical and the horizontal guanxi network has potential to facilitate business development in the Chinese marketplace. The results of this study show that the high mutual dependence in the horizontal guanxi network probably results in the less reliance on the vertical guanxi network for source of resources. Such phenomenon was observed from the result that dependence had a significant but negative relationship with the source of resource in the vertical guanxi network. A similar interaction was found from the non significant correlations between overall cost leadership on resources and the market position in the horizontal guanxi network. It was found that firms having strong support in source of resources from the vertical guanxi network are unlikely to rely on the horizontal guanxi to enhance market position, as the strong resources status might boost the market position through normal market channel. Such a pattern of guanxi cooperation implies that guanxi is under growing pressure from market formalization and globalization to change and adapt (Chen 1995). This implication is valuable, as it guides the way for effective marketing and business management in the Chinese business environment.

Another useful extension of the results of this study for Chinese business management is the impact that the organizational properties and personal attributes have on the guanxi interactions. When doing business in China it must be understood that different regions have different rules and their own interpretation for regulations; different industrial fields have dissimilar official procedures and criterions. To a certain extent, the divergence in the 'rules of the game' across regions and industrial fields influences the dynamics of guanxi. Further useful implication is that organizational history has diminished its significance in most of the guanxi operations and business dealings, because modern Chinese have become pragmatic and more focused on price, quality and service. This phenomenon has resulted in that some overseas organizations that are mainly based on the competitive advantage of long history has somehow losing their winning status in the Chinese marketplace. These findings are useful marketing hints for business practitioners so that they can be aware of the market leads when exploring their business ventures in China.

An important implication of this study involves the diminishing role of trust in the guanxi operation. Such phenomenon had resulted in the non significant association with the source of information and source of resources in the vertical guanxi network, as well as the market position and market transaction in the horizontal guanxi domain. These findings are fairly surprising, which imply that trust is losing its significance in the guanxi practice. As indicated by the members of the focus groups that trust is in danger in the contemporary Chinese business environment due to the prevailing commercial traps

and triangle business debts. As such, Chinese people have become practical and are disinclined to invest on trust. It is understandable that risk of various kinds might be high as China's economy is under a fast moving transition and lacks a strong infrastructure base. More often than not, the unexpected can catch those who are unprepared (Blackman 2000). Hence, it is advisable to business practitioners, and particularly Western executives to be cautious when dealing businesses in the Chinese marketplace.

In conclusion, the findings of this study may advance the guanxi literature and the guanxi network theory. Additional theoretical contribution of this study is to evaluate Western based theoretical notions in a non Western context. Moreover, the study's findings may provide business practitioners, particularly overseas investors with a set of information in relation to the dynamics of the cultural phenomenon of guanxi. Specifically, the results of this study could be incorporated into the formulation and implementation of business strategy, particularly in relationship marketing in a relation based society of China.

SUGGESTIONS FOR FUTURE RESEARCH

Several extensions of this study could make significant contribution to the knowledge about the way of Chinese relationship marketing and related business management. For instance, it is noteworthy for future researchers to examine the modern concept of guanxi, which is likely to become mature and less visible, and sophisticated along with the

ongoing development of the Chinese legal framework and infrastructure system (Vanhonacker 2004). Future researchers are encouraged to consider factors affecting the traditional Chinese culture value and modern Chinese cultural value (Destiny, the culture of China - old and new n.d.), as well as the contemporary types of mutual supportive or cooperative guanxi relationship between the vertical and the horizontal guanxi network (Yan 2005; Zhang 2007; Xiao 2006). Thus, there is ample opportunity for researchers to explore the dynamics of guanxi in the contemporary Chinese business environment under its continuing economic transition.

Although numerous studies have attempted to examine the theoretical constructs of guanxi (Buttery & Wong 1999; Hwang 1987; Hutchings & Murray 2003; Su & Littlefield 2001; Seng & Lim 2004; Wong 1998a; Wong & Leung 2001), there is a compelling need for research to further examine the concept of guanxi. Particularly, there is a fascinating opportunity to delve into the unique characteristics of the personal value, attribute and behaviour of modern Chinese people. Future researchers might continue to improve the quality of the measures into a contemporary context in accordance with the modern Chinese cultural value (Destiny: the culture of China – Chinese culture n.d.). For example, there is an avenue for improving the scale of the guanxi construct, which was developed by Wong and Leung (2001). Comparison across regional locations of China might be performed, and such an extension would be worthwhile to ascertain whether the finding can be replicated. More significantly, it would be insightful to evaluate the extent to which the guanxi model applies in other regional areas of mainland China. Such investigations have great potential in advancing the guanxi theory.

Another worthwhile challenge for future researchers is to refine the guanxi network measurement. There has been lacking of a proper instrument in the research domain of guanxi (Wong & Leung 2001). The instrument of guanxi network was developed by Davies et al. (1995), but this instrument may not be suitable for a contemporary Chinese context. Perhaps an empirical study into the bureaucratic requirements and relevant procedures as well as the present market condition in individual industrial fields has great capacity in shedding some light on this important instrument. Comparison of official requirements and procedures across industrial fields has the potential to make comprehensive investigation into the dynamics of guanxi in industrial fields. Practical knowledge that connects these gaps in the guanxi literature could potentially lay a foundation for future research on the newly explored complementary relationship between the vertical guanxi network and the horizontal guanxi network.

There are numerous avenues for further study into the impacts of demographic characteristics on the practice of guanxi. For instance, the use of organizational properties (e.g., administrative hierarchy, business scale, technology capacity) and personal attributes (e.g., age, gender, tenure, industrial experience) might provide meaningful perspectives for understanding how organizational and individual similarities and differences influence the operation of guanxi. Such comparisons have the potential to allow a greater depth of inspection into the dynamics of guanxi, as the ultimate manipulation of guanxi potential is mainly affected by the organizational properties and personal attributes (Chan et al. 2002; Gold et al. 2002; Luo 2000; Nee & Cao 2005; Park

& Luo 2001; Yeung & Tung 1996). Hence, an assessment of the practice of guanxi homogeneity/heterogeneity across organizational and individual characteristics is likely to benefit business practitioners in management of relationship marketing in China.

A particular interesting extension is to investigate the fluidity of business strategy in Chinese organizations. In the transitional economic marketplace of China, which is relatively lacking in thorough regulations, business strategy might fluctuate frequently to react to change instantaneously according to fast moving events and situations (Luo & Chen 1997). The newly developed instrument for assessing the business strategy orientation in this study was undertaken in limited Chinese industrial sectors mainly in cities located in southern, northern and central parts of China, a further study could enrich the investigation by testing this newly developed scale in various business sectors and within a wider spectrum in other regional locations of China. Such endeavour has the potential to gain a better understanding of the generalizability of the instrument. Furthermore, future researchers might also compare the business strategy orientation and its fluidity between regions and between Chinese private businesses and state owned businesses. Additional effort is required in this area. With a better comprehension of the implications of these theoretical perspectives, business practitioners and Western executives would have a comprehensive insight of the dynamics of guanxi.

It is important to note that the findings reported in this dissertation are provisional and suggestive, not definitive. Investigation to the modern concept of guanxi and the contemporary types of guanxi relationship between the vertical guanxi network and the

horizontal guanxi network is a contingent requirement for future studies. With China's accession into the WTO and under the increasing pressure of globalization, the 'rules of the game' has gradually become less ambiguous. However, based on the results of this study, the role of guanxi still remains an integral part of Chinese business practice. Arguably, the cultural phenomenon of guanxi, with its unique code of ethics, will always be an ingredient of doing business in the Chinese marketplace (Vanhonacker 2004). Hence, there is an imperative need for the current study to be extended by rigorous research that further refines the theories, measures and designs in the study areas of guanxi, Chinese relationship marketing, and related Asian business management.

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Appendix 1

A Summary of Definition of Guanxi

Definition of Guanxi Identified in Selected Guanxi Literature (1-3)

Study	Theme	Definition/Interpretation
Jacobs 1978, P.239	Relating ties	Relating to ties based on common attributes.
Gold et al.1985, P.660	Power relationship	Use if one's control over valued or hard to come by goods and services, or similarly, access to it so as to benefit the power it gives.
Hwang 1987, p.948	Reciprocal exchange	Reciprocal exchange between two people; behavior of petitioner and psychological process of Resource Allocator.
Brunner et al. 1989, p.8.p.9	More than connection Reciprocal obligation, person's network of connections	...guanxi, literally translated as "connection" but it has a far deeper meaning. This relationship is not an impersonal one, but necessitates dealing with people warmly and involves a reciprocal obligation, which is the essential feature of a guanxi. It is the currency for getting things done and getting ahead in China and it is cultivated with subtlety, creativity, posturing, and involves a person's network of connections.
Bian 1994, P.994	Social power	Guanxi is a social power which helps to overcome difficulties that personal power may not.
Ambler 1995, p.27	Social relationship Value-laden relationship	Guanxi transcends business relationships to encompass all social relationships. It is the Chinese way of conducting business rooted in a collectivist Chinese society. Guan originally meant a door, and its extended meaning is "to close up". ...The word is used as part of a geographic name to mean a pass through mountains, for example-and from that to organizations such as the Customs ... Xi means to tie up and extends into relationships, such as kinship (Shi Xi). It implies formalization and hierarchy. The kernel of guanxi is doing business through value-laden relationships.
Davies et al. 1995, P.210	Personal relationship, social relationship, and social status	...guanxi relates to personal, not corporate, relations and that the exchanges which take place amongst members of the guanxi network are not solely commercial, but also social, involving the exchange of favor ("renging") and giving of face ("mianzi") or social status.

Appendix 1 Continued

Definition of Guanxi Identified in Selected Guanxi Literature (2-3)

Study	Theme	Definition/Interpretation
Xin and Pearce 1996, p.1641-1642	Special interpersonal relationship, connection, and informal networking	...a special interpersonal relationship, a connection, informal networking.
Yeung and Tung 1996, p.55	Connection and relationship	In Chinese, guanxi is a general term for social networking and is often translated as “relationship” or “connection”. The two Chinese characters that make up the term mean a “gate/pass” or “connection. Thus, guanxi refers to the establishment of a connection between two independent individuals to enable a bilateral flow of personal or social transaction.
Yan 1996, p.3	Personal relationship	...a strategically construction network of personal connections selected from the body of all personal relations.
Leung et al. 1996, p.749	Personal interaction, networking and connection	The word “Guanxi” is loosely translated into “special relationship” or “connections”. In a typical Chinese context, guanxi goes beyond than connection. It necessitates very personal interactions with other people and always involves a reciprocal obligation. Guanxi is developed with ingenuity, creativity, supplementing by flexibility. It is cultivated through a person’s network of connection.
Luo 1997, p.14	Personal relations	The Chinese word guanxi refers to the concept of drawing on connections in order to secure favors in personal relations. It is a intricate mutual obligation, assurance and understanding, and governs Chinese attitudes towards long-term social and business relationships.
Tsui and Farth 1997, p.59	Interpersonal relationship	... the term guanxi in the Chinese language is very loose. It takes on multiple meanings. The common thread across the definition is that these all refer to a certain type of interpersonal relationship, one that is personal and built on particularistic criteria.
Peng 1997. p.449	Relationship	... is a relationship between two people or organizations containing implicit mutual obligation, assurance, and understanding governing Chinese attitudes towards long-term social and business relationships.

Appendix 1 Continued

Definition of Guanxi Identified in Selected Guanxi Literature (3-3)

Study	Theme	Definition/Interpretation
Chang 1998, p.44	Connections and networks	...personal relationship-guanxi-relative to arm's length transactions
Tsang 1998, p.65	Reciprocal obligation	... guanxi is something more than a pure interpersonal relationship; it is a reciprocal obligation to respond to requests for assistance.
Li and Wright 2000, p.370	Social relationship	Guanxi ... a Chinese word for intricate and pervasive networks of social relationships.
Hackley and Dong 2001, p.17	Connection, networking, special interpersonal relationship, social power and status Social connection and reciprocal relationship	Although guanxi can be loosely translated into "connection", "social networking" or "special interpersonal relationship", the Chinese word also carries the meaning of power, social status and resource transmission. Guanxi is a special kind of social connection linking two individuals to enable a social interaction and exchange. There is a reciprocal relationship in guanxi development.
Chatterjee 2001, P.26	Relationship	The Chinese word of guanxi consists of guan and xi. Guan, which literally means relationship or connection, refers also to doing someone a favour. Xi, on the other hand, means to tie up and extend into relationship. It can be used to refer to maintaining long-term relationships.
Fan 2002a, p. 371	Special relationship, personal interactions or social connections	... guanxi is a kind of special relationship, ...as single process, guanxi refers to the personal interactions between two individuals, ... as multiple processes, refers to a network social connections"
Su et al. 2003, p.304	Interpersonal relationship	...guanxi is rooted in a culture characterized by interdependence and reciprocity. People exchange favors to develop extensive networks of interpersonal relationships to share scarce resources and cope with uncertainties.
Su et al. 2007, p. 309	Social networking	Guanxi in China is a concept related to social networking. From a business perspective, guanxi refers to a coalition of resources in which business parties share scarce resources to enhance business performance.

THE DYNAMICS OF GUANXI IN THE BUSINESS APPENDIX 2
CONTEXT UNDER CHINA'S ECONOMIC TRANSITION

Ph D SURVEY QUESTIONNAIRE

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BY

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This survey questionnaire has been designed for a doctoral study. The main purpose of the research project is to explore the dynamics of guanxi in a business context under China's economic transition. This survey questionnaire is estimated to take approximately 15-20 minutes to complete and your kind assistance is highly appreciated.

This research is the first project of its kind to be undertaken within four major industrial fields across six early to late open economic regions in five large provinces in China. The results yielded from this research would be valuable for Overseas Investors and Western Multinational Companies in conducting and managing their businesses in China.

The survey questionnaire is to be answered by shareholders or managerial staff at the five senior levels of the organizations. A copy of the executive summary reporting the findings obtained in the study and relevant analytical result would be made available to any participant interested.

The Ethics Committee at Curtin University of Technology has approved the research and the survey questionnaire. According to the University Policy of Curtin University of Technology, the responses yielded from participants are to be kept confidential and the results are to be reported in aggregate. No individual participants or organizations will be identified. At any time during the participation of this survey you are at liberty to withdraw without record of your name.

Thank you in anticipation for your assistance in this project.

NOTE: No part of this questionnaire may be reproduced without the express consent of the doctoral student Katherine Su Nie.

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Location of your company/organization: City _____ Province _____

Section 2: Business Strategy Orientation:

Using the scale illustrated below, please circle the scale number on each of the following 12 statements to indicate your agreement or disagreement.

Strongly disagree	Somewhat disagree	Disagree	Neither disagree nor agree	Agree	Somewhat agree	Strongly agree
1	2	3	4	5	6	7

4	e.g., Our organization's major concern is to use our budget effectively	1 2 3 4 5 6 7
---	---	---------------

1	Our organization focuses on a small buyer group in one part of the market.	1 2 3 4 5 6 7
2	To keep up with the market trend, our organization endeavours to introduce new products/new service to the market.	1 2 3 4 5 6 7
3	Our organizational goal is to do our best for both small and large business dealings.	1 2 3 4 5 6 7
4	One of our organization's major concerns is to use our budget effectively.	1 2 3 4 5 6 7
5	Our organization survives (and so gives satisfactory quality) by being a low cost producer.	1 2 3 4 5 6 7
6	Usually, our organization is only interested in large volume business dealings.	1 2 3 4 5 6 7
7	To use our funding wisely and effectively is one of the main strategies in our organization.	1 2 3 4 5 6 7
8	Our organizational goal is to obtain premium/over-valued prices for the supremacy of our unique and new products/services.	1 2 3 4 5 6 7
9	In our organization, we focus on a restricted portion or type of product line in one part of the market.	1 2 3 4 5 6 7
10	In our organization we are prudent about the use of our budget and resources.	1 2 3 4 5 6 7
11	Low price and keep standard quality is one of our organizational goals.	1 2 3 4 5 6 7
12	In our organization, we target both small and large volume business dealings.	1 2 3 4 5 6 7

Section 2: Business Strategy Orientation Continued:

Using the scale illustrated below, please circle the scale number on each of the following 12 statements to indicate your agreement or disagreement.

Strongly disagree	Somewhat disagree	Disagree	Neither disagree nor agree	Agree	Somewhat agree	Strongly agree
1	2	3	4	5	6	7

16	e.g., Thrift is the surviving tool of our organization	1 2 3 4 5 6 7
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13	In our organization, we only focus to serve the unusual needs of a small group of buyers.	1 2 3 4 5 6 7
14	Our organization always quickly responds to the signals of market opportunities and reacts promptly.	1 2 3 4 5 6 7
15	Usually, our organization is not highly selective to the volume of business dealings.	1 2 3 4 5 6 7
16	Thrift is the surviving tool of our organization.	1 2 3 4 5 6 7
17	Our organization is more likely to invest in projects with high certainty of good income but without high- risk.	1 2 3 4 5 6 7
18	Our organization endeavours to develop a market position through a quality and low cost strategy.	1 2 3 4 5 6 7
19	Our organization has a variety of products to meet wide range of consumer need, we always endeavour to build an image of supremacy like a crane standing above chickens for our key products/services.	1 2 3 4 5 6 7
20	The target of our organization is to develop a trademark reputation of superiority for our core products/services while we have a product/service range to serve different consumption levels of consumers.	1 2 3 4 5 6 7
21	The main strategy of our organization is to have a competitive cost advantage over rivals providing the assurance of quality.	1 2 3 4 5 6 7
22	In our organization, we serve diverse buyer groups with different level of consumption power, and our fist products/services possess an image and position of standing head and shoulders above others in the market.	1 2 3 4 5 6 7
23	Our organization does not attempt to compete across the entire market, our target mainly focuses on certain buyer groups with special needs.	1 2 3 4 5 6 7
24	Our organization supplies a range of products/services to meet the needs at different level of consumption, we always endeavour to	1 2 3 4 5 6 7

	develop a trademark image of preeminence for our chief products and services.	
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Section 3: Guanxi Construct

Using the scale illustrated below, please circle the scale number on each of the following 16 statements to indicate your agreement or disagreement.

Strongly disagree	Somewhat disagree	Disagree	Neither disagree nor agree	Agree	Somewhat agree	Strongly agree
1	2	3	4	5	6	7

3	e.g., The strategy of “the golden cricket sheds its shell” is rather useful	1 2 3 4 5 6 7
---	---	---------------

1	The reason why birds of a feather flock together is correct	1 2 3 4 5 6 7
2	As the saying goes: opportunity must not be lost; time cannot turn around, so it is essential to grasp chance.	1 2 3 4 5 6 7
3	The strategy of “the golden cricket sheds its shell” is rather useful.	1 2 3 4 5 6 7
4	Patience is a must in making money.	1 2 3 4 5 6 7
5	It is difficult to enter into China market if you do not have connections there.	1 2 3 4 5 6 7
6	Don’t suspect your coordinator, If you suspect them, don’t deal with them.	1 2 3 4 5 6 7
7	The rules in our market are not clear and it is not easy to adapt.	1 2 3 4 5 6 7
8	The statement of “to pay back favour is more urgent than debts” is true.	1 2 3 4 5 6 7
9	Our market system is still problematic and improvement is required.	1 2 3 4 5 6 7
10	Occasionally, to make concessions with your business connections/partners are necessary.	1 2 3 4 5 6 7
11	Be well prepared to seize favourable opportunities is a good business strategy.	1 2 3 4 5 6 7
12	Basically, we can reach consensus on the major issue with our business connections/partners.	1 2 3 4 5 6 7
13	In business world, the statement “Attack when near, befriend when distant” is very useful.	1 2 3 4 5 6 7
14	The saying that to encourage others to owe you a favour in order to ask for a favour back when you need it in future is not unreasonable.	1 2 3 4 5 6 7
15	In our market, we still lack an integrated business network, and it needs further improvement.	1 2 3 4 5 6 7
16	In business context, the rationale of avoiding direct	1 2 3 4 5 6 7

	confrontation if your opponent is strong and secure in all the areas is correct.	
--	--	--

Section 3: Guanxi Construct continued

Using the scale illustrated below, please circle the scale number on each of the following 11 statements to indicate your agreement or disagreement.

Strongly disagree	Somewhat disagree	Disagree	Neither disagree nor agree	Agree	Somewhat agree	Strongly agree
1	2	3	4	5	6	7

19	e.g., In the business world, brotherliness is one of the practical way of promoting useful relations	1 2 3 4 5 6 7
----	--	---------------

17	Overall, our business connections/partners and us are mutually beneficial and complement with each other.	1 2 3 4 5 6 7
18	The strategy that when your opponent is inactive, give him no rest is correct.	1 2 3 4 5 6 7
19	In the business world, brotherliness is one of the practical ways to promote useful relations.	1 2 3 4 5 6 7
20	Essentially, our business connections/partners can understand with each other the ways of doing business.	1 2 3 4 5 6 7
21	In essence, our business connection/partners and we are willing to share market information with each other.	1 2 3 4 5 6 7
22	In general, our business connections/partners and us are willing to share market feedback.	1 2 3 4 5 6 7
23	Usually, the adaptation made between our business connections/partners and us is regarding technical features.	1 2 3 4 5 6 7
24	Try to make use of the principle of the mean is reasonable	1 2 3 4 5 6 7
25	Usually, the adaptation made between our business connections/partners and us is regarding production capacity.	1 2 3 4 5 6 7
26	Generally, our business connections/partners and us are mutually cooperating well with each other and establishing a good business network.	1 2 3 4 5 6 7
27	Usually, the adaptation made between our business connections/partners and us is regarding production schedules.	1 2 3 4 5 6 7

Section 4: Guanxi Network

Using the scale illustrated below, please circle the scale number on each of the following 20 statements to indicate your agreement or disagreement.

Strongly disagree	Somewhat disagree	Disagree	Neither disagree nor agree	Agree	Somewhat agree	Strongly agree
1	2	3	4	5	6	7

9	e.g., Reduce market risk to enhance the chance of success	1 2 3 4 5 6 7
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Guanxi helps our organization to:

1	Enhance our business introduction.	1 2 3 4 5 6 7
2	Secure limited utility supplies.	1 2 3 4 5 6 7
3	Enhance business negotiation.	1 2 3 4 5 6 7
4	Secure site usage as desired.	1 2 3 4 5 6 7
5	Locate sales channels to enhance business development.	1 2 3 4 5 6 7
6	Solve certain complicated bureaucratic procedures.	1 2 3 4 5 6 7
7	Secure well sought after raw materials.	1 2 3 4 5 6 7
8	Smooth logistics.	1 2 3 4 5 6 7
9	Reduce market risk to enhance the chance of success.	1 2 3 4 5 6 7
10	Speed up cash flow.	1 2 3 4 5 6 7
11	Obtain approvals from regulatory authorities.	1 2 3 4 5 6 7
12	Simplify complicate business process	1 2 3 4 5 6 7
13	Acquire information about upcoming changes of policy.	1 2 3 4 5 6 7
14	Enhance market competition positioning.	1 2 3 4 5 6 7
15	Acquire relevant trading regulation and restriction.	1 2 3 4 5 6 7
16	Speed up the process with relevant regulatory authorities.	1 2 3 4 5 6 7
17	Acquire economic trend for business opportunity lead.	1 2 3 4 5 6 7
18	Obtain required registration license/permit from relevant regulatory authorities.	1 2 3 4 5 6 7
19	Acquire information about new market trends.	1 2 3 4 5 6 7
20	Acquire bank loan with better interest rate and conditions.	1 2 3 4 5 6 7

Thank you very much for your participation and your precious time.

APPENDIX 3

TABLE 29

**Mean, Standard Deviation and Means Comparisons Across Employment Status
for the Variables of Guanxi Construct, Business Strategy
Orientation and Guanxi Network (N=1033)**

Category	Employer (1) N=399	Employee (2) N=634	Mean contrasts p<.05
Favor	4.80(.84)	4.71(.70)	n.s.
Opportunism	4.97(.75)	4.92(.79)	n.s.
Trust	5.28(.74)	5.30(.79)	n.s.
Perception to uncertainty	4.90(1.03)	4.78(.96)	n.s.
Expectation to uncertainty	5.19(.85)	5.22(.88)	n.s.
Dependence	5.17(.72)	5.04(.73)	1<2**
Adaptation	4.77(.92)	4.69(.85)	n.s.
Overall cost leadership on resources	5.29(.81)	5.23(.86)	n.s.
Overall cost leadership on sales volume	5.32(.91)	5.21(.92)	n.s.
Overall cost leadership on quality	5.16(.84)	5.14(.85)	n.s.
Differentiation with overall cost leadership	5.21(.86)	5.23(.91)	n.s.
Focus	3.67(1.25)	3.69(1.15)	n.s.
Preemptive move	5.00(.74)	4.90(.72)	1>2*
Source of information	5.34(.78)	5.20(.80)	1>2**
Source of resources	5.27(.78)	5.21(.84)	n.s.
Source of procurement	5.12(.77)	5.11(.80)	n.s.
Market position	5.41(.89)	5.39(.88)	n.s.
Market transaction	5.23(.92)	.18(1.01)	n.s.

Notes: a. The values in parentheses are standard deviations of the means.

b. N= number of respondents

c. p<.05, n.s.= non significantly different.

TABLE 30

**Mean, Standard Deviation and Means Comparisons Across Status of
Organizational Ownership for the Variables of Guanxi Construct,
Business Strategy Orientation and Guanxi Network (N=1033)**

Category Variables	Privately-owned (1) N=834	State-owned (2) N=199	Mean contrasts p<.05
Favor	4.96(.75)	4.67(.80)	n.s.
Opportunism	4.99(.74)	4.74(.90)	1>2***
Trust	5.29(.76)	5.28(.81)	n.s.
Perception to uncertainty	4.83(.99)	4.84(1.00)	n.s.
Expectation to uncertainty	5.21(.85)	5.21(.94)	n.s.
Dependence	5.13(.71)	4.93(.80)	1>2**
Adaptation	4.76(.87)	4.57(.90)	1>2**
Overall cost leadership on resources	5.30(.81)	5.08(.91)	1>2**
Overall cost leadership on sales volume	5.27(.91)	5.15(.93)	n.s.
Overall cost leadership on quality	5.19(.80)	4.94(1.00)	1>2**
Differentiation with overall cost leadership	5.22(.91)	5.23(.82)	n.s.
Focus	3.70(1.20)	3.62(1.57)	n.s.
Preemptive move	4.96(.73)	4.85(.71)	n.s.
Source of information	5.28(.78)	5.17(.84)	n.s.
Source of resources	5.21(.80)	5.35(.87)	1<2*
Source of procurement	5.11(.78)	5.12(.82)	n.s.
Market position	5.41(.87)	5.36(.91)	n.s.
Market transaction	5.19(.98)	5.24(.95)	n.s.

Notes: a. The values in parentheses are standard deviations of the means.

b. N= number of respondents

c. p<.05, n.s.= non significantly different.

TABLE 32

**Mean, Standard Deviation and Results of ANOVA Across
Industrial Field for Variables of Guanxi Construct,
Business Strategy Orientation, and Guanxi Network (N=1033)**

	Industry field				Mean contrasts
	Trading	Building/ Construction	Manufacturing	Service	
Group numbers	(1)	(2)	(3)	(4)	
Variables	N=218	N=204	N=305	N=306	p<.05
Favor	4.81(.78)	4.70(.77)	4.74(.76)	4.74(.74)	n.s.
Opportunism	4.96(.83)	4.81(.74)	4.97(.78)	4.98(.75)	n.s.
Trust	5.31(.70)	5.21(.83)	5.27(.81)	5.35(.74)	n.s.
Perception to uncertainty	4.77(1.01)	4.87(1.06)	4.82(.88)	4.85(1.04)	n.s.
Expectation to uncertainty	5.14(.79)	5.22(.96)	5.22(.85)	5.23(.87)	n.s.
Dependence	5.07(.75)	5.06(.75)	5.12(.75)	5.09(.67)	n.s.
Adaptation	4.66(.97)	4.70(.91)	4.78(.85)	4.73(.81)	n.s.
Overall cost leadership on resources	5.37(.81)	5.20(.84)	5.29(.83)	5.18(.85)	1>4*
Overall cost leadership on sales volume	5.18(.89)	5.12(.93)	5.29(.91)	5.34(.93)	2<4*
Overall cost leadership on quality	5.13(.85)	5.17(.85)	5.27(.83)	5.01(.85)	3>4**
Differentiation with overall cost leadership	5.14(.91)	5.19(.89)	5.24(.90)	5.28(.87)	n.s.
Focus	3.55(1.31)	3.67(1.19)	3.61(1.14)	3.86(1.13)	1<4*, 3<4*
Preemptive move	4.99(.63)	4.87(.74)	4.95(.80)	4.93(.72)	n.s.
Source of information	5.23(.76)	5.22(.77)	5.27(.83)	5.29(.81)	n.s.
Source of resources	5.30(.82)	5.23(.78)	5.25(.83)	5.18(.83)	n.s.
Source of procurement	5.08(.76)	5.10(.83)	5.12(.81)	5.13(.77)	n.s.
Market position	5.39(.88)	5.31(.86)	5.38(.94)	5.47(.82)	n.s.
Market transaction	5.23(.93)	5.17(1.00)	5.18(1.01)	5.21(.95)	n.s.

Notes: a. The values in parentheses are standard deviations of the means.

b. N = Number of respondents

c. p<.05, n.s.= non significantly different.

TABLE 33

**Mean, Standard Deviation and Results of ANOVA Across Organizational Size
for Variables of Guanxi Construct, Business Strategy Orientation,
and Guanxi Network (N=1033)**

Group numbers Variables	Organizational size			Mean contrasts
	<100 people (1) N=559	100-500 people (2) N=285	>500people (3) N=189	
Favor	4.75(.79)	4.67(.76)	4.85(.63)	2<3*
Opportunism	4.95(.82)	4.86(.74)	5.02(.69)	n.s.
Trust	5.34(.74)	5.17(.81)	5.31(.78)	1>2**
Perception to uncertainty	4.85(1.01)	4.79(1.01)	4.82(.90)	n.s.
Expectation to uncertainty	5.25(.86)	5.12(.91)	5.21(.84)	n.s.
Dependence	5.09(.75)	5.10(.70)	5.02(.72)	n.s.
Adaptation	4.70(.92)	4.75(.83)	4.76(.79)	n.s.
Overall cost leadership on resources	5.31(.81)	5.12(.87)	5.29(.85)	1>2**
Overall cost leadership on quality	5.15(.85)	5.07(.85)	5.24(.85)	n.s.
Overall cost leadership on sales volume	5.37(.87)	5.06(.97)	5.18(.91)	1>2***, 1>3*
Differentiation with overall cost leadership	5.19(.88)	5.27(.88)	5.23(.93)	n.s.
Focus	3.76(1.19)	3.63(1.21)	3.55(1.14)	n.s.
Preemptive move	4.96(.71)	4.89(.76)	4.94(.74)	n.s.
Source of information	5.27(.78)	5.22(.79)	5.30(.86)	n.s.
Source of resources	5.22(.81)	5.24(.79)	5.26(.88)	n.s.
Source of procurement	5.10(.78)	5.09(.74)	5.17(.89)	n.s.
Market position	5.39(.88)	5.36(.86)	5.46(.91)	n.s.
Market transaction	5.22(.98)	5.10(.94)	5.29(1.01)	n.s.

Notes: a. The values in parentheses are standard deviations of the means.

b. N = Number of respondents

c. p<.05, n.s.= non significantly different.

TABLE 34

**Mean, Standard Deviation and Results of ANOVA Across Organizational History
for Variables of Guanxi Construct, Business Strategy Orientation,
and Guanxi network (N=1033)**

	Organizational history			Mean contrasts
	<5yrs (1) N=305	5-10yrs (2) N=351	>10yrs (3) N=376	
Group numbers				
Variables				p<.05
Favor	4.74(.79)	4.75(.78)	4.74(.72)	n.s.
Opportunism	4.93(.79)	4.94(.81)	4.95(.73)	n.s.
Trust	5.25(.76)	5.30(.78)	5.31(.77)	n.s.
Perception to uncertainty	4.81(.96)	4.83(1.03)	4.84(.98)	n.s.
Expectation to uncertainty	5.12(.86)	5.21(.92)	5.27(.82)	n.s.
Dependence	5.09(.78)	5.09(.71)	5.09(.69)	n.s.
Adaptation	4.76(.92)	4.70(.89)	4.72(.83)	n.s.
Overall cost leadership on resources	5.21(.84)	5.29(.81)	5.26(.86)	n.s.
Overall cost leadership on quality	5.22(.94)	5.32(.91)	5.20(.91)	n.s.
Overall cost leadership on sales volume	5.11(.85)	5.18(.83)	5.14(.86)	n.s.
Differentiation with overall cost leadership	5.15(.91)	5.23(.88)	5.26(.89)	n.s.
Focus	3.90(1.16)	3.65(1.24)	3.53(1.14)	1>2*, 1>3***
Preemptive move	4.97(.76)	4.94(.69)	4.91(.74)	n.s.
Source of information	5.21(.84)	5.29(.77)	5.27(.78)	n.s.
Source of resources	5.14(.84)	5.28(.83)	5.27(.78)	n.s.
Source of procurement	5.05(.77)	5.13(.78)	5.14(.81)	n.s.
Market position	5.35(.86)	5.35(.89)	5.47(.88)	n.s.
Market transaction	5.11(1.00)	5.23(.96)	5.24(.97)	n.s.

Notes: a. The values in parentheses are standard deviations of the means.

b. N = Number of respondents

c. p<.05, n.s.= non significantly different.

TABLE 35

**Mean, Standard Deviation and Results of ANOVA Across Managerial Experience
for Variables of Guanxi Construct, Business Strategy Orientation,
and Guanxi Network (N=1033)**

	Managerial experience			Mean contrasts
	<5yrs	5-10yrs	>10yrs	
Group numbers	(1)	(2)	(3)	
Variables	N=582	N=286	N=164	p<.05
Favor	4.72(.77)	4.80(.77)	4.74(.71)	n.s.
Opportunism	4.89(.79)	5.03(.75)	4.98(.75)	1<2*
Trust	5.26(.74)	5.35(.83)	5.30(.77)	n.s.
Perception to uncertainty	4.78(.95)	4.90(1.05)	4.88(1.03)	n.s.
Expectation to uncertainty	5.18(.87)	5.20(.89)	5.31(.81)	n.s.
Dependence	5.06(.76)	5.14(.71)	5.11(.64)	n.s.
Adaptation	4.73(.87)	4.76(.90)	4.64(.84)	n.s.
Overall cost leadership on resources	5.21(.85)	5.32(.84)	5.32(.76)	n.s.
Overall cost leadership on quality	5.11(.85)	5.20(.85)	5.17(.82)	n.s.
Overall cost leadership on sales volume	5.20(.93)	5.34(.94)	5.28(.82)	n.s.
Differentiation with overall cost leadership	5.22(.92)	5.22(.88)	5.22(.79)	n.s.
Focus	3.69(1.17)	3.74(1.27)	3.57(1.12)	n.s.
Preemptive move	4.94(.70)	4.95(.80)	4.90(.70)	n.s.
Source of information	5.21(.81)	5.34(.81)	5.27(.71)	n.s.
Source of resources	5.19(.85)	5.27(.79)	5.32(.74)	n.s.
Source of procurement	5.09(.81)	5.19(.80)	5.06(.69)	n.s.
Market position	5.37(.90)	5.43(.87)	5.42(.83)	n.s.
Market transaction	5.13(.99)	5.33(.97)	5.21(.87)	1<2*

Notes: a. The values in parentheses are standard deviations of the means.

b. N = Number of respondents

c. p<.05, n.s.= non significantly different.

TABLE 36

**Mean, Standard Deviation and Results of ANOVA Across Educational Level
for Variables of Guanxi Construct, Business Strategy Orientation,
and Guanxi network (N=1033)**

Group numbers Variables	Education levels				Mean contrasts p<.05
	Vocational/ Secondary (1) N=198	College/ Diploma (2) N=392	Undergraduate (3) N=389	Postgraduate (4) N=54	
Favor	4.58(.70)	4.79(.77)	4.75(.76)	4.99(.77)	n.s.
Opportunism	4.78(.87)	4.98(.72)	4.95(.76)	5.16(.81)	n.s.
Trust	5.22(.75)	5.34(.76)	5.27(.78)	5.32(.82)	n.s.
Perception to uncertainty	4.65(1.00)	4.87(.95)	4.87(1.01)	4.94(1.08)	n.s.
Expectation to uncertainty	5.19(.76)	5.20(.87)	5.21(.87)	5.30(1.13)	n.s.
Dependence	5.02(.71)	5.16(.70)	5.04(.74)	5.19(.83)	n.s.
Adaptation	4.70(.85)	4.81(.88)	4.63(.88)	4.89(.84)	n.s.
Overall cost leadership on resources	5.32(.76)	5.30(.84)	5.20(.87)	5.17(.86)	n.s.
Overall cost leadership on quality	5.19(.84)	5.17(.81)	5.09(.88)	5.20(.91)	n.s.
Overall cost leadership on sales volume	5.43(.83)	5.19(.96)	5.24(.90)	5.10(.95)	n.s.
Differentiation with overall cost leadership	5.16(.86)	5.19(.90)	5.30(.86)	5.11(1.10)	n.s.
Focus	3.75(1.13)	3.67(1.23)	3.62(1.14)	4.01(1.40)	n.s.
Preemptive move	4.89(.73)	5.03(.75)	4.86(.70)	5.03(.71)	n.s.
Source of information	5.14(.79)	5.27(.81)	5.30(.77)	5.32(.84)	n.s.
Source of resources	5.21(.85)	5.17(.84)	5.28(.77)	5.47(.82)	n.s.
Source of procurement	5.05(.75)	5.17(.78)	5.08(.82)	5.18(.77)	n.s.
Market position	5.37(.83)	5.44(.89)	5.37(.88)	5.31(.94)	n.s.
Market transaction	5.19(.99)	5.19(.96)	5.21(.95)	5.19(1.16)	n.s.

Notes: a. The values in parentheses are standard deviations of the means.

b. N = Number of respondents

c. p<.05, n.s.= non significantly different.