

The Implicit Rules of Management in Chinese Enterprises:

***Guanxi* Mechanism and its Application ---**

Empirical Studies of Taiwan Business

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. Introduction

This chapter will review the research background, motivation, purpose, method and structure. Chapter 1 begins with introducing the organizations in view of complexity and poses the *Guanxi* and its network in business with respect to cultural elements. The purposes for this dissertation are then introduced in section 1.2. The author sought to explore the effect of *Guanxi* mechanism in Taiwanese business and how *Guanxi* mechanism functions in practice. The study framework for this dissertation is introduced as well as the chapter organization is in section 1.3.

1.1 Research background and motivation

1.1.1 Organizations in view of complexity concepts

A complex adaptive system (CAS) is an identifiable collection of interacting elements characterized by dynamic and non-linear interaction (non-proportional interaction, where small changes in one element can have large results and vice versa (Cilliers, 1998). Interactions occurred primarily among neighbors within the groups (the groups may be seen as what Kauffman, 1995, labels, patches, defined loosely as interdependent clusters) and sometimes between neighboring groups. These patches are similar to the divisions in a large organization. As groups interact with one another in their attempts to improve their lot, the process force all groups to adapt to each other as all were adapting to changes in their collective ecological setting.

These interactions altered the prospects of fitness. This dynamic can be represented as a fitness landscape – a notion drawn from biology and discussed by Kauffman (1993, 1995). In simplest terms, these landscapes represent different choices in terms of consequences. The range of all possible consequences may be depicted as a fitness landscape representing strategic choices a population could make. It is important to note that the fitness landscape for a single complex adaptive system is altered by attempts of other complex adaptive systems to improve their lot. As Kauffman noted, “...all organizations evolve and co-evolve on rugged,

deforming, fitness landscapes” (Kauffman, 1995).

This notion of a fitness landscape has also been applied as a mapping of the actions of sets of individuals and their performance (Levinthal & Warglain, 1999; Mckelvey, 1999), in which may be expressed in terms of the organization involved in individual issues, such as dysfunction with conflicting internal and external constraints. Also, for the individuals, we can imagine their “order” as relating to those interactions involved in sustainability. When the society members enter the organization, they evolved to be in a state near the ‘edge of chaos’: a delicately poised, transition zone between stability and chaotic systems. If the behavior of a system is too ordered, there is not enough variability or novelty; if in contrast, the behavior of a system is too disordered, there is too much noise. For successful adaptation a system should be neither too methodical nor too carefree in adaptive behaviors (Osborn et al., 2002). Thus, near the edge of chaos behaviors should be far from equilibrium (for in complexity science equilibrium means death; cf. Dooley, 2004). Put another way, this society was not stable – neither was it in chaos.

Organizations may be expected to seek higher fitness to be comparative competent, as Kauffman (1995) notes “...organizations, when complex, all face conflicting constraints and seek excellences as, ‘the best compromises we can attain’”. Besides rules and procedures, an organization is constructed with hierarchy and business. Facing the age of taking knowledge, learning, and fast response to market demand as the key to success, the successful hierarchical management in the past now has become a deadly cut. The relative importance of creativity and quick execution enable the organization to set up the working teams with cross functions and other mission type units alike to meet the needs.

Interest in Chinese business and management practices has concomitantly grown. Discussion of universal management practices cannot be done without taking into account the largest workforce in the world. The past two decades saw a remarkable growth of interest in things Chinese and a growing attention to business in China. Much of the attention was focused on foreign investment in China, whereas relatively little research was conducted on the inner workings of Chinese businesses. Chinese cultural characteristics, the context of specific elements of Chinese culture, including Confucianism, *Guanxi*, *renzhi*, *renqing*, and other Chinese customs and traditions, what make China a unique place in which to do business and require a substantial adjustment in the Western way of thinking about management needed to be examined.

1.1.2 *Guanxi*, the social norm of role-context for Chinese

Social norms, though somewhat are different around the world, mostly are attached to the social status, which is the position where people stand in a social system. And the regulation integrated for a certain status is the “role” (Linton, 1972; Chang, 1986). For someone who takes the proper role and plays it accordingly receives high praise for being qualified for his social status. *Wulune* (五倫), the basic norms of *Guanxi*, is the main thought of the ideal type of manhood and patriarchy and filial piety and the spirit of trust(信)and

justice(義) in regulating different levels of *Guanxi* and setting them in hierarchical order with priorities in Chinese societies. It consists of five levels: the monarch and his subjects(君臣), the father and his son(父子), brothers(兄弟), friends(朋友), and the husband and his wife(夫妻). In this *Guanxi* system, while the three basic *Guanxi* of the father and his son, brothers, and the husband and his wife are inside of the family, the political *Guanxi* of monarch and his subjects is up-pushed to the national level, and *Guanxi* of friends contains the rest of those who are outside of the families. From the perspective of Chinese societal progress, the “family - nation - world” is the structure from inside out where the family ethic is the basis of Confucius’ human relations, where each one ought to be committed, responsible, and content to his given role. As long as every member in the group follows the rules, the whole society stays in harmony. As time goes by, the Confucius followers elaborate and report Confucius’ doctrine to the societies in accordance with the trend of the times.

With respect to trustworthiness, *Guanxi* can also be classified into three categories: “family”, “helper”, and “business” *Guanxi*, where “family” *Guanxi* is deeply rooted in the Confucian heritage, “helper” *Guanxi* and “business” *Guanxi* are mainly the product of the political and socio-economic systems in the contemporary China (Fan, 2002). Chinese offer privileges to people whom they consider as “Zijiaren” (自家人, one of us, but not necessarily of one’s own family), and purposely keep distant with those whom they consider as “Weyeren” (外人, outsider). Since there is no particular elaboration in *Wulune* for business relationships in China, “Hsin”(信) and “Yi(義)”, stand for honesty and loyalty and exist only between brothers and friends are borrowed as the metaphor of the norm. Thus for outsiders involved in the business with Chinese, they always try hard to step across the “door” to become an insider. This is the process of crossing *chaxugeju*. The magic code of doing so is to have *Guanxi* upgraded to be brothers or friends through dining, face-giving, and so on. When such roles are firmly placed, *Guanxi* is bilaterally defined and committed, and rules will be mutually agreed and followed without contract or any other written format.

Mayfair M.H. Yang (1989) has described *Guanxi* building as the transformation process whereby two discrete individuals construct a basis of familiarity to enable the subsequent development of relationship. And in this process, the gap between two hitherto unrelated individuals is bridged so that an outsider becomes part of the inside social circle of another person (Yeung and Tung, 1996). Take locality as an example for further elaboration. Locality is one of the common forms of ascribed *Guanxi* bases in China to the group identification, where Da-ton-hsiang (大同鄉) refers to members from the same province, and Hisao-ton-hsiang (小同鄉) refers to a even closer relationship for members from the same village. People from the same origin have the affection to their hometown, this kind of liking thus is passed down to each other, which ties them together and reinforces their friendliness.

1.1.3 *Guanxi* network

Guanxi interaction has been viewed by many scholars as an idiosyncratic cultural phenomenon (Lee and Ellis, 2000) where Confucianism is the major life philosophy. In China,

Guanxi has been a way of life since time immemorial, thus the personal investment required to develop and maintain good social relations is accepted as an unavoidable fact of life. For each specific relationship, people in China ‘make out’ through interpersonal accommodation and negotiation (Imrie et al., 2002). With respect to social context, Chinese culture provides a tightly knitted social framework in which individuals are protective of one another and organizations safeguard their members’ interests. It projects a preference for cooperation, group decision-making, and relationships. Thus, the importance of networks lies in their emphasis on collectivism and group harmony. Social status is determined largely by *Guanxi* system to which one belongs—a determination often preordained by the composite membership of one’s extended family.

The Chinese strive to keep relationships among *Guanxi* members stable and harmonious since *Guanxi* is the basis on which they exchange a lifetime of favors, resources, and business leverage (Pearce II & Robinson, Jr., 2000). *Guanxi* networks are like webs with sub nets (groups) collected with sum of cells (units) constructed by threads (*Guanxi*) with knots (*Guanxi link*), where groups stand for sub societies, such as communities, and cells stand for organizations, such as families, and firms. And a group is defined as the amount of people gathered together for having something in similarity, and this similarity is often recognized by public as the meaning for certain social interaction, where *Guanxi* can be easier to take place. From a sociological view, in Fai’s research (1992(1948)), Chinese inter-personal relationships is described as ripples caused by a stone thrown into the water that circle outward from the core. This momentum is activated and developed based upon the relationship one has with his surroundings. This is the “*Guanxi chuen*”. In this *Guanxi chuen*, the farther the position, the farther the relationship one has with the core. This phenomenon of *Chaxugeju* explains the relationship differentiation of *Guanxi*, which also explains the treating rules of Chinese in accordance with their status or role-playing in a network.

Chinese are closely tied into varieties of *Guanxi*, whose networks bind millions of Chinese firms into social and business webs, which largely dictating their success (Pearce II & Robinson, Jr., 2000; Gibb & Li, 2003). As Hwang (1987) characterized *Guanxi* bases, the strongest ones are referred to as the affective or “expressive” ties found among family members and close friends. In contrast, more distant others, such as salesmen and customers, connected by temporary “instrumental” ties that are enacted regularly in the pursuit of material goals unless there is a “metaphor” relationship built in. In between the two extremes are found “mixed” ties, which are governed by norms of equality (a function of *renqing*-人情 and *mianzi*-面子) and thus describe the most active domain for *Guanxi* networking. For these mixed ties, *Guanxi* is more like a network of relationships a person cultivates through the exchange of gifts and favors to attain mutual benefits. It is based on friendship and affection, and on a reciprocal obligation to respond to requests for assistance.

1.1.4 *Guanxi* and its network in business

Firms seldom survive and prosper solely through their individual efforts. Each firm's performance depends upon the activities and performance of others and hence upon the nature and quality of the direct and indirect relationships a firm develops with its counterparts (Wilkinson & Young, 2002). Corporate networking is not a new phenomenon, it is critical to most business success in our global society. Western management literature reflects executives' appreciation for the value of networking and for the need to develop corporate links. Networking is now believed to enhance a firm's competitive advantage by providing access to the resources of other network members. It is used to bridge the gap between business people of different nations and cultures, stimulating trade that might not otherwise occur (Pearce II and Robinson, Jr. 2000).

The *Guanxi* system contains "both cultural and structural elements" (Chen, 1998). In a market economy, interaction takes place (and alliances are established) between firms, whereas in a Chinese context, as indicated by the terms "interpersonal *Guanxi* (Zhou X, 2002) and "personal *Guanxi*" (He XM, 2000), *Guanxi* connects people. These individuals may, in turn, connect the firms with which they are affiliated, for individuals are "linking agents" (Bell, 2003) within the *Guanxi* system. As Chung and Hamilton (2002) note, "a number of studies have shown that Chinese businessmen prefer to use *Guanxi* as a primary medium for business relationships". Similarly, Su et al. (2003) have empirically observed that *Guanxi* is the "cultural way of doing business in China". In order to understand the effects of *Guanxi* on business, the *Guanxi* network and the market need to be merged. Significant progress has been made with respect to defining, operationalizing, and measuring the *Guanxi* system in the business field (will be discussed in the following section). Yet research still lacks a clear understanding of exactly how its elements are embedded in the theory behind business strategy.

As Gundling (2003) discusses in his book, a company's global strategic-planning process involves obtaining specific local market knowledge and an understanding of a specific culture's values and history. With respect to "yin/yang", the perspective stems from the East Asian belief that duality and contradictions are inherent in all aspects of life. People believe that utilization of both in harmony brings prosperity, or otherwise when they fail to do so. *Guanxi* and its networks in a sense are connections built between discrete individuals across organizational boundaries activate the intra-culturalization and inter-culturalization, not just have knowledge transferred across, but also the generation of ideas turned into products, services, or work-place improvements that spur innovation. And its strategic positioning depends on employee interaction with leadership and interface roles. It is highlighted that building these relationships is a critical factor in grasping local frames of reference and developing a strategic plan that will expand their presence overseas, which can be managed through *Guanxi* networks.

1.2 Research purpose

Guanxi in particular is seen as the implicit social norm for Chinese and so far lots academic researches have been done trying to its context and impact (Foucault, 1979; Yang, 1989; 1994; 2002; Oliver, 1990; McGuinness, et al, 1991; Chu & Ju, 1993; Davies, et al.,1995; Yeung & Tung, 1996; Xin & Pearce, 1996; Yan, 1996a; 1996b; Kipnis, 1997; Chen JJ, 1998; Li, 1998; Tsang, 1998; Lovett, et al, 1999; Standifird & Scott, 2000; Sun, 2000; Lo, et al, 2001; Schramm & Taube, 2001; Gold, et al., 2002; Chung & Hamilton, 2002; Hwang, 2003; Leung, et al., 2003; Buderer & Huang, 2006; Borgatti & Foster, 2003; Fan, 2002). Moreover, China's opening up and the beginning of decentralization and privatization have not only raised foreign business interest in the Chinese market, but also the number of *Guanxi*-oriented publications of questionable scholarliness.

Unfortunately, many non-sinologists have fostered the development of myths and misconceptions that show a high degree of persistence. There are also some experts have greatly contributed to the current understanding of the complex system (Yang, 1989; 1994; Hwang, 2003) that seems to be the dawn which is able to uncover the insight of the *Guanxi* mechanism, upon which the Social Network Theory (SNT) was developed. However while the complex adaptive system concerned with the biological evolution, the SNT is too sociological to contain the mechanism adaptability when it is applied to business. This indirect flaw induces us to search for other possibility that is socially compatible and business applicable for the adaptation.

From the purpose of our research, adopting with the complex adaptive system, we analyze the mechanism of *Guanxi* and *Guanxi* network in business with respect to its components and derive our theory of ISOLINK. In accordance with its role-context and social structural elements based upon Chinese culture, *Guanxi* being the common value, belief, so as the social norm for everyone, not just acts as the interpersonal social link that closely coagulates the society into networks and sustains its stability; its significant factors also enable *Guanxi* networks to evolve into the adaptive system that is able to reform itself to adapt to the outer changes contingently. In addition to that, for its social structural characteristics, *Guanxi* ought to be leveraged instead of being utilized to remain the sustainability. This paper provides a broad and comprehensive view which offers insights that should prove helpful to academics in management and related disciplines as well as to practitioners engaged in Chinese business.

1.3 Research structure

This research focuses on revealing the mechanism of *Guanxi* and its skill set from the cultural view, which is proceeding in following with induction, deduction, and case studies. Yin (1984) classifies real case research methods into five types including experiments, survey, archival analysis, history, and case study. Each of them has its own advantage and disadvantage; and is applied to research as needed. Qualitative analysis is adequate for our research, in which we conduct in-depth interviews or survey with questionnaires to verify *Guanxi* mechanism in business.

In the theory inferring stage, we review the relevant articles to clarify the *Guanxi* context and derive the theory of ISOLIK composed with the significant factors of *Guanxi* and *Guanxi chuen* (*Guanxi* network) in practice. Finally empirical studies and surveys are held to testify our propositions. And the research ends with conclusion and implication and future perspectives. The research structure is organized as shown in Figure 1.

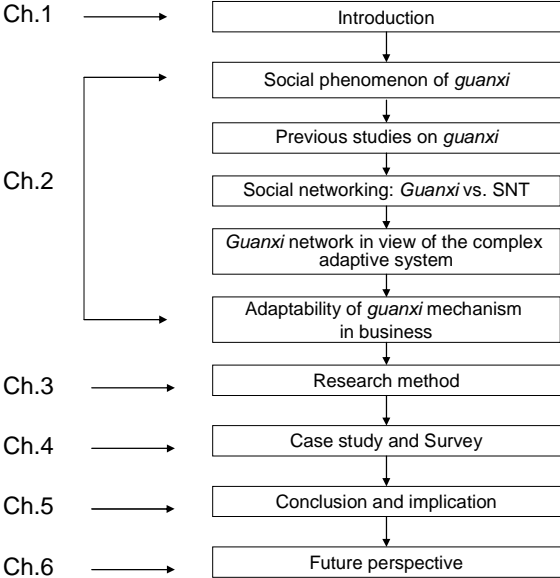


Figure 1 Research Structure

. Literature Review

It is a convenient coincidence that in Western management literature published in the past ten years, a strong focus on networks has emerged (Borgatti & Foster, 2003). Due to empirical evidence all over the world showing that interorganizational ties improve firm performance, researchers of strategic behavior have increasingly analyzed the management of networks (Oliver, 1990). In particular, and mainly as a consequence of the rapid economic development of China since the 1980s (Hwang, 2003), Chinese networks have increasingly become the focus of researchers' attention (Tsang, 1998; Standifird & Marshall, 2000).

A major difference from Chinese literature is that Western scholarship investigates the practical implications of *Guanxi* for business. While generally speaking, researchers in the 1970s and 1980s were concerned with online bookstore is packed with guidelines for managers on how to maximize benefits from the establishment and cultivation of *Guanxi*, whereas theory is neglected (Langenberg, 2007). In order to understand *Guanxi* and its network, we start with reviewing the previous research of *Guanxi* to see what has been missing; and move on to the comparison of the difference between *Guanxi* networks and Western ones. Then in the view of complex adaptive theory, we have *Guanxi* network uncovered and its mechanism revealed; and our theory of ISOLINK developed for verification.

2.1 Social phenomenon of *Guanxi*

Guanxi is a phenomenon so ubiquitous in Chinese society as all Chinese are assumed to be part of at least one *Guanxi* network (Schramm & Taube, 2001). *Guanxi* is a sociological term that describes a subset of Chinese personal connections between people (relationships) in which one individual is able to prevail upon another to perform a favor or service (Chung & Hamilton, 2002). It lies in the skillful mobilization of moral imperatives in pursuit of diffuse and calculated instrumental ends.

As the "value of life" and "behavioral rule" (Cao, 2002), *Guanxi* is said to be the key to analyzing and understanding Chinese conduct (Chen, 1998). *Guanxi* provides a "lubricant" (Chung & Hamilton, 2002; Gold et al., 2002; Standifird & Marchall, 2000) that helps the Chinese to get through life. It gives "the flow of many events a helping hand" (Zou, 1997), which is not restricted to social interaction; rather it extends to business realms. *Guanxi* affiliations, rather than "arm's length" principles, are the basis for transactions (Lovett et al., 1999).

Guanxi is recognized as the life blood of the Chinese macroeconomic system (Luo, 2000), thus this ubiquity renders it the distinctive feature of the Chinese social and business environment. While "price" is the "invisible hand" for the market, *Guanxi*, entailing affection, face, gifts, and favors (Chen, 1997; Yang, 1989), adds a "second currency" (Luo, 1997) to the commodity exchange setting and creates a hybrid socio-economic exchange system in which it is unlikely that one-dimensional business strategies appropriate in the Western context will

work.

In China, Guanxi is a social factor with cultural roots. It exists wherever there is Chinese. Chinese cares for his *Guanxi* with “Tien” (天) and with other people. And his attitude towards *Guanxi* adjusts in accordance with conditions. People who are not one of the members with the same life style do not have a single clue of it and are lost in dealing with the group.

Scholars that have discussed about *Guanxi* see it as a social instrument (Hwang, 1987; Zuo, 1997) and economic tool for facilitating resource allocation (including information exchange). It is either confused with “renqing” (Yan, 1996; Luo, 2000) or mixed with “mianzi” (Hwang, 1987; Chen JJ, 1998), which are merely phenomenon of Chinese culture. That is why the misunderstanding and misuse of “hongbao”(紅包) happens. Originally “hongbao” meant “something wrapped in paper as gift for encouragement (Jiang XF, 2001). Since there is material value with “hongbao”, later on people have it exchanged with a clear instrumental goal, (Yang MZ, 1995) and described as “no emotional effect added to an investment and material rewards proffered without explicitly demanding a return” (Luo, 2000). This is the *Guanxi* without “ganqing” (感情) which is different from the one with it .

Besides the instrumental manner of “renqing”, along with the meanings of favor and gift, it is also defined as normal human feelings (人之常情) mainly as affection (Ci Hai, 2003). Confucius is said to have originally defined renqing as “joy, anger, sadness, fear, love, disliking, and liking. These are seven feelings belong to men without their learning them” (*Liji* 禮記 VII. 19). Although the meaning of renqing has changed over time, in contemporary Chinese language it still indicates emotions and empathy (Zuo, 1997), such as “懂人情 ---understand people’s emotional responses to various situations of daily life’ (Hwang, 1987) and “人情味---milk of human kindness” (He XM, 2003), with which the ability of an individual is highly appreciated in China.

Some outsiders (outside of the *Guanxi* circle) try to establish and manipulate *Guanxi* in a way insiders do. With luck, they may succeed, but the effects only last temporarily or for just once in a shot. Unless you are truly into it (with your heart instead of your mind) and eventually become one of them, then *Guanxi* is born as it is meant to be, so is the help that comes with it without asking. This is the *Guanxi* with “ganqing” (感情), which owned only by members.

A second connotation of *renqing* is social norms (Zuo, 1997) and rules of etiquette, as well as compliance with them (Ci Hai, 2003). Providing the *Guanxi* system with a moral foundation, *renqing* is inseparable from or even synonymous with ethics, *li* (禮) (Ding, 1997; Hwang, 1987). From a Confucian perspective, harmony is an unqualified good; rites and hierarchy provide the means to this great (Chen A., 2003). Based on the assumption that individuals are never isolated entities, the Confucian socio-cultural structure assigns individuals positions that require the precise performance of ascribed rights and duties. The word *Guanxi*, however, does not apply to these ancient relationships because it is not found in the Confucian classics (King, 1991). Instead, the character *lun* (倫) denotes the formal

differentiation of interacting individuals.

Confucius assumed the existence of a proper way for humans to behave, and, hence, for society to be organized (Chaibong, 2003). The proper way, *li*, is typically translated as rites or ritual propriety (Norden, 2002; Chaihark, 2003) by sinologists. Confucius changed the original meaning of *li*, i.e. an ancestral (or religious) offering, to what he believed glued ancient society together: a certain etiquette that humans were supposed to follow (Ess, 2003a, b). In this worldview, individuals became “rites-bearers” (Chaihark, 2003). Even though specific rituals had long since lost their function, such as “watchfulness over himself even when alone--慎獨”, it may have been continued compliance with *li* that instilled Confucianism with its extraordinary persistence (Bauer, 2001). At the same time, *li* transcends the realms of individual. As addressed by the Confucian ideal of “cultivating oneself and governing others---修己及人”, actions had also been externally enforced by the family clan, i.e. the nucleus of ancient society, and by political rulers (Liu L, 2002; Bell, 2003; Chaibong, 2003).

As the fundamental basis that gives rise to and instills all virtues, benevolence (仁) comprises several principles of behavior in interaction; what is common to these principles is that they are based on positions, vertically directed, and not naturally given, but rather human artifacts (Ess, 2003a, b). The types of authority practices differ between family and state, two normative realms that Confucius recognized as separate and equally important. The fact that it is “uncontroversial that Confucian virtues in the family should be pursued for their own sake” may be attributed to the predominant role of the family in teaching ritual propriety, ancestral rites, and the codes of proper conduct (Ho, 2003).

The most important expression of benevolence in the family sphere in *xiao* (孝) i.e. filial piety towards one’s parents (Chan, 2003), and the cohabitation of Chinese family members is regulated by *ti* (悌), i.e. the benevolence of the younger brother towards his elder brother (He XF, 2003). Confucian ethics also entail another relevant element, namely cardinal virtues (德), i.e. the moral excellent of individuals. The elaboration of cardinal virtues goes back to Mencius (孟子, 379-289 BC, Ess, 2003a, b), Mencius assumes the existence of the four cardinal virtues of benevolence(仁), rightness (義), ritual propriety (禮), and “straightness” (直); later, trust (信) was added to this set of merits (Ess, 2003a, b). Since his time, benevolence has been explicitly perceived by Confucianism as incremental compassion that depends on the nature of the social relationship (Ho, 2003). People feel more compassion for and show more benevolence to close family members than to distant individuals; impartial benevolence and the universal notion of equal concern for all people have never been part of Confucian teachings (Chan J, 2003).

Mencian cardinal virtues find their application in *Wulune* (五倫), i.e. the five relationships to which every individual is assumed to be subjected (Mencius 3A/4). *Wulune* classifies four sets of superior-subordinate relationships, namely father-son (父子), ruler-subject (君臣), husband-wife (夫婦), elder-younger brother (長幼), and an equal relationship between friends (朋友). Each relationship is governed by a particular norm:

Closeness (親) between father and son, justice (義) between ruler and subject, the separation of (gender-specific) spheres between husband and wife (別), proper order between elder and younger brother (序), and trust (信) between friends (滕文公上, see Hwang, 2003). However it is acknowledged that benevolence begins but does not end in a family context, which is when the sixth *lune* takes its part in dealing with the relationships out of *Wulune*, such as business partners, classmates, and so on. Situation like this will be depend on *Guanxi* people have in between and one of the *lunes* will be borrowed and norms attached will be followed. In a form for example, if your relationship with your boss is more than employment, on job he instructs you instead of ordering and hopes you grow with improvement for your own good, which makes you grateful and pay him respect like your own father. This kind of relationship brings you two to not just ruler and subject, but also as close as father and son, which directs both of your behaviors toward to loyalty (義) and closeness (親). Another example in business is, as long as you upgrade your business relationship to friendship, you also earn yourself trust (信) and justice (義) which come with the norms embedded under specific *lunes*. And it all depends on what kind of *Guanxi* people mutually have in consensus.

2.2 Previous studies on *Guanxi*

Much has been written about *Guanxi*. The scientific discourse of *Guanxi* involves multiple fields of research, and it can be approached from different theoretical directions. In other words, research on *Guanxi* is cross - or interdisciplinary. “Boundary-spanning” scientists” (Xin & Pearce, 1996) explore *Guanxi* with concepts from the disciplines of sociology, economics, politics, anthropology, history, and psychology, as well as from a business perspective, e.g., management theory, marketing, organizational behavior, and human resource management. Each perspective explains a certain aspect of the rational and processes of *Guanxi* formation, development, and consequences. Assembling distinct yet interrelated paradigms certainly complements the general understanding of *Guanxi*. This research follows such an approach although the purpose of it is focused on *Guanxi* mechanism in business. Much of what lies at the center of this research falls under “sociological economics”, an approach that reintegrates sociological theory (obviously not the standard Western sociology) and economics. It is sometimes claimed that “Chinese research on *Guanxi* has made great progress” (Chen JJ, 1998) and that “the analysis of *Guanxi* has developed into a carefully calculated science” (Luo, 2000). Containing a corpus of assumptions that has been woven into a vociferous, self-conscious discourse (Yang, 1994), *Guanxi* is said to have turned into a full-fledged scholarly branch of knowledge that is equally valid and just as necessary as any other academic specialization.

Guanxi plays a major role in practice-oriented publications. With theoretical considerations in the background, the paradigms developed are mainly directed at practical applicability in politics. Combined with *Guanxi* on a macro level, a corpus of practices called “crooked winds” (歪風, Li, 1998) is well documented in the Chinese press: the use of an official position for private gain, nepotism, patronage, factional favoritism, bribery, or the

exchange of “special privileges” (特權) among officials (Yang, 1994). Influential accounts of the *Guanxi* system have been provided by Hwang Kwang-kuo (黃光國, 1987, 2003). Seeking to explain the “small tradition” (小傳統) of *Guanxi* with the “large tradition” (大傳統) of Confucianism, Hwang has analyzed *Guanxi*, *renqing*, and *mianzi*, and propose the “model of Confucian psychology” (儒家的心之模型).

It is implicit in the above survey that research on *Guanxi* is best structured along international sources. Western Europe and North America cannot be denied a serious history in the social sciences, particularly in theoretical research, which was basically non-existent in China until recently. Therefore, it is mainly international literature in English and German that has been used for conceptualizing the *Guanxi* system. Interestingly, Chinese scholars also acknowledge that at this stage *Guanxi* is “best learned about from abroad” (Sun, 2000). A major difference from Chinese literature is that Western scholarship investigates the practical implications of *Guanxi* for business. While generally speaking, researchers in the 1970s and 1980s explained to the West what *Guanxi* was, the majority of studies in the 1990s were concerned with the question of why organizations needed *Guanxi* whereas theory is neglected (Xin and Pearce, 1996).

Moreover, China’s opening up and the beginning of decentralization and privatization have not only raised foreign business interest in the Chinese market, but also the number of *Guanxi*-oriented publications of questionable scholarliness. Unfortunately, many non-sinologists have fostered the development of myths and misconceptions that show a high degree of persistence. However, there are also some experts that have greatly contributed to the current understanding of the complex system. The following section will look at selected influential works, giving an overview of their particular object of interest, results, and weaknesses which Langenberg’s review (2007) is adopted.

One of the most extensive treatments of *Guanxi* is offered by Yang Mei-hui in her classic *Gifts, Favors, and Banquets: The Art of Social Relations in Chinese Society* (1994). As can be expected from a professor of anthropology, Yang focuses on power relationships and their social and symbolic expressions, which have crystallized around the distribution and circulation of desirables in the *Guanxi* system. In a highly politicized discourse on social relationships, Yang perceives *Guanxi* as a set of practices that “self-consciously defines itself against the elements of impersonal money and direct buying and selling those of the commodity economy” (Yang, 1989). Based on Foucault’s concept of biopower (Yang, 1989), her anatomy of *Guanxi* enactments unfolds in four stages: transformation, incorporation, micro-antagonism of status, and conversion of values. Yang’s holistic anthropological approach, the adoption of which is actually quite common in publications on *Guanxi*, “is destined to be contaminate with author’s personal preference and conceptual ambiguity” (Hwang, 2003). The main shortcoming of this book, however, is that it has become largely obsolete because it is based on the assumption of a political economy, where organization of production, planning of social activities, and distribution of the means of subsistence have long been the total responsibility of the state apparatus (Yang, 1989).

As the works of many other authors suffer from the same shortcoming, only more recent literature has been considered. It is a convenient coincidence that in Western management literature published in the past ten years, a strong focus on networks has emerged (Borgatti & Foster, 2003). Due to empirical evidence all over the world showing that inter-organizational ties improve firm performance, researchers of strategic behavior have increasingly analyzed the management of networks (Oliver, 1990). In particular, and mainly as a consequence of the rapid economic development of China since the 1980s (Hwang, 2003), Chinese networks have increasingly become the focus of researchers' attention. This trend is illustrated by several publications organized and discussed by Langenberg (2007):

Tsang (1998) investigates the relevance of *Guanxi* with respect to transaction cost advantages. Taking a resource-based perspective, the Singaporean researcher asked if the *Guanxi* possessed by a foreign firm can be a source of competitive advantage when doing business in China, and if this advantage is sustainable. In order to grasp transaction cost advantages, *Guanxi*-based exchanges are recognized as a structural alternative to contract law. Building on Tsang (1998), Standifird and Marshall (2000) also seek to demonstrate the relevance of *Guanxi* in terms of transaction cost advantages. Their essay, which they see as a complement to – rather than an argument against – social embeddings and resource-based explanations, concludes that *Guanxi* can indeed provide firms with an imperfectly imitable resource that can yield a competitive edge.

A number of empirical studies have been conducted: the survey by Davies et al (1995) included 150 Chinese business executives from Hong Kong who reported the benefits of *Guanxi* in terms of access to scarce resources; Yeung and Tung (1996) detected a similar significant aspect of *Guanxi* when examining the factors for long-term success and growth in China of 19 foreign companies; Peng and Heath (1996) investigated the growth of the firm in planned economies in transition; Xin and Pearce (1996) focused on the use of *Guanxi* by private sector companies which lack the structural protection of governmental support; and Leung et al. (2003) analyzed the ethical implications of *Guanxi* from the perspective of Hong Kong business negotiators. Others have empirically analyzed the social realms of *Guanxi*: Chu and Ju (1993) questioned 2,000 people in the Shanghai area regarding the importance of *Guanxi* in their daily lives. Applying the case study method, Yan (1996) studied the obligation of gift exchange and social interaction in villages in Northern China. He emphasized that establishing and maintaining a network of friendships by managing *Guanxi* may help and individual to overcome several kinds of crises in life. Also looking at Northern China, Kipnis (1997) interpreted the art of producing *Guanxi* in terms of Bourdieu's practice theory.

It should be noted that, in general, the possibility of conducting empirical studies on the topic of *Guanxi* is limited. Most people, and in particular managers, are reluctant to talk about their attitude to *Guanxi*, and a great deal of self-deception exists. Non-Chinese researchers, in particular, are faced with another major problem, namely that their subjects are likely to have a strong propensity to present the “modern” side of China. Consequently, it's crucial for researchers to bear in mind that their interest in society might be interpreted by their subjects

as an attempt to uncover traditional, feudal, irrational, and embarrassing aspects of the Chinese socio-economic order (Yang, 2002).

Unfortunately, recent years have also witnessed a large number of popular publications, most notably in the field for marketing: Lo and Everett (2001), for instance, claim to have found the “*Guanxi*-strategy for e-commerce in China”; McGuinness et al. (1991) develop sales strategies by evaluating the Chinese perception of machinery suppliers from six countries; and Tsang concludes his transaction cost analysis by recommending “‘*Guanxi* audits ’ (...) that enable senior management to analyze the progress that the company has made in playing the *Guanxi* game” (1998). As a consequence, the implications of *Guanxi* for business ethics have recently become the focus of analysis. For example, Lovett et al. (1999) have reviewed the effects of *Guanxi*-based exchanges in terms of ethical concerns, restricting themselves, however, to efficiency as an ethical measurement.

Nevertheless, there are also excellent descriptions of the *Guanxi* system, as provided, for instance, by Chung and Hamilton, Schramm and Taube, Fan Ying, and Gold et al. Exploring the nature of Chinese business practices, Chung and Hamilton (2002) argue that the inter-subjective logic of social relationships provides a (socio-) institutional foundation of Chinese business transactions. The authors convincingly explain that the rules prescribed by the *Guanxi* system increase the calculability of economic outcomes, making decisions more “economic”, rather than less so. Similarly, Schramm and Taube (2001) oppose exchanges in *Guanxi* networks to economic practices in the Western legal framework. *Guanxi* networks are identified as an “optimum” solution to the problem of institutional arrangement – a finding that is found to have far-reaching implications for the dynamics of corruption. Charging that the conceptualization of *Guanxi* is insufficiently questioned and that there is considerable confusion about its implications for business, Fan (2002) analyzed *Guanxi* from the perspective of social processes. Fan is one of the few authors who reject the regurgitated myth that so-called “*Guanxi* bases” produce *Guanxi*. The most recent major anthology on the institutions, culture and changing nature of *Guanxi* has been published by Gold et al (2002). Since most of its 14 contributing scholars have a serious research history in the field, *Social Connections in China* delivers an interesting mix of assessments; however the anthology does not contain many new insights regarding the conceptualization of *Guanxi*.

What all the above publications have in common is that they constitute an offensive against the under-socialized human in the analysis of economic action. Yet many of them also share a basic methodological flaw: the role of *Guanxi* in an economic context is explored without proper reconstruction of *Guanxi* as a self-contained system (Langenberg, 2007). While the role of *Guanxi* has been well analyzed, *Guanxi* and business strategy have not yet been properly integrated into the theoretical concept that links the relevant elements of both institutions. Because the existing corpus lacks the theoretical depth to sufficiently answer the question despite valuable contributions to the solution of sub-problems in the previous studies, this research will focus on socio-economic integration – the prerequisite for valid conclusions about how *Guanxi* affects business success.

Guanxi is essentially a sociologic construct, while business strategy has its roots in economic theory. In sociological theory, individuals are assumed to be directly embedded into a system. Representing the absolute unit of analysis, individuals are hence understood to directly produce system phenomena (i.e., the structure of the *Guanxi* network); in other words, social phenomena are conceptualized as the collective result of the consequences of individual actions.

The mechanism is quite different in the theory of economics: individuals are (additionally) embedded into an entity that in turn is part of the wider system. If the characteristics of an entity meet certain conditions, such as firms in a market economy, they are termed organization. If it is this aggregate that interacts with the system, it can represent the absolute unit of analysis. If a system not only contains individuals but also one or more sub-system entities (e.g. organizations, firms), then a so-called meso level exists, which with characteristics, structure, and goals are the determining environment for individual actors. In a market economy, interaction takes place (and alliances are established) between firms, whereas in a Chinese context, as indicated by the terms “interpersonal *Guanxi*” (Zhou, 2002) and “personal *Guanxi*” (He, 2000), *Guanxi* connects people. These individuals may, in turn, connect the firms with which they are affiliated, for individuals are “linking agents” (Bell, 2000) within the *Guanxi* system as shown in Figure 2.

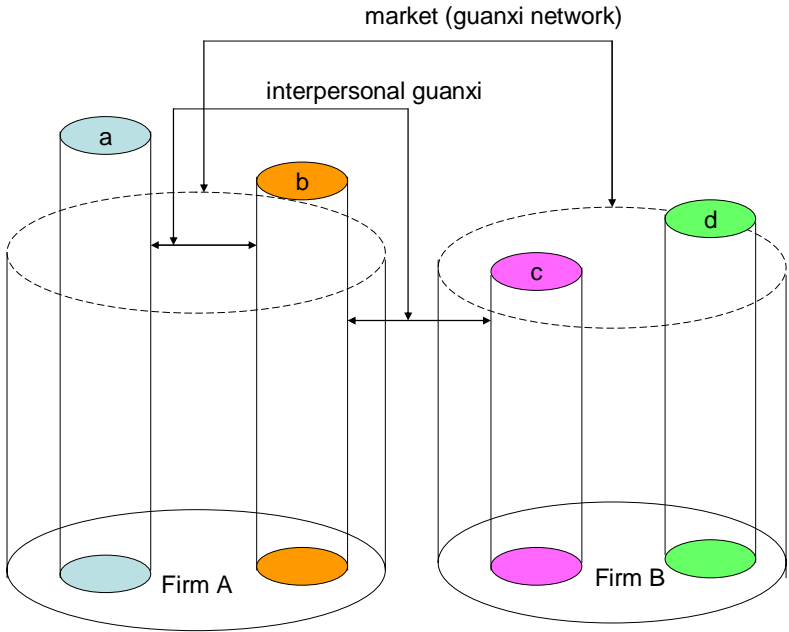


Figure 2 Micro-meso-macro exchange systems

2.3 Social networking – *Guanxi Chuen* vs. SNT

Complexity scientists study nonlinear outcomes resulting from (1) rapid phase transitions caused by adaptive tensions and (2) coevolutionary (positive feedback) processes set in motion by seemingly inconsequential instigating events (McKelvey, 2004). Many western scholars have watched a

family of complexity theories bloom in the academy, infecting traditional scientific knowledge claims with uncertainty. In the latter half of the 20th century broader, more holistic, theories emerged, not only in the physical sciences, but in culture studies (Hayles, 1990), communication (Weerd, 1999), economics (Arthur, 1994), psychology (Calvin, 1999) and organizational management (Lissack, 1999; McKelvey, 1999; Tasaka, 1999).

2.3.1 SNT and Complex adaptive system

Recently, those who study social interaction in sociology, communication, management and marketing have made progress in understanding group behaviors by using Social Network Theory (SNT) (Hammond & Glenn, 2004). While not always characterized as such by those who support it, SNT falls into the family of complexity theory because it seeks to explain nonlinear phenomena by focusing on the flow of information through relationships. Traditional sociology focused on the traits or characteristics of the participants or the content of the messages. SNT also acknowledges that message meaning is underdetermined and that meaning generation is the motive for social interaction and the basis of social relationships. It characterizes meaning, and the relationships generated by meaning generation as emergent, and thus self-organizing (Hammond & Houston, 2001).

Central to both *Guanxi* and SNT are key assumptions about order and chaos. While traditional science has seen order and chaos as objective and measurable, and provided laws such as the second law of thermodynamics to support those assumptions, both *Guanxi* and SNT assume that order and chaos are relative terms (Hammond & Glenn, 2004). Chaos, simply defined, is system-wide change that disrupts the individual by placing them out of context within a social system. Central to the concept of order and disorder in both *Guanxi* and SNT are information and relationships.

In *Guanxi* and SNT, order is created by a stable and predictable set of weak tie and strong tie relations, the steady flow of information from those ties which allows for individuals to adapt to incremental change, and unifying rules that lead to some common goals. The chief common goal is preservation of the system. In other words, both *Guanxi* and SNT prescribe predictable, stable relationships. That is not to say that relationships will not change, they will just change in stable and predictable ways.

Guanxi is clearly seen as being transferable, Watts (1998) points out that if person A knows person B and person B knows person C, then over time it is highly likely that person A will come to know person C. In modern social terms, we might call this 'networking'. These kinds of social evolutions are order building, because we used our strong ties in order to check out weak ties. Once our weak ties provided trustworthy information that is tested, they become strong ties. Nevertheless it ought to be noted that *Guanxi* is role-context, with which sets the principle for 'predictable' and 'reciprocal'. This is to say the obligation of a role is expected in mutual consensus, and this view will be discussed more in next section.

2.3.2 Cultural value of *Guanxi* network in contrast with SNT

While many Western scholars are excited about the complexity-base social network theory and see it as something new, Eastern intellectual traditions have long understand the importance of social networking. The Chinese concept of *Guanxi* is an older form of social network theory that contextualizes individuals within a highly collectivist society (Hampden-Turner & Trompenarrs, 2000). In Hammond & Glenn's study (2004), that Eastern *Guanxi* and recently popularized Western Social Network Theory (SNT) overlap in three ways: First, both imply that information is essential to sustain a social system by prescribing a set of behaviors that regulate the flow of information and that define insider and outsider relationships (*Guanxi*), or strong ties and weak ties (SNT). Second, both offer a theory of change coupled with an ethic of sustainability where order is created by trust as a local, relative phenomena. Finally, both *Guanxi* and SNT characterize randomness and orders as essential, though *Guanxi* favors certainty and trust over chaos. The implications of the comparison undermine the claims of 'newness' and primacy often associated with recent SNT literature, which suggests that Western network theorists can gain significant insight from traditional Eastern thought.

However there is an implicit but significant difference in between *Guanxi* network and SNT that may flip over the above conclusion on the basic point of view. The value base undermined within the basic assumption of culture which affects peoples' behavior and in turn alters the network context. Chinese is born with *Guanxi* because *Guanxi* is a social link constructed on the base of *Wulune*, with which Chinese believe and follow as the social norm for interpersonal interaction with public consensus. Therefore in this research, it is addressed that *Guanxi* can be dynamically evolving but keeps being sustainable at the same time under the condition of mutual consensus on the reciprocal role-playing and its obligation behind. This will be elaborated further in the following section.

Taking culture in management as the example, there's no such thing as a purely business relationship in China. Instead, to be successful in business, you must blend formal relationships with personal ones. *Guanxi* refers to the delicate art of building and nurturing such ties. In China's old school of doing business, it can carry negative connotation – of favoritism and cronyism. But the same word also conveys the deep and lasting relationships that can only be built over time and lasted permanently, which we believe is constructed by the 'real' Confucianists (儒士) – and it's that "good *guanxi*" we refer to here.

As Schneider and Barsoux discuss in their book (2003), the impact of culture on management may not be the most important one, it is the most neglected. Like the undertow of the ocean, culture can drag you into a sea of lost opportunities. We need to develop awareness of how our own culture influences the way we behave and how others perceive and respond to that behavior as described as the culture tree (see Fig. 3). This means acknowledging stereotypes, but then getting beyond them. We have to surface cultural differences and make them open to discussion in order to avoid the risks of getting caught in the undertow. Culture serves as a lens through which we perceive the other. Like the water

surrounding the fish, culture distorts how we see the world and how the world sees us. Furthermore, we tend to use our own culture as a reference point to evaluate the other.

Recognizing cultural differences is the necessary first step to anticipating potential threats and opportunities for business encounters (Jourard, 1964). But in order to go beyond awareness and to create useful interaction, these differences need to be open for discussion. However the SNT seems to be focusing more on the information through relationship and put the social structural elements to the relationship in disregard of the network. In other words, the common cultural value of the community that constructs the basic assumption of the culture for behaviors as shown in Figure 3, the role-context concept of *Guanxi* in this case, what indeed the social norm of conduct sets the rules for behaviors and defines the relationships for insider/outsider relationships or strong/weak ties is ignored.

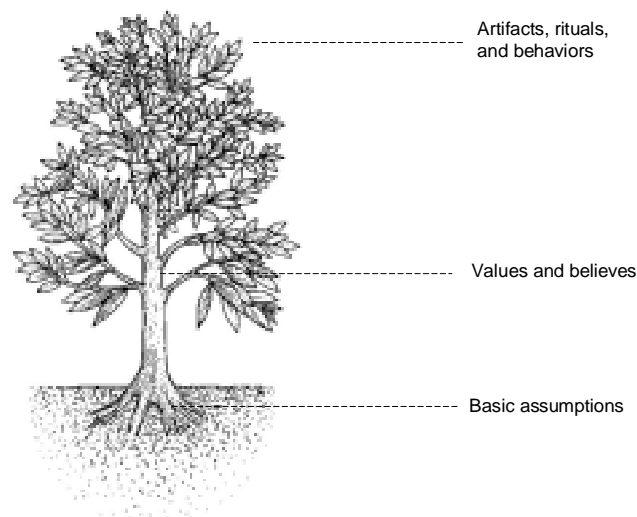


Figure 3 Culture Tree

2.3.3 *Guanxi* in business via cultural analysis

In order to understand the cultural effects of *Guanxi* and its network in business, we have a full discussion of the culture in business management in comparison of Western and Confucianism in view of the basic assumption of the culture. In trying to describe one's own culture, we often call up stereotypes that others have of us. Stereotypes represent mental 'files' that are used to help process new information by comparing it with past experience and knowledge. This process undeniably simplifies the current reality, but is necessary given the uncertainty and ambiguity inherent in cross-cultural encounters.

However, although stereotypes may be necessary, they are far from sufficient. The problem with stereotypes is not their existence but the way they are used (Adler, 1991). Research indicates that managers are ineffective in cross-cultural situations when they either deny having stereotypes or get stuck in them. Managers rated most effective by peers were those who admitted having stereotypes, using them as a starting point, but continually revising them as they gained more experience (Ratui, 1983). These managers were constantly

checking and rechecking, always updating the files against firsthand information. They were willing to question themselves and their stereotypes, to consciously unlearn, and to redefine their experiences. This requires careful observation, suspending judgment, and looking for explanations --- reasons that make sense from the 'native' perspective (Schneider & Barsoux, 2nd ed., 2003).

Using questionnaires and surveys, management scholars have provided more and more evidence for different organizationally related beliefs and values of employees and managers from around the world (Hofstede, 1980; Laurent, 1983; Trompenaars, 1993). On the surface, culture can be observed as artifacts, rituals, and behavior, and values and beliefs that are given to explain the behavior below it. Down under the bottom, rest the underlying assumptions which are difficult to access and need to be inferred, through interpretation.

Culture has been defined as 'shared patterns of behavior' as proposed by anthropologist Margret Mead (Mead, 1953). However, observing behavior is not enough. What is important is the meaning of that behavior. This distinction is important as the same behavior can have different meanings and different behaviors can have the same meaning. Thus rather than defining culture as shared patterns of behavior, anthropologists such as Claude Levi-Strauss (Levi-Strauss, 1971) and Clifford Geertz (Geertz, 1973) define culture as 'system of sharing meaning or understanding' ('web of signification') which drive or explain the behavior observed. Although explanations may be offered in statements of values or beliefs, the underlying assumptions are far from obvious. This is the difference between *espoused theory* and *theory in use* (Argiris, & Schon, 1974) --- what people say, how they explain their behavior --- and what people mean --- what really drives their behavior. Thus underlying assumptions of cultures are difficult for outsiders to detect, as they are not easily expressed or even understood by insiders. Culture is like a code what is observed must be deciphered.

Management scholar Ed Schein borrowing the framework developed by anthropologists Kluchhohn and Strodtbeck defines culture as 'a set of basic assumptions --- shared solutions to universal problems of external adaptation (how to survive) and internal integration (how to stay together) --- which have evolved over time and are handed down from one generation to the next'(Schein, 1985). While these problems are considered universal (etic) in that every group needs to resolve them, the solutions are considered to be unique to that particular group (emic). These solutions are internalized, and like habits become taken for granted, 'obvious' and thus difficult to articulate. They are, however, manifested in the way people behave, and in what they believe and value. They represent the 'why' --- why people behave the way they do, and why they hold the beliefs and values they espouse. These basic assumptions represent our taken-for-granted world-view (Schneider & Barsoux, 2nd ed., 2003).

The appeal of Schein's definition is that it directly addresses the key challenges facing managers: finding solutions to problems of external adaptation --- developing strategies; and of internal integration -- designing organizations and determining HR practices. These solutions --- strategies, structures, and HRM practices are thus deeply embedded in culture, which thus will be adopted in this study as our research approach.

Kluckhohn and Strodtbeck-cultural orientations

The comparative model designed by Kluckhohn and Strodtbeck (1961) has been widely influential. It claims that members of a culture group exhibit constant “orientations” towards the world and other people. Different cultures may be compared on the basis of their different orientations.

The model distinguishes six basic orientations, which reveal the target culture group’s perceptions of the human condition, and presents a range of variations, or possible answers, in response to each. Each orientation in the following table as shown in Table 1 is illustrated by a subjective profile of mainstream American culture.

Table 1 Cultural orientation -- Kluckhohn and Strodtbeck

Orientations	Range of variations
1. What is the nature of people?	<ul style="list-style-type: none"> • Good (changeable/unchangeable) • Evil (changeable/unchangeable) • A mix of good and evil
2. What is the person's relationship to nature?	<ul style="list-style-type: none"> • Dominant • In harmony • Subjugation
3. What is the person's relationship to other people?	<ul style="list-style-type: none"> • Lineal (hierarchical) • Collateral (collectivist) • Individualist
4. What is the modality of human activity?	<ul style="list-style-type: none"> • Doing • Being • Containing
5. What is the temporal focus of human activity?	<ul style="list-style-type: none"> • Future • Present • Past
6. What is the conception of space?	<ul style="list-style-type: none"> • Private • Public • Mixed

Cultural orientations---Kluckhohn and Strodtbeck

Taking the fourth profile for instance, “What is the modality of human activity?”. For American culture, self-identification is achieved through action and performance. Because other persons should be able to recognize this achievement, it has to be visible and measurable. In business, a financial statement provides one measure of success. However Buddhist cultures believe in reincarnation, which means that the individual is born into his/her present status and circumstances by virtue of behavior performed in a previous life, and the struggle is pointless. By avoiding sinful acts and maintaining harmony, you help your chances of being born into a higher position in your next reincarnation. And the sixth profile, “What is the conception of space?”. In China, space is most public, and activities conducted in private are suspect. Privacy is not a well-known concept in China, and its expression in Chinese is usually used in a pejorative sense to hint at selfishness or secretiveness (Kirstoff, 1992). The implication of this model for management thus is organized as shown in Table 2.

Table 2 Implications of the Kluckhohn-Strodtbeck model for management

Orientations	Variations	Implications for management
1. What is the nature of people?	<p>Good</p> <p>Evil</p> <p>Mixed</p>	<p>Optimistic about other people’s motivations and capacities; Theory Y; participation encouraged; trust; direct communication valued.</p> <p>Pessimistic; Theory X; suspicion of peers and subordinates, and of negotiation partners; secretive.</p> <p>Use of middlemen and consultants; a discrepancy between optimistic attitudes and behavior—for instance, the values of communication are proclaimed but every message is vetted by a lawyer.</p>
2. What is the person’s relationship to nature?	<p>Dominant</p> <p>Harmony</p> <p>Subjugation</p>	<p>Control and planning (particularly when also “optimistic”); imposing one’s will on the natural environment, and on the business environment; working to mould the organizational culture.</p> <p>Coexistence; search for common ground; aversion to open conflict within the workplace; respect for different others.</p> <p>Fatalism; ready acceptance of external control; aversion to independent planning; pessimism about changing the organizational culture.</p>
3. What is the person’s relationship to other people?	<p>Lineal (hierarchical)</p> <p>Collateral (collectivist)</p> <p>Individualist</p>	<p>Respect for authority, and for seniority as determined by age, family, sex; tall organizations; communication on a hierarchical basis.</p> <p>Relationships within the group influence attitudes towards work, superiors, other groups; members of other groups treated with suspicion; structures and systems that remove the individual from the group, and that break down group boundaries, are disliked.</p> <p>People primarily perceive themselves as individuals rather than as members of a group; a need for systems that maximize opportunities for personal achievement and status; interesting work more likely to be valued; competition encouraged; egalitarian self-image; informal.</p>
4. What is the modality of human activity?	<p>Doing</p> <p>Being</p> <p>Containing</p>	<p>Performance valued, and hence financial and other measures of performance valued; work central to the individual’s life; practical orientation.</p> <p>Status derived from birth, age, sex, family, connections more than by achievement. Feelings valued. Planning often short-term; spontaneity valued.</p> <p>Focus on self-control; striving for balance between feeling and doing; self-inquiring.</p>
5. What is the temporal focus of human activity?	<p>Future</p> <p>Present</p>	<p>Future planning prioritized; past performance less important; the concept of change valued; career planning; training.</p> <p>Immediate realities prioritized, and used as the basis of planning; long-term plans liable to modification; contemporary impact and style.</p> <p>Past used as the model; respect for precedence; learning from the past</p>

Orientations	Variations	Implications for management
	Past	when planning; needs for continuity; respect paid to age.
6. What is the conception of space?	Private	Respect for personal ownership; what is private is valued; private meetings valued; social distance.
	Public	Suspicion of activities conducted in secret; social proximity taken for granted; public meetings valued.
	Mixed	Private and public activities distinguished.

As we see the table above, there may be counter-examples that contradict the points made. But these do not invalidate the mode. Social anthropology does not claim that all members of the culture group practice the same behavior all the time. Any culture is diverse. Even in a more homogeneous culture variations occur. It tells us that a profile based only on predominant patterns is inadequate, and does not fully describe the culture in all circumstances, for all sub-groups, and at all times. However subordinate variations can be distinguished from the predominant patterns, especially useful when we analyze the behavior of cultural sub-groups and mainstream groups in abnormal situations (Mead, 1998).

Though the Kluckhohn-Strodtbeck model has weaknesses, such as the authors were not centrally concerned with management studies; the orientations and variations are imprecisely defined, etc., the success of Trompenarr's (1993), which has been much influenced by the model demonstrates that the Kluckhohn-Strodtbeck model is still very useful as a way of comparing cultures. However a dimension carries different associations when it is used to describe different cultures, hence there can be no exact point of comparison since the total contexts differ.

We interpret and create messages in reference to shared information. This information includes values in the culture, which link members of the culture group and influence how they refer to their context influence how they communicate. The analyst interested in the behavioral priorities of a particular group must try to understand their contexts and how members experience them. This is the basic point developed by Hall (Hall, 1990).

High-/Low-context cultures

Hall distinguishes between high-context and low-context cultures. Members of high-context cultures depend heavily on the external environment, situation, and non-verbal behavior in creating and interpreting communications. Members of the culture group learn from birth to interpret the covert clues given in these contexts when they communicate, so much meaning is conveyed indirectly. But in low-context cultures, the environment is less important, and non-verbal is often ignored, and so communicators have to provide more explicit information. A direct, "blunt" style is valued, and ambiguity is disliked in management communication.

In Hall studies (Hall, 1990), cultural characteristics of high-/low-context cultures are as the following table (Table 3). Hall's model is built on qualitative insights rather than quantitative data, and does not rank different countries. In general, high-context cultures include Japan, China, Korea, Vietnam and other Asian countries, countries around the

Mediterranean and in the Middle East. Low-context countries include the United States, Scandinavian countries, and Germany.

Table 3 High-/low-context cultures

	High-context	Low-context
Relationships	long-lasting	shorter duration
Communication	implicit	explicit
Authority	personally responsible	diffused
Agreements	spoken	written
Insider vs. Outsiders	closely distinguished	less closely distinguished
Cultural patterns	ingrained	faster to change

But no country exists exclusively at one end of the scale or the other, and all countries show high-context cultural behavior and low-context cultural behavior at different point. The model is useful in understanding how members of different cultures develop business relationships, negotiate with insiders and outsiders, and implement contracts.

Hofstede’s findings

One of the most important studies which attempted to establish the impact of culture differences on management was conducted by Geert Hofstede, first in the late 1960s, and continuing through the next three decades. The original study, now considered a classic, was based on an employee opinion survey involving 116,000 IBM employees in 40 different countries. From the results of this survey, which asked people for their preferences in terms of management style and work environment, Hofstede identified four ‘value’ dimensions on which countries differed: power distance, uncertainty avoidance, individualism/collectivism, and masculinity/ femininity.

Power distance: the distance between individuals at different levels of hierarchy, which indicates the extent to which a society accepts the unequal distribution of power in institutions and organizations.

Uncertainty avoidance: refers to a society’s discomfort with uncertainty, preferring predictability and stability.

Individualism vs. collectivism: the relations between the individual and his/her fellows; reflects the extent to which people prefer to take care of themselves and their immediate families, or remaining emotionally independent from groups, organizations, and other collectivities.

Masculinity/femininity: dimension reveals the bias towards either ‘masculine’ values of assertiveness, competitiveness, and materialism, or towards ‘feminine’ values of nurturing, and the quality of life and relationships.

Efforts to replicate Hofstede’s findings in Asian countries, however, ran into difficulties. Some factors, such as uncertainty avoidance, appeared to be less relevant while other factors emerged which appeared to more so. Confucian values of persistence, thrift and patience were

discovered through subsequent research. This factor was then named 'long term orientation' and was considered to be the reason for the economic success of the 'Asian Tigers' in the 1980s.

While some concern has been voiced that the country differences found in Hofstede's research are not representative due to the single company sample, and that the data collected is over thirty years old, further research conducted supports these dimensions and the preferences for different profiles of organizations (Sondergaard, 1994; Hope, 1998; Smith, et al., 2001). Others criticize that little information is available regarding psychometric properties regarding reliability and construct validity. One study of more than 6,000 employees in 23 nations/provinces trying to replicate Hofstede's VSM 1994 version found poor internal consistencies for all factors except long-term orientation (Confucianism), and that the factors identified are not discrete. Nevertheless all five scales showed significant differences across countries and in most cases rankings were similar.

Given the differences in value orientations, Hofstede has long questioned whether American theories could be applied abroad and discussed the consequences of cultural differences in terms of motivation, leadership, and organization (Hofstede, 1980). He argued, for example, that organizations in countries with high power distance would tend to have more levels of hierarchy (vertical differentiation), a higher proportion of supervisory personnel (narrow span of control), and more centralized decision-making. Status and power would serve as motivators, and leaders would be revered or obeyed as authorities.

In countries with high uncertainty avoidance, organizations would tend to have more formalization evident in a greater amount of written rules and procedures. Also there would be greater specialization evident in the importance attached to technical competence in the role of staff and in defining jobs and functions. Managers would avoid taking risks and would be motivated by stability and security. The role of leadership would be more one of planning, organizing, coordinating, and controlling.

In countries with a high collectivist orientation, there would be a preference for group as opposed to individual decision-making. Consensus and cooperation would be more valued than individual initiative and effort. Motivation derives from a sense of belonging, and rewards are based on being part of the group (loyalty and tenure). The role of leadership in such cultures is to facilitate team effort and integration, to foster a supportive atmosphere, and to create the necessary context or group culture.

In countries ranked high on masculinity, the management style is likely to be more concerned with task accomplishment than nurturing social relationships. Motivation will be based on the acquisition of money and things rather than quality of life. In such cultures, the role of leadership is to ensure bottom-line profits in order to satisfy shareholders, and to set demanding targets. In more feminine cultures, the role of the leader would be to safeguard employee well-being, and to demonstrate concern for social responsibility.

Hofstede's analysis is vulnerable on a number of counts: First, it assumes that national territory and the limits of the culture correspond. But cultural homogeneity cannot be taken

for granted in countries which include a range of culture groups or with socially dominant and inferior culture groups. Second, Hofstede’s informants worked within a single industry and a single multinational. Third, there are technical difficulties, e.g. intuition suggests that some of the connotations overlap thus dimensions are not clearly defined. However, these weaknesses are dwarfed by the strengths of Hofstede’s work in comparing cultures and applying cultural analysis to practical management problems, such as the information population is controlled across countries, which means comparisons can be made; and the four dimensions tap into deep cultural values and make significant comparisons between national cultures.

It is sometimes argued that regardless of the validity of Hofstede’s research in 1980, it is now out of date and cannot be applied. An obvious example is presented by the breakup of Yugoslavia, which he treated as a national unit. Nevertheless many research (Sondergaard, 1994; Smith, et al., 2001) replicating Hofstede’s methods and finds that the four dimensions are “largely confirmed”. But despite the popularity of the American MBA, Lowe (2003) examines Hofstede’s question “do American theories apply abroad?” in the context of Hong Kong and finds that often they do not, which constructs as one of the attempts for our study.

2.3.3.1 Basic assumptions

The basic assumptions used to guide us further in exploration of culture are derived from the work of anthropologists Kluckhohn and Strodtbeck (Kluckhohn & Strodtbeck, 1961). These are dimensions most commonly used by management scholars shown as the following figure (Figure 4). The relationship between the various dimensions can be more readily grasped if we return to the definition of culture as shared solutions to problems of external adaptation and internal integration, with which the distinction provides a useful framework for organizing the relevant cultural assumption (Schneider & Barsoux, 2nd ed., 2003).

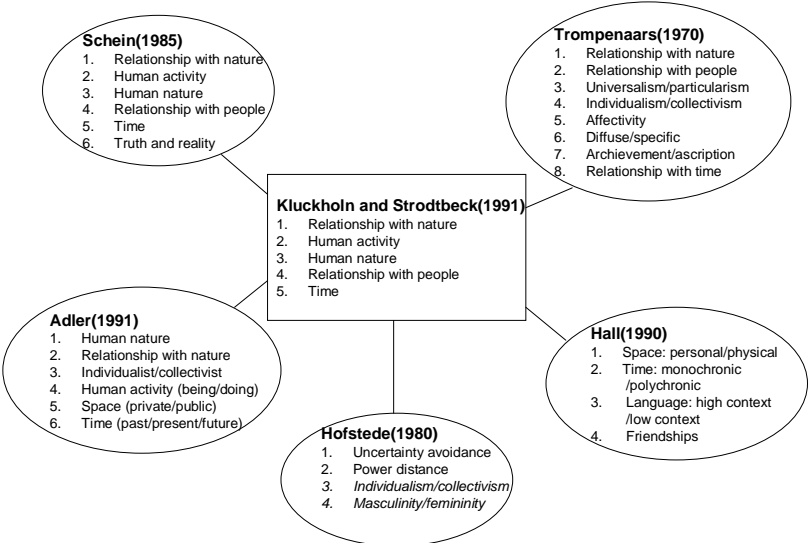


Figure 4 Key dimensions of culture (Schneider & Barsoux, 2003)

Managing ‘relationships with the environment’ or solutions to problems of external adaptation include assumptions regarding control and uncertainty, the nature of human activity, and the nature of truth and reality, or the way we know the environment as shown in Figure 5. Managing ‘relationships among people’ (solutions to problems of internal integration) includes assumptions regarding the importance of relationships over task achievement, relationships with superiors and subordinates (hierarchy), and relationships with peers (individualism and collectivism). Assumptions regarding time, space, and language are related to both relationships with nature as well as relationships with people (Schneider & Barsoux, 2003). In the following section, we will discuss the cultural determinants with addition of Chinese philosophy in terms of the two cultural main streams, Confucianism and Tao in response to external adaptation, internal integration, and its linking assumptions as well as Chinese “*Guanxi*” derived, which has been helping them live through for thousand years.

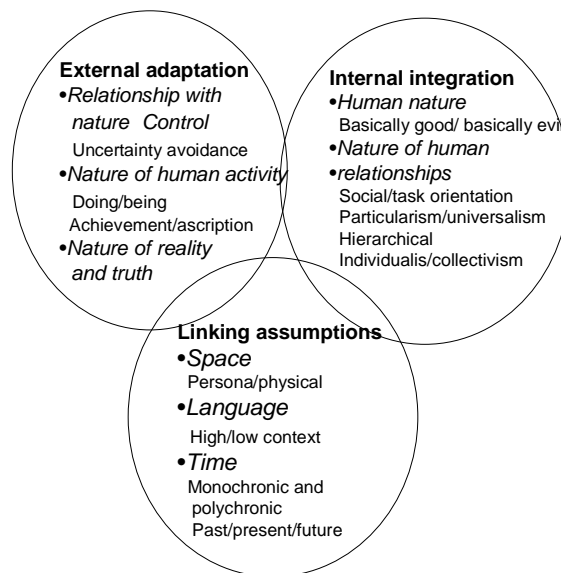


Figure 5 Underlying cultural assumptions
(Schneider & Barsoux, 2003)

2.3.3.1.1 External adaptation

Relationship with nature—management vs. harmony

The very notion of ‘management’ implies that managers have control over nature. American culture can be described as a ‘can-do’ culture. Injunctions like ‘Go for it!’ are manifestations of this profound belief that nothing is predetermined. While in some cultures nature may be seen as controllable, in others it is accepted as a given. Destiny, or fate is predetermined. Rather than try to change things or make things happen, it is considered to be more natural to let things happen.

Closely linked with this desire for control over nature is the notion of ‘uncertainty avoidance’ as discussed by Hofstede. This refers o a society’s discomfort with uncertainty, preference for predictability and control and avoidance of risk. These assumptions about control over nature are reflected in planning rituals, the importance placed on schedules, and

belief in taking initiative and responsibility. For example, the centralized control of the Communist regime served to reduce uncertainty. The kind of experience creates a sense of learned helplessness, a sense of being unable to make an impact, as well as a strong fear of making mistakes, which poses one of the biggest challenges of improving performance, at both individual and collective levels (Trompenaars, 1993).

In contrast with Western idea of conquering and governing nature, Chinese think highly of the harmony between human beings and nature, and can be represented by ChuoYiDaJuan (「周易大傳」) which advocates the coordination between Tien and people. In view of naive materialism (樸素唯物論) based on the theory of Tai Ji Yin Yang (“太極陰陽說”), it is emphasized that people ought to be obedient to nature since Tai Ji is the source of the world, and the world is the source of everything, so as to human beings of men and women, men and wife. This proves human being is the product of the nature and becomes part of it. Though so, talent of people and function of Tien are different by individual without intention. (顯諸仁，藏諸用，鼓萬物而不予經人同懽，盛德大業至矣哉!)

Overall speaking, everyone including the emperor, scholars, or the officers live in between Tien-Di (天地) are obligated to coordinate and guide the natural function, and of course are required to follow the natural changing rhythms. In other words, human beings have the responsibility to utilize and improve the nature on one hand; they should also follow the nature law in being oneself on the other. This is so called “Tien-human in harmony” (天人合一), which is close to the view points of participating with Tien-Di in the Doctrine of Mean (「與天地參」, 中庸) and loving your family, care for people and things in Mencius (“親親、仁民、愛物”, 孟子).

“Tien-human in harmony” (天人合一) has been well-developed after Han and Song Dynasties. It is not just a theory of the relationship of Tien and people, further more it developed into a life ideal of highest awareness, with basic thoughts including the following parts: First, human beings are part of nature and are a necessary element to it. Second, there is the general law in nature which human beings follow along. Third, human nature is the ways of Heaven, in a sense that moral principles are consist with natural laws. Finally, the ideal of live is to have “Tien-human in harmony”. The above discussion expressed the idea of having nature changed, adjusted, controlled, and directed under the constraint of avoid destroying nature as to let creatures grow and reproduction, which is different from Western’s concept in conquering nature (Chang & Cheng, 2006).

Nature of human activity—doing vs. being

The assumption of control over nature versus fatalism is connected to the desirability of taking action. North American and northern European managers are more likely to initiate action, and to take decisions quickly. They value being active, and being decisive. Readiness to take action means willingness to take risks and to make mistakes, and then make the necessary adjustments.

Compare this attitude with that of a Chinese manager, confronted by a problem in his boss’s absence. His reply to whether he intends to take any action may be, ‘It is better to do

nothing than to make mistakes. 'Beyond the fine art of getting others to do things, is the even worthier art of allowing things to do themselves'. They spend much more time analyzing and planning to avoid making mistakes and make sure not to interfere with God's (*Tien's*) will.

When managers assume that they have control over nature, they are more likely to take action. In turn greater importance is placed upon doing versus being. When managers assume that they have little control over nature, they are most likely to take time to reflect and plan, to watch how events evolve, and to adapt to the emerging situation. Thus the quality of thinking (of education), and of personal character (who you are) is more important than what you do. This difference is also referred to as achievement versus ascription (Trompenaars, 1993). In the US, where what one accomplishes is more important than where one went to school or one's professional ties, whereas in China, one's character, loyalty, trustworthiness, ability to get along with the group, may be more important than what you can achieve. In a Chinese firm, whether managers are valued for what (and who) they know or what they are able to accomplish depends on assumptions regarding the relationship with nature. Nevertheless, it also influences assumptions regarding relationships among people, for example who has authority over whom.

Nature of truth and reality—truth found vs. socially constructed

Bivalence is a consequence of a Western orientation of Truth, reflecting the latent assumption in Western Enlightenment philosophy of its existential reality as an unquestioned object with uncomplicated correspondence in empirical evidence. It is a term employed to try to capture the meta-narrative underlying functionalism and scientism, which is that the world is real, mechanistic, measurable, controllable, and understandable by legitimate, objective, logical, empirical scientific method only. Truth is 'found' rather than made or socially constructed. It is found through factist rationalism and is universalistic and uniform rather than pluralistic and multiform (Lowe, 2003).

How truth is determined varies between cultures. In France, a business decision will be based on serious analysis not only of the numbers but also the underlying logic. Based on Cartesian philosophy, this means that truth is established only when logically proven so. French managers use a deductive approach in problem-solving, deriving solutions from theory. The American approach is more inductive, theory is derived from data and experience. They are ready to go into the field and experiment. The Chinese worldview emphasizes harmony achieved through this worldly, humanistic virtue on the one hand and otherworldly, spiritual harmony, which requires cultivation of the no-self to blend with the forces of the universe, on the other hand. Taoism, thus is applied to explore the nature of the Chinese worldview, which is described as anti-foundational and oriented toward Virtue rather than foundational Truth.

These differences can cause problems when making business presentations. Whilst for the French, it is important to provide theory, history, and context, the American is often trained to start presentations with the executive summary, or conclusions upfront. In stead of presented with facts and figures, Chinese cultures rely more on feeling, intuition, and spirituality, and are convinced in their truth only if it feels right.

Therefore the solutions to problems of external adaptation are revealed in assumptions regarding control over nature, human activity, and how truth is established. These solutions which determine the relationship with nature also have implications for how relationships among people are managed. For example, under the circumstance of lack of control over nature increases the perceived need to have control over people, which makes social controls more important than task controls; and change efforts would be geared to developing internal capabilities rather than reengineering tasks. Thus lower perceived control over nature places greater emphasis on people (relationships) rather than tasks. Assumptions regarding human nature and how relationships are managed thus provide the solutions to problems of internal integration (Schneider and Barsoux, 2003).

In the aftermath of the Han dynasty, as wars and short-lived dynasties ruled over a divided China, many people sought solace in Taoism and Buddhism, which met their desire for a spiritual world. Confucianism was not able to regain its former place as the state doctrine until the Tang dynasty (618-907), which was also when state official examinations (科舉) were expanded. Although Confucianism was only one system thought among others by then, the ruling elite selected it as the most suitable one for state administration. To advance their views, scholars exclusively referenced canonical books over 2,000 years old; until the Qing dynasty (1644-1911), interpretations of these texts remained intact (Ess, 2003a, b; 2003b).

In light of a changed environment, the state official examination system was abolished in 1905. Later after the May 4th moment in 1919, students suggested that it was precisely this Confucian civilization praised by their fathers that had set China back in the competition of nations (Ess, 2003a). Denied a philosophical or religious notion, the Confucianist social system was to be destroyed. During the Culture Revolution (1966-1976), Confucius once more became evil in persona when Red Guards denounced former Secretary of Defense Lin Biao as a reactionary follower of the Master: “Criticize Lin Biao, criticize Confucius!” (批林，批孔). Albeit for different motives than the Communists, who did their best to extirpate Confucian thoughts because of their feudal roots (Ess, 2003a). The vast majority of East Asians (Bell, 2003; Chaibong, 2003) sought to overcome the Confucian obstacle to modern society.

Although many criticisms have been leveled against the Confucianism values are the basis of the *Guanxi* system (Ess, 2003a; Bell, 2003; Chaibong, 2003; He XF, 2003; Zhang & Yang, 1998), some scholars (e.g. Wu, 1999) argue there is evidence that Confucianism, despite changes over the past two thousand years and Maoist attempts to exorcise it, still provides a moral, intellectual, and social nexus for the Chinese psyche.

Rather than breaking the taboo to deny China a Confucian tradition, the suggestion here is to assume that its ethics persist in the form of a substrate that influences the modern Chinese actor to some extent in various situations, including interaction in the *Guanxi* system. This influence will become tangible in the following discussion of *Guanxi* norms and their enforcement as well as in the ethical assessment.

In Confucianism countries, social status is determined largely by *Guanxi* system to which one belongs—a determination often preordained by the composite membership of one's extended family. The Chinese strive to keep relationships among *Guanxi* members stable and harmonious since *Guanxi* is the basis on which they exchange a lifetime of favors, resources, and business leverage (Pearce II & Robinson, Jr., 2000). Social norms, though somewhat are different around the world, mostly are attached to the social status, which is the position where people stand in a social system. And the regulation integrated for a certain status is the “role” (Linton, 1972; Chang, 1986). For someone who takes the proper role and plays it accordingly receives high praise for being qualified for his social status. *Wulune* (五倫), the basic norms of *Guanxi*, is the main thought of the ideal type of manhood and patriarchy and filial piety and the spirit of trust(信)and justice(義) in regulating different levels of *Guanxi* and setting them in hierarchical order with priorities in Chinese societies. It consists of five levels: the monarch and his subjects(君臣), the father and his son(父子), brothers(兄弟), friends(朋友), and the husband and his wife(夫妻). In this *Guanxi* system, while the three basic *Guanxi* of the father and his son, brothers, and the husband and his wife are inside of the family, the political *Guanxi* of monarch and his subjects is up-pushed to the national level, and *Guanxi* of friends contains the rest of those who are outside of the families. From the perspective of Chinese societal progress, the “family - nation - world” is the structure from inside out where the family ethic is the basis of Confucius' human relations, where each one ought to be committed, responsible, and content to his given role. Thus in a company, the relationships constructed between people varies not simply based on the positions but more likely on their *Guanxi*.

2.3.3.1.2 Internal Integration

Human nature

Some religions take as their point of departure the idea that people are basically evil (original sin) and can be redeemed only through certain acts of religious faith. Others assume that people are basically good, that they live and work to fulfill or maximize their human potential. In management this translates into the beliefs about workers: Theory X and Theory Y. In Theory X, workers are assumed to be lazy, to need constant direction and supervision because they will try to get away with as much as possible. Managers, of course are different. In Theory Y, workers are assumed to be self-directed, to be willing to take initiative and to do what has to be done without external control. Here, there is no perceived difference in the nature of workers and managers. Assumptions about human nature determine the willingness to delegate and the nature of control systems, with which the popular notion of empowerment depends very much on that people are self-directed and self-controlled.

These assumptions are regarding human nature relate to the nature of relationships. If people are assumed to be basically ‘good’, they are more likely to be given greater autonomy, and allowed to go off on their own way, to take initiative, which in turn encourages a more task orientation. If human nature is considered basically ‘evil’, then there is a greater need for

external controls and supervision, which in turn encourages a more relationship-oriented culture, and a greater emphasis on hierarchy and other forms of social controls, such as group pressure. Thus assumptions regarding human nature influence assumptions regarding the nature of relationships, how important they are, and how they are structured. There are also good nature and evil nature in Chinese philosophy (Monzi 性善 vs. Suinzi 性惡), which is omitted in this research due to limited space.

Relationships with people

Task versus relationships

North American and northern European managers prefer to focus on the task and to keep personal relationships aside. US managers pride themselves on having good business sense. They avoid doing business with friends and family, as these relationships are considered to interfere with sound judgment. People should be hired on merit (ability and past accomplishments) and not on ‘connections’.

While it is emphasized in Western on “what you know”, refers to technological expertise, including the price and quality of tendered product or service, it is emphasized in Confucian societies on “who you know”, which refers to personal connections with the appropriate authorities or individuals. These connections are known in Chinese as *Guanxi* (Yeung & Tung, 1996). Here, companies often prefer to hire family members and relations because they believe that their character and trustworthiness have been vouched for by the employees. They can therefore rely on more informal social controls to keep employees in line. It is taken for granted that in order to get anything done you have to go through ‘*Guanxi*’. This dimension can be referred to as universalism versus particularism. In universalist cultures people believe that rules and regulations should apply to everybody, and not just those who without relations.

Masculinity/femininity

Referring to Hofstede’s findings (Hofstede, 1980), in masculine cultures like US and China, importance is placed on assertiveness, competitiveness, and materialism in the form of earnings and advancement, promotions, and big bonuses. For the company profit counts above all, and the shareholder takes precedence over employee or customer interests.

For countries, like Denmark and Sweden, the concern for quality of relationships and of work life, nurturing, and social well-being have been translated into initiatives such as Quality of Work Life and extensive social welfare programs.

Hierarchy: the role of the boss

The nature of relationships also refers to how these relationships between people are structured, notably the extent to which hierarchy is revered. It is shared in most western countries that it places in the hands of an individual with deciding on, executing, and controlling policy. Though the degrees of importance are various, the boss is boss.

However in China, position regarding hierarchy is more ambiguous. The boss seems to be more directly involved with the workers with no distinction; and the workers are encouraged to get involved in the decision-making processes and to come up with suggestions

to improve how their job is done. While these practices reinforce the collective spirit, the boss is still very much the boss in the sense of having an air of his importance.

Peer relations or individualism/collectivism

To discuss about 'Individual' and 'selfness' in Chinese tradition, we adapt Yu In-Shi's (1995) exposition in his book, "Chinese culture and modern changes", for the following discussion of 'Individual' and 'self' in Chinese tradition. In Chinese traditional culture, either values of 'Individual' or 'self' is very important. Particularly for Taoism, such as Zhuang Zi (莊子) and the Chan sect(禪宗) of Buddhism, who pay highly respect to individual spiritual freedom. As for Confucianism, its「內聖外王」was a expression pointing out individuals ought to work on self-cultivation before he is able to manage everything else; while「修齊治平」is also to begin with individuals. The difference between Chinese and Western individualism is that while Western takes individual as one's own post, Chinese considers the problem of freedom with respect to the boundary between groups and individuals, which is closer to what Western Idealism has defined for the view of communitarian(Yu, 1995).

In individual societies people are supposed to take care of themselves and remain emotionally independent from the group and self-interest is the dominant motivation, while in collective societies, the concern is for the group and individuals define their identity by their relationships to others, through group membership, and strive for a sense of belonging (Markus & Kitayama, 1991).

With respect to social context, Chinese culture provides a tightly knitted social framework in which individuals are protective of one another and organizations safeguard their members' interests. It projects a preference for cooperation, group decision-making, and relationships. Thus, the importance of networks lies in their emphasis on collectivism and group harmony. *Guanxi* is characterized into categories in accordance with its bases (Hwang, 1987, Nuang, 1992). However no matter how *Guanxi* is classified and implemented theoretically, in practice there are certain rules for each role played among parties in accordance with *Wulune*. And rules are often borrowed when *Guanxi* cannot be clearly defined. For example, a business relationship built between strangers is seen as most distant unless credentials and a mutual sense of identities are established in terms of insiders, such as the "Zijiaren"(自家人), then the *Guanxi* can be upgraded and seen either as brothers or friends, and the non-written rules, "Hsin"(信) for brothers or "Yi(義)" for friends is borrowed from Wu-lune as metaphors, with which people involved in business follow along without suspicions.

In markets, people see one invisible hand - price, while in China, another hand - *Guanxi*, is seen as a potential solution for most problems of entering and operating in China. While *Guanxi* plays the role as the "protocol", setting the rules governing the communication and the transfer of affection between individuals in Chinese societies, the teaching of Confucianism deeply rooted in effect constructs the norms of *Guanxi* for its establishment and maintenance.

2.3.3.1.3 Linking assumptions: space, language, time

As discussed by Ed Hall (1990), related to both issues of external adaptation and internal integration, assumptions regarding space can refer to how a group has managed its relationship with the environment through use of physical space, as seen in architecture and interior design, as well as how relationships are managed through personal space, how much physical and emotional distance exists between people. And our view of time and how we manage it is in part determined by the degree to which we assume control over nature, and in turn determines the importance placed on relationships versus tasks.

Space—connect vs. related

Assumptions about space are expressed in many ways, both physical and personal, and at many different levels, from what can be observed to what must be inferred. Difference can be found in how physical space as well as how public versus private space is managed in relationships. Compare to Taiwan, where space is limited (island mentality) with the wide open spaces in the United States (frontier spirit) (Wallin, 1972). Given the population and limited space available, there is a high value placed on space in Taiwan, which means that personal space is also carefully managed. It could be argued that the degree of formality, or personal distance, compensates for the lack of physical space. The Taiwanese do not appreciate touching or being touched and prefer bowing or nodding to handshakes, whereas in the United States there is less constraint with regard to physical space, thus less emphasis is placed on living in harmony or respecting the other person's privacy. Abundance of space means that disputes can always be settled by moving on. American mobility, both geographic and professional, is a manifestation of this 'frontier spirit'.

It can also be argued that American friendliness or readiness to make contact reflects the need to make greater efforts to reduce the impact of greater physical space and distances. Therefore Americans more readily tend to share personal information and to inquire into the private lives of others. North Americans exchange personal information as currency, as evidence of good-will, expect to be reciprocated, in order to build relationships, to establish trust. On contrast to that, Chinese is born with blood-tie upon which trust is assumed to be given. Physical distance does not determine closeness among Chinese. They are related rather than connected.

In this way assumptions regarding personal space determine the nature and degree of involvement with others, what is expected from friendships and family and from colleagues: relationship building versus getting down to business. It is expressed in artifacts and behavior such as the use of formal titles and address (formal versus informal 'you'), what is discussed or not discussed, and how. It also reflects the degree to which information is embedded or direct, in other words, how much is left unsaid.

Language—low vs. high context

It is through language that we formulate thoughts and that we experience the world and others (Whorf, 1967). Language determines what we see and fail to see, what we say and omit to say, and who is allowed to say what. It therefore influences both our relationship with the

environment and our relationships with other people.

According to Hall's distinction, in low-context cultures, communications are expected to be clear and direct, or explicit. People are expected to come to the point; and there is no need to read between the lines. Everyone should be able to understand the message and have equal access to information. In other cultures where are high-context, communication is highly dependent upon the persona and the situation. Information is shared among people, and some people have more privileged access than others (「知者不言，言者不知」；「可與言，而不與之言，失人；不可與言，而與之言，失言。知者不失人，亦不失言。」). Much is communicated in what is not said. People are not supposed to come right out and say it which could create embarrassment and discomfort. Ambiguity and subtlety are expected and highly valued. Being able to read non-verbal signs and body language is crucial. The difference between high- and low-context cultures can cause communication difficulties, which is inevitable even with the participants share the same mother tongue. Taking English speaking countries as an example, in communicating Americans tend to be more direct and explicit, while British are more reserved and indirect.

Time— monochronic vs. polychronic

In Anglo-Saxon and Northern European cultures, time tends to be seen as limited, structured in a sequential and linear fashion---'monochronic'. Monochronic managers are accurately concerned with starting meetings on time, and on spending time productively, which makes their Latin visitors who are waiting for their turns feel ignored and hurt. In Latin European and Middle Eastern cultures, time is experienced as unlimited and simultaneous---'polychronic'. Managers from these countries typically believe that time expands to accommodate activities, and that several activities can happen concurrently. Thus they may be late to a business meeting since it would be unthinkable to run into any colleague on the way. And meetings could be interrupted with unexpected phones and visitors, which irritate more task-oriented managers. Relationship reflects its importance in social and business life.

Being 'on time' is not just a view of punctuality, it is an indication of hierarchy, like in China, people with higher social status are permissible to keep others waiting. It also signals reliability in other cultures, such as in Germany. Cultural attitudes to time also differ in the relative importance accorded to past, present, and future. Americans are fond of the expression 'Don't cry over spilt milk' to emphasize not to worry about what has happened in the past, nor the present is seen as relatively unimportant, compared to 'what happens next'. In Europe or Asia, on the other hand, people put a greater emphasis on the past and on the importance of tradition.

Attitude can also be influenced by time orientation. Americans tend to view change as inherently good; there is a perpetual search for new and better ways of doing things, and the future is optimistically viewed as an improvement on the past. For Chinese, on the other hand, change can be inherently dangerous, since it threaten long-standing traditions. It is believed that the present and the future are determined by what has happened in the past. Thus the past

is often invoked as a reason for not doing something (「成事不說，遂事不諫，既往不咎。」).

2.3.3.1.4 Interrelated cultural assumptions

As Schneider and Barsoux (2003) conclude with the assumption discussion, the underlined assumptions are interrelated. For example, Assumptions regarding control over nature are linked to assumptions regarding time and activity. In cultures where there is perceived control over the environment, time is likely to be seen as monochronic: time can be controlled by schedules and agendas. Perceived control over nature encourages doing and achievement. This in turn reinforces the importance of task performance versus relationships, and of purpose rather than position within a set of relationships, and of individual initiative rather than group belonging. The importance of performance will tend to align with universal truths, rules and regulations, and direct, or low-context language. It is important to follow procedures and to spell things out clearly to make sure they happen as planned.

On the other hand, cultures where there is little perceived control over nature do not believe that time can actively managed, or put into boxes. Given little control over what happens, the kind of person you are is more important than what you do --- being takes priority over doing and ascription over achievement. Task performance is seen as less meaningful than relationships. The group or collective thus becomes an important source of control: social control rather than task or performance controls. Given the importance of the group, there tends to be more interaction among people and greater cohesiveness within the group. Loyalty is valued and moving from group to group becomes unlikely (low mobility). Thus language tends to be high-context, as there is a greater shared meaning that has evolved over time. As saving face becomes important to preserve harmony, there is more concern with feelings than absolute facts.

Three dimensions identified by Lewis may also represent such patterns: linear active, multiactive, and reactive (Lewis, 1996). Linear active people tend to be more task-oriented, rely on facts and figures, prefer analytic and logical thinking to be direct and to the point, individualist, and not very emotionally expressive. Most northern European, Nordic and Anglo-Saxon countries cluster here. Multiactive people tend to be more relationship-oriented, more intuitive in their decision-making approaches, and more direct and emotionally expressive as may be found in Latin and Arabic cultures. Reactive people value harmony and adapting are highly sensitive to the needs and concerns of others, less direct in communication avoiding confrontation and displays of emotions. This is often the case in Asian cultures. These patterns are mutually exclusive or exhaustive and can be taken to represent extremes along which different cultures can be placed.

The marketplace environment is the primordial soup from which the Chinese notion of *Guanxi* arose. Just as the emergence of computer networks helped us see and conceptualize social networks, it was the Chinese marketplace that gave rise to the idea of *Guanxi*. In an environment where some degree of relational and economic certainty was essential for survival, rules and traditions for social engagement arose that allowed for individual role

definition, relational ethics, and social and economic sustainability (Gao & Ting-Toomey, 1998).

2.4 Guanxi and its mechanism in view of the complex adaptive system

From the above discussion, the talk of overlap for networks is obviously questionable. We thus look into the social context of *Guanxi* from the cultural roots and find out the significant factors that form up *Guanxi* and its network; and again in comparison with the structure of social network, we propose the theory of ISOLINK, The ISOLINK, act not just a connection, but also a channel built based upon social norm with role-context, with which Chinese socially link with one another, so as to the *Guanxi* networks.

2.4.1 Small world and Guanxi networks

Small world theorem explains the interpersonal network in our daily life, a special organization and structure where people interconnected in regular pattern mixed with a chaotic equilibrium mode (Watts & Strogatz, 1998). In a small world, news and rumors, fashions and gossip can spread more quickly and easily than they would otherwise. So can ideas about what stocks might be worth buying or selling, or about new technologies or strategies for doing business. The small world reveals an underlying dynamic of interconnectedness that expresses itself indelibly in who we are, how we think, and how we behave (Buchanan, 2002).

Our social network has not been designed by anyone. It has evolved through countless historical accidents – people meeting people by chance. However random it appears, perhaps some special and rather finely crafted architecture has welled up within it nonetheless, which indeed stimulates our motive for this research. In our study, we apply the small world theorem to explain *Guanxi*, what links people into social networks and functions its particular mechanism in Chinese society.

Adapted from Granovetter's paper (1973), the example drawn as below, strong links are shown in solid circles and weak links by dashed lines. The number of degrees of separation between A and B jumps from one to four if you remove the single link between them. The link is a social bridge, a crucial connection that binds a portion of the social fabric together.

Granovetter points out that bridges are so effective in tying social networks together, and the weak links are more important than the strong ones since they act as the crucial ties that sew the social network together. Situations are pretty alike in Chinese society, and these links are named as *Guanxi* with various characteristics: First, all relationship links are originated from the 'family', includes the weak ones. Weak links can be seen as the gate that outsiders try to cross over and become insiders. These links may be weak in comparison with blood family ties, but they are the key to unlock and relock the *Guanxi chuen* (discussed in last section). Second, strong links may not be as obvious in linking networks, they are neither ineffective nor erasable as stated in the book "NEXUS" as shown in Figure 6.

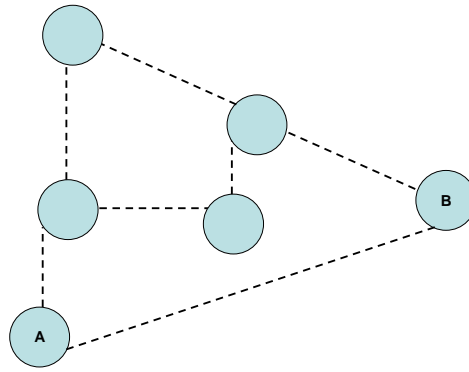


Figure 6 Strong/weak links

For Chinese, *Guanxi* once established is permanent no matter what. Not until one is dead, the role-context of *Wulune* governs one’s mind and behavior in associating with others. Third, *Guanxi* can be distant. However frequent interaction in between with reciprocity reinforces their *Guanxi* and brings them closer. Fourth, although weak links can be seen as the social “shortcuts”, its existence is as vital as in “the small world” that could cause the network to fall to pieces. Since all *Guanxi* (*Wulune*) rooted and derived out from the base of the ‘family’, everyone can be related with others through a basis of familiarity (mentioned in last section).

Like the complex adaptive systems that are constantly revising and rearranging, *Guanxi* is adjustable and altercasting as needed. In Chinese society, *Guanxi* and its mechanism is the key, which may be featured with the characteristics in between chaos and order.

2.4.2 Chaxugeju and adaptability

For the following discussion, Waldrop’s book, complexity (1992), will be partly excerpted to avoid any slight error. Prof. Licklider (1953) explained Hebb’s (1949) “the new theories of learning and memory” in his speech: most of the brain appears to be a study in chaos under a microscope, with each nerve cell sending out thousands of random filaments that connect it willy-nilly to thousands of other nerve cells. And yet this densely interconnected network is obviously not random. A healthy brain produces perception, thought, and action quite coherently. Moreover, the brain is obviously not static. It refines and adapts its behavior through experience. It learns.

In a crudest picture, each neuron is a single cell with a central body from which issue numerous fibers. The shortest of these, known as *dendrites*, are the neuron’s receiving channels, while the longer fibers, known as *axons*, are its transmission lines. The axons running away from any neuron eventually link up with the dendrites of other neurons, providing communicating links (Buchanan, 2002), with the synapses, points of connection where nerve impulses make the leap from one cell to the next. These synaptic changes were in fact the basis of all learning and memory (Hebb, 1949). As a result, said Hebb, a network that started out at random would rapidly organize itself. Experience would accumulate

through a kind of positive feedback: the strong, frequently used synapses would grow stronger, while the weak, seldom-used synapses would atrophy. These memories, in turn, would tend to be widely distributed over the brain, with each one corresponding to a complex pattern of synapses involving thousands or millions of neurons. (Hebb was one of the first to describe such distributed memories as “connectionist.”) (Waldrop, 1992).

Furthermore, Prof. Licklider explained Hebb’s second assumption: that the selective strengthening of the synapses would cause the brain to organize itself into “cell assemblies” –subsets of several thousand neurons in which circulating nerve impulses would reinforce themselves and continue to circulate. Hebb considered these cell assemblies to be the brain’s building blocks of information. Each one would correspond to a tone, a flash of light, or a fragment of an idea. And yet these assemblies would not be physically distinct. Indeed, they would overlap, with any given neuron belonging to several of them. And because of that, activating one assembly would inevitably lead to the activation of others, so that these fundamental building blocks would quickly organize themselves into larger concepts and more complex behaviors. The cell assemblies, in short, would be the fundamental quanta of thought.

Chinese society (or any other society) is also like a brain, and *Guanxi* mechanism acts as the in between network of chaos and order, with which people are connected. Each *Guanxi* functions as the synapse, transmitting information, coordinating activities, and organizing into assemblies (*Guanxi chuen* — 關係圈). Different from cell assemblies, these social assemblies can be physically apart, yet emotionally connected through *Guanxi*. Furthermore these social assemblies can be organized into a large entity without geographical restrictions of the outer environment.

Guanxi is based upon *chaxugeju* (Fei, 1992(1947)), with which measures the relationship between oneself and others and decides where they stand in the *Guanxi chuen* (circle). The closer to the core one positioned (inner), the stronger his links to the cluster as shown in Figure 7. For those who positioned outer thus have relatively weaker links to the cluster. Through these weak links (*Guanxi*), individuals are able to hook up with other small worlds (*Guanxi* networks) and have interconnections among networks in forming collected small worlds (Watts & Strogatz, 1998).

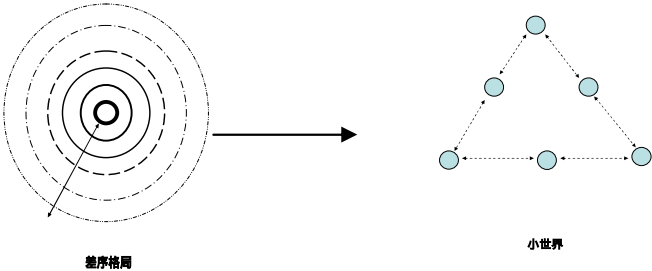


Figure 7 Chaxugeju and networking

In Chinese *Guanxi* network system, *Wulune* and its referred *Guanxi*, this particular cultural value commonly recognized by all Chinese not only distinguishes the hierarchical structure in an organization, but also regulates the interactive norms between individuals, which in turn stabilizes the system. All complex systems have somehow acquired the ability to order and chaos into a special kind of balance. This balance point – often called the edge of chaos – is where the components of a system never quite lock into place, and yet never quite dissolve into turbulence, either. The edge of chaos is the constantly shifting battle zone between stagnation and anarchy, the one place where a complex system can be spontaneous, adaptive, and alive (Waldrop, 1992).

In *Guanxi* networks, the original system has been destroyed by the chaos caused by new comer’s join, further through reforming, restructuring, and been strengthened. In order to achieve mutual adaptation and reconciliation, individual surpass oneself to acquire the group characteristics and reach to the integral harmony. Utilizing resources including information, *Guanxi* under this circumstance helps individuals to turn one’s dilemma around into favors. For having the accumulated positive feedback, *Guanxi chuens* thus expand and interconnect with one another through ISOLINK (will be discussed in next section) and expand into a well knitted social networks. Meanwhile with the cultural base of role-context embedded, functions of self-fixing and self-reinforcement of the *Guanxi chuens* are activated internally, externally and interactively with synergy, which shows their extreme flexibility in adaptation.

Just like the frequently used synapses grow stronger, the frequently ‘used’ *Guanxi* is usually the tighter ones. However it is quite costly to establish and maintain *Guanxi*, including money, energy and time spending. *Guanxi* is given birth by benefit, so will be terminated by it. When there is mutual benefit, a weak link can turn into a strong link, while there is benefit conflict, situation then turns around. In Chinese *Guanxi chuen*, for relationship with strong links, such as blood ties, the affection is more important than benefit and with strong inertia; while for relationship with weak link, benefit is the only basis and can be baldly utilized without worrying hurting feelings.

In comparison with friendship and networking patterns in the West (Styles& Ambler, 2003; Lee & Ellis, 2000) for instance, we can easily tell the difference as shown in Table 4. While the value characteristics of Chinese are attached to the role as the norm followed by both sides, it is basically functionalism for Western networking relationship.

Table 4 Value characteristics

	Confucianism	Networking
Motives	Role obligations	Self-interest
Time orientation	Long-term	Short-term
Reciprocation	Self-loss	Self-gain
Power differentiation	xia	power
Nature of power	Personal power	Institutional authority
Sanction	shame	guilt

. Research Method

Basic assumptions represent the deepest level of culture, while the artifacts and behavior can be observed, values and beliefs can be questioned, and the underlying assumptions need to be acknowledged, interpreted, and taken account in management. *Guanxi*, as the social norm for Chinese, has its particular rules in regulating peoples' behaviors as well as to the social structure; whilst for SNT, derived from the theory of complexity, is mainly focused on the meaning generation in despite of the cultural value what in fact links the social network and ensures its sustainability. In our discussion as above section, Taking cultural elements into consideration, through analyzing *Guanxi* network with the theory of complexity, a skill set of significant factors with respect to *Guanxi* mechanism is introduced and the theory of ISOLINK is developed.

3.1 Research domain and limitation

All the previous researches constitute an offensive against the under-socialized human in the analysis of economic action. Yet many of them also share a basic methodological flaw: the role of *Guanxi* in an economic context is explored without proper reconstruction of *Guanxi* as a self-contained system (Langenberg, 2007). Therefore in this research, we propose that *Guanxi* and business can be integrated and elaborated with the theory of ISOLINK that is able to link the relevant elements of both institutions.

With cultural value, *Guanxi* not just links up individuals into social network; it also reinforces the sustainability of the solidarity of the society, in a sense of integrating the community as a whole with its cultural value and enabling the society into evolving adaptation cycle. ISOLINK, namely the feature in 'similarity' (discussed earlier) between individuals, facilitates *Guanxi* mechanism constructed with significant factors into an evolving adaptation cycle is derived and discussed as in the following section, with the assumption where the dimensionality of A is fixed.

However with the research purpose on developing and examining our theory of ISOLINK, Taiwan is mainly our studied object whose culture although is deeply influenced by Confucianism, yet its historical colony background may somewhat have contribution on developing its uniqueness of culture.

Thus *Guanxi* may be cultural interfusion of several philosophies. Therefore this research taking Taiwanese firms as the research object to testify our theory, which may not be in general for all Chinese, and in turn limits our application and promotion. Nevertheless among all Chinese regions, Taiwan is seen as the only country that preserves the most of Chinese culture and tradition. And the limit does not affect theory proposed in this research with which its practice is verified in our research and should be considered into managerial strategy plan.

3.2 Theory of ISOLINK

Leveraging *Guanxi* is an art in a sense as if asking for direction with a throwing stone (投石問路), factors such as size of the rock, strength used to throw, throwing speed, time and direction, etc., all matter. For instance, the purpose of entering a *Guanxi chuen* through a *Guanxi* link is to reach the core of it and grasp the power of influence, yet there exists former power holder which needs to be respected. Under this situation, there are at least two niches needed to be aware of: First, the key man who brings you in has to be pampered with control or you will be hand-tied and stuck under his control instead. Second, great respect has to be paid to the former power holder to avoid potential revolt. Best of all is to have them 'incorporated' into your own force.

Chinese is born with *Guanxi* and socially linked with his *Guanxi chuen* (network). Working out well with your *Guanxi* networks makes one's life easier. In the above example, subtle tactics are utilized conditionally upon the *Guanxi* mechanism for its adaptation, which is dependent upon individual's finesse. For Chinese, countless examples like this is everywhere in their daily life. For the practical purpose of *Guanxi* leverage, implicitly implied by the previous research with case studies and survey, the definition of *Guanxi* is deconstructed and elaborated into the skill set of significant factors as listed in Table 5.

In contrast with the SNT, more than meaning generation or flow of information, *Guanxi* defines one's place in the social structure and provides security, trust and a prescribed role reciprocally. Thus the interpersonal relationships for Chinese is as 'expected' as required, not only by individuals but also by the whole society, unlike SNT as 'predicted'. So as to the strong or weak ties of *Guanxi* that is mostly predetermined by the 'role' accordingly. Besides being born with it, *Guanxi* exists permanently once it is built with the ISOLINK; and it can be reinforced with intention as needed. To verify *Guanxi* mechanism and the ISOLINK, a framework is provided with the skill set of the significant factors in view of Chinese culture with respect to *Guanxi*. Reviewing the previous research related to *Guanxi*, the framework organizes culture elements according to their visibility or accessibility. And through the ISOLINK that links up the ones with 'similarity', the *Guanxi* mechanism starts functioning and developing its adaptability.

Significant factors of Guanxi Chuen:

Invisible *Guanxi* chuen is a unique social network of interpersonal relationship that links individuals with *guanxi*. It is invisible but powerful not just merely for the purpose of physical connecting; but also for the psychological solidarity (Yang, 1989; Nuang, 1992; Yeung & Tung, 1996; Lee & Ellis, 2000; Fan, 2002; Yang, 2002; Zhou, 2002; Gibb & Li, 2003; Hwang, 2003).

Reliable People inside of the *Guanxi chuen* are connected to one another. They are either ties of blood or interrelated with *Guanxi*, which is reliable and trustworthy (Linton, 1972; Chang, 1986; Hwang, 1987; Nuang, 1992; Yan, 1996; Bell, 2003; Imrie, et al, 2002; Buderer & Huang, 2006).

Reciprocal In the *Guanxi* chuen, there is a common knowledge on reciprocity, either with material, monetary, or favor in return. Most of all, it is the ‘*qin*’ (情) that matters. The reciprocity is like a balance sheet that never balances. One should always pay back more than he received. (「得人一尺，還人一丈。」;「受人點滴，湧泉以報。」) (Linton, 1972; Chang, 1986; Hwang, 1987; Nuang, 1992; Yang, 1989, 1994; Davies et al, 1995; Yeung & Tung, 1996; Peng & Heath, 1996; Xin & Pearce, 1996; Yeung & Tung, 1996; Kipnis, 1997; Tsang, 1998; Pearce II & Robinson, Jr., 2000; Standifird & Marshall, 2000; Lo & Everett, 2001; Imrie, et al, 2002; Chung and Hamilton, 2002; Zhou, 2002).

Adjustable Although *Guanxi* is specifically defined in a certain *Guanxi* chuen, it is adjustable as stronger or weaker and closer to or farther away from the core in a 4D-dimension in accordance with different situations as required (Imrie, et al, 2002; Peng & Heath, 1996; Xin & Pearce, 1996; Yeung & Tung, 1996; Bell, 2003; Schramm & Taube, 2001).

Solidarity Members of a *Guanxi* chuen are united in one and cohesive to the core. No one is apart to seek for individual benefit. Instead opportunities are from the chuen, and more to come as long as one sustains his position right and plays his role well (Linton, 1972; Chang, 1986; Hwang, 1987; Nuang, 1992; Pearce II & Robinson, Jr., 2000; Bell, 2003; Zhou, 2002).

Transferable The sixth *Lune*, states for the rules extended from *Wulune* and followed by non-related people, such as businessmen. For example, A and B both belong to the same *Guanxi chuen*, while C and B also belong to another *chuen*. When C needs a favor from A, he would ask B to link him up with A for a favor. Thus the similar *Guanxi* between A and B can be passed down to A and C (Nuang, 1992; Peng & Heath, 1996; Xin & Pearce, 1996; Yeung & Tung, 1996; Watts, 1998; Pearce II & Robinson, Jr., 2000; Bell, 2003; Imrie, et al, 2002; Zhou, 2002; Hammond & Glenn, 2004).

Altercasting As time pass by, some *Guanxi* weaken, especially for those that were built based upon benefit. People do not keep in close touch when the mission is over. Nevertheless *Guanxi* can be altercasted as the ‘key man’ appears, one who is able to link up *Guanxi chuens* as needed. And when the old *Guanxi* recalls, the new cooperative *Guanxi* is further reinforced (Imrie, et al, 2002; Chang, 1986; Hwang, 1987; Nuang, 1992; ; Bell, 2003; Zhou, 2002).

Permanent *Guanxi* in between is either forever lasting or terminated once for all. People with *Guanxi* are “Zijiaren”(自家人) and become strangers when the *Guanxi* is terminated (Linton, 1972; Redding & Ng, 1982; Chang, 1986; Hwang, 1987; Yeung & Tung, 1996; Pearce II & Robinson, Jr., 2000; Fan, 2002).

Significant factors of *Guanxi* link

Whilst the link for *Guanxi chuen* should be possessed with the following features as shown in Table 5:

Table 5 The significant factors of Guanxi skill set

Significant factors of Guanxi	
<p>Guanxi chuen (Z): <i>Y₁: Invisible</i> <i>Y₂: Reliable</i> <i>Y₃: Reciprocal</i> <i>Y₄: Adjustable</i> <i>Y₅: Solidarity</i> <i>Y₆: Transferable</i> <i>Y₇: Altercasting</i> <i>Y₈: Permanent</i></p>	<p>Guanxi link (T): <i>X₁: Key man</i> <i>X₂: insightful</i> <i>X₃: Capable</i> <i>X₄: Influential</i> <i>X₅: Bearable</i> <i>X₆: respectable</i> <i>X₇: Flexible</i> <i>X₈: Reconciler</i></p>

Key man The link to a *Guanxi chuen* is the key man, who holds the key to the entrance of the chuen; who is able to unlock the chuen and bring in the outsiders or connect to other *chuens* ((Linton, 1972; Hwang, 1987; Peng & Heath, 1996; Xin & Pearce, 1996; Yeung & Tung, 1996; Bell, 2000; Imrie, et al, 2002; Leung et al, 2003; Buderer & Huang, 2006).

Insightful Links have to be sensitive with not just people; also with situations, such as information, or atmosphere, so as to link up certain people at the right timing (Linton, 1972; Peng & Heath, 1996; Xin & Pearce, 1996; Yeung & Tung, 1996; Lovett et al, 1999; Pearce II & Robinson, Jr., 2000; Imrie, et al, 2002; Bell, 2000; Buderer & Huang, 2006).

Capable One way of gaining respect is to be capable, with which one can be helpful to others (Yeung & Tung, 1996; Peng & Heath, 1996; Xin & Pearce, 1996; Yeung & Tung, 1996; Pearce II & Robinson, Jr., 2000; Bell, 2003).

Influential The link to a *chuen* is usually the most influential person among all since he is the most popular or capable one. He usually earns his respect by being helpful to others. Thus it is easier to have the favor back (reciprocity) when he asks for it. It is indirectly proved that one who is warm-hearted and enthusiastic can be influential (Hwang, 1987; Yeung & Tung, 1996; Peng & Heath, 1996; Xin & Pearce, 1996; Yeung & Tung, 1996; Pearce II & Robinson, Jr., 2000; Bell, 2003; Buderer & Huang, 2006).

Flexible Since the one who links up the *chuen* needs to be popular, he certainly has to be flexible enough and easy going. So that conflicts or negotiations can be settled smoothly through him (Yeung & Tung, 1996; Peng & Heath, 1996; Xin & Pearce, 1996; Yeung & Tung, 1996; Pearce II & Robinson, Jr., 2000; Bell, 2003; Imrie, et al, 2002; Zhou, 2002).

Bearable Links that are sensitive and flexible certainly are bearable with sympathy, particularly for arbitrage and complaint, since they usually are also mediators and reconcilers (Linton, 1972; Hwang, 1987; Brunner et al, 1989; Callaghan, 1993; Peng & Heath, 1996; Xin & Pearce, 1996; Yeung & Tung, 1996; Bell, 2003; Imrie, et al, 2002; Buderer & Huang, 2006).

Reconciler Links with lots *Guanxi* usually take their roles as the reconciler for disputes and usually receive respect and reach common consensus from both sides, since most likely they both own him favors in the past((Linton, 1972; Hwang, 1987; Yang, 1994; Yeung

& Tung, 1996; Peng & Heath, 1996; Xin & Pearce, 1996; Bell, 2003; Imrie, et al, 2002; Zhou, 2002; Leung et al, 2003).

Guanxi refers to the delicate art of building and nurturing such ties. In China’s old school of doing business, it can carry negative connotation – of favoritism and cronyism. But the same word also conveys the deep and lasting relationships that can only be built over time – and it’s that “good *Guanxi*” we refer to here. Its four basic principles can be roughly translated as trust (respect and knowledge of others), favor (loyalty and obligation), dependence (harmony and reciprocity, mutual benefit), and adaptation (patience and cultivation) (Buderi & Huang, 2006).

3.2.1 *Guanxi Chuen* Analysis of ISOLINK Structure

While the role of *Guanxi* has been well analyzed, *Guanxi* and business strategy have not yet been properly integrated into the theoretical concept that links the relevant elements of both institutions. In this research, we focus on socio-economic integration and propose the theory of ISOLINK, with which it provides sufficiently answer to the solution of sub-problems in the previous studies.

ISOLINK is the individual ‘similarities’ that makes it easier for interpersonal interaction, especially for individual’s intention on joining another *Guanxi chuen*. For instance, A is one of the members of Z_1 group while B is one of the members of Z_2 group; and A has the intention on joining the Z_2 group and getting acquainted with C who is able to assist his business. Therefore A starts to look for “connections” he has to link him up to Z_2 . He figures B, a classmate from his collegiate belonged to Z_2 group may be a help. So he calls Band asks for a reunion to refresh the classmate ship. Later the more frequent they meet, the closer their relationship is. More than just being classmates by now, A and B thus organize up their own *Guanxi chuen* Z_3 . They get along like brothers and care for each other like a family. Furthermore whatever is related to B now is also related to A as shown in Figure 8. The role-context prescribed for their relationship is brotherhood; and they are expected to fulfill the obligations attached to the role playing. Either one disobey the rules will receive disrespectfulness not just from the other one, but the whole society since the role-context is the social norm of conduct with cultural constraint.

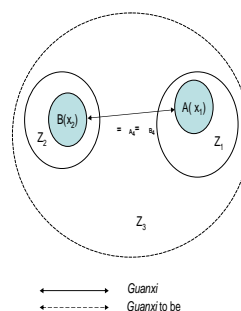


Figure 8 The ISOLINK network development I

So is the case for B to C as shown in Figure 9, where C is a member of Z_4 . When B is linked up with C for their ‘similarity’, B is introduced into C’s chuen Z_4 . With the connection of B and C, chuens Z_2 and Z_4 are thus combined and enlarged into a big chuen Z_5 (Fig. 9).

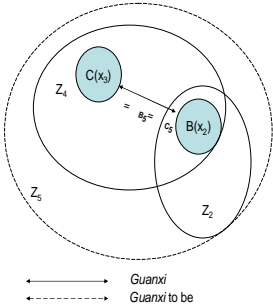


Figure 9 The ISOLINK network development II

Guanxi chuens link up and it goes on and on until all related similarities are utilized and all possible chuens are connected. Z_5 and Z_3 are linked up and turned into a bigger chuen as shown in Figure 10.

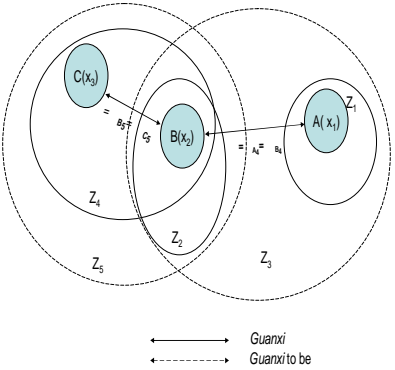


Figure 10 The ISOLINK network development III

Chinese social network is composed with countless *Guanxi chuens* linked by ISOLINK as shown in Figure 11. A thus can easily reach D or E through ISOLINK and *Guanxi chuens*. With *Guanxi* and its significant factors, people are gathered and in solidarity with on another as a small world and co-evolve as a complex system.

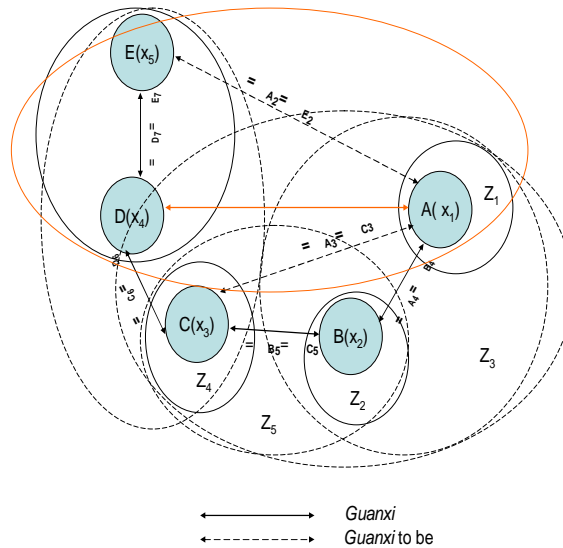


Figure11 The ISOLINK network development of *Guanxi chuens*

ISOLINK is merely one of the visible phenomenons that links and gathers all *Guanxi chuens*. For the significant factors we pointed out as above, *Guanxi* is too delicate to be defined in words and its way of construct is too complicated to be limited to certain methodology. Having ‘similarity’ is only the path to the door. *Guanxi* link may be the key to unlock the gate, it still takes artifice to get in and remain inside of the *Guanxi chuen* with sustainability afterwards, which is predetermined by the role-context culturally embedded. ISOLINK can be derived but not limited to the Table 6. More than SNT, what lies in between *Guanxi* is not just information flow, there is prescribed role playing and obligation tagged along that is socially committed.

Table 6 The ‘Similarities’ of ISOLINK

<p><i>ISOLINK</i> ():</p> <p>having similarity in</p> <p>1 : family blood</p> <p>2 : last name</p> <p>3 : peer group</p> <p>4 : locality</p> <p>5 : classmates</p> <p>6 : front</p> <p>7 : colleagues</p> <p>8 : language</p> <p style="text-align: center;">⋮</p> <p style="text-align: center;">⋮</p> <p style="text-align: center;">⋮</p> <p>n</p>

3.2.2 *Guanxi* Reinforcement

With ISOLINK, E gets to enter into Z_1 linking up with A. However the *Guanxi* between E and A is strengthened based upon the mutual consensus on the sustainability of the reciprocal role playing of each other. This is the conceptual meaning of ISOLINK, ISOPERCEPTION, with which *Guanxi* can be reinforced positively, vice versa. And the presumed role playing with its tagged obligations are underdetermined with *Wulune*, with which the maneuver matters to the *Guanxi* sustainability as time goes by.

It is noted that for people with no ‘similarity’, the ISOPERCEPTION has the substitute effect of ISOLINK and functions as well. For instance, members of alumni association unite and effort to contribute to the school because they have the same faith on loving it. This is not saying that ISOLINK is not as needed for *Guanxi* construct, on contrast, having ISOLINK is the most powerful and most effective way in linking and sustaining *Guanxi*. But more importantly, the reciprocal role playing prescribed based upon *Wulune* and consensus of it (the ISOPERCEPTION as we described it) are the crucial determinants to *Guanxi* construct and its sustainability. This is the basic assumption of cultural value that dominates people’s behavior in effect (as discussed previously).

As Prof. Kao Cheng-shu’s states in his new book (will be published in 2008 summer), the “double-interpretations”, has the effect on *Guanxi* reinforcement since it explains how *Guanxi* can be upgraded through reinterpretation. Under circumstances, facing same dilemmas puts them in the same boat and in solidarity with each other. This situation ends up with a new ‘similarity’ of ISOLINK which reinforces their *Guanxi* and endow it an upgraded meaning and brings the allies closer to one another.

3.2.3 The Metaphor of *Guanxi*

Like we have discussed in the above, people with ‘similarity’ link up interpersonally and inter groups with effectiveness. When there is neither ISOLINK nor *Wulune Guanxi* in reality, the metaphor of *Guanxi* can be ‘borrowed’ for relationships like teacher-pupil or monarch-subjects, which can be turned into father-son and thus the role playing rules behind it is borrowed for both sides to follow. So as to business partners, the relationship therefore can be turned into friends or brothers. Thus the sixth or seventh *Lune* is derived and borrowed as the social norm of conduct under this situation. This is the extended derivation of *Wulune* of *Guanxi*. Thus the “double-interpretations” effect works just as well for the metaphor *Guanxi*.

After developing the significant factors that captured all the elements found in the literature grouped into the eight factors of each (*Guanxi* and *Guanxi chuen*) earlier, we refined sets of questions through a series of focus groups for deep interviews of our four case studies. Next, respondents (e.g. service providers and receivers, and employees) of each case were asked to fill in the questionnaire. Statistical analysis was then used to identify the reliability. In addition to that, we also held a personal interview for application of *Guanxi* in practical business. Questions of both interviews and questionnaires are retained to capture the

significant factors described. The details of case studies are provided in next section. And the questionnaire items are shown in the Appendix at the end of this paper.

. Case study & survey

The examination of the effectiveness and efficiency of *Guanxi*-based business strategy, as well as its legal and ethical implications, involves a large amount of theory. Analysis is particularly challenging for the researcher because it involves different methodological perspectives and different levels of aggregation. The social sciences recognize two types of explanations of collective phenomena: methodological holism and methodological individualism (Coleman, 1990). Conceiving the system as an entity, methodological holism derives scientific explanations from analysis comparable systems, either within a (random) sample or through longitudinal observations. If it were true that the *Guanxi* system is unique in the world (Chen & Chen, 2004), such a comparison would not be feasible.

Aiming at integrating *Guanxi* and market competition, this analysis will therefore explain *Guanxi* with the characteristics of elements that are located below the system level. Usually, these elements are individuals, but they could also be collective actors, such as organizations, and other sub-systems (Coleman, 1990).

Irrespective of the level of aggregation, it is assumed that the characteristics, interests, preferences, beliefs, and eventually actions of sub-system elements are the foundation of systemic phenomena in social structures, this explanatory structure has been termed methodological individualism. If it is true that “in China’s collectivist culture, the ‘real decision-making may be the network as a whole’” (Davies et al, 1995), methodological individualism in the narrow sense could not be used.

Due to a lack of self-other demarcation, i.e., a clear-cut boundary between oneself and others, the Chinese are suggested to embody a relational self. Chinese scholars thus propose the concept of methodological relationalism, in which the absolute units of analysis are interpersonal connections (Ho, 1998; He XM, 2000); also, according to Chen (1998), relationalism is the Chinese “principle of social construction”. However the resolution is dispute when addressing the question of whether individuals seek to maintain interpersonal harmony or insist on their personal goal (Hwang, 2003).

For the practical purpose of our research, we develop the theory of ISOLINK and conduct several surveys and a deep personal interview to investigate the significant factors of *Guanxi* mechanism and its significant factors. The interview and the studies include four arenas of management with detailed discussion will be in the following section.

1. Conflict management: *Guanxi* Ensures the Service Quality --- the insurance industry in Taiwan
2. Interfirm collaboration: *Guanxi* and Its Role in Business --- an Empirical Investigation in Insurance Industry
3. Leadership and performance: *Guanxi* Management in View of Complex Adaptive System --- a Case Study of Taiwanese ODI in China
4. Quality Management: “*Chaxugeju* differentiates service quality”
5. The personal interviews and cases in practice.

4.1 *Guanxi* Ensures the Service Quality --- the insurance industry in Taiwan

Service quality is an important antecedent of consumer assessments of value. Value assessments in turn have been found to influence consumer satisfaction and motivate behavioral intentions (Zeithaml, 1988; Babakus and Boller, 1992). As firms have become more aware of the competitive and economic implications of customer service, many have sought ways to dramatically improve their service quality (Carvins, 1988; Reichheld & Sasser, 1990). Although Parasuraman, Zeithaml and Berry's conceptualization of service quality (SERVQUAL) identified five distinct components of service quality: assurance, empathy, reliability, responsiveness and tangibles, has become the global application in marketing research involved with informing and guiding service practitioners in their quest for service quality excellence (Parasuraman, et al., 1988), recent research suggests that culture may play a fundamental role in determining how consumers perceive what constitutes service quality (Malhotra et al., 1994; Furrer et al., 2000; Imrie et al., 2000), which leaves the SERVQUAL model, a research conducted in North America, inadequate in capturing the full range of dimensions used by consumers to evaluate the quality of a service.

Imrie et al. (2002) also argued that the fundamental role that culture and/or personal values perform through informing consumer evaluation and choice behavior was not considered in the SERVQUAL model. They conducted a field research within Taiwan to ascertain whether the dominant service quality model holds in this "foreign" environment. In their findings, three major themes of sincerity; generosity; and courtesy/politeness were grouped under an umbrella dimension entitled tentatively to reflect the supposed impact of Confusion values upon the choice of evaluative criteria, and a richer conceptualization was required to capture issues relating to the central role of personal relationships within the service encounter. The results of their research indicated that not only do cultural values influence the hierarchy of service quality dimensions, but also that SERVQUAL conceptual model does not capture the breadth of criteria utilized by Taiwan consumers. It thus was proposed that a new, culturally bounded measure of service quality should be developed.

They were right about a culturally bounded measure of service quality is needed, but in a sense of being understood cognitively instead of measured quantitatively in realism. Culture is not to be measured for its non-quantified characteristics. Its structured components (internal/external) and forming mechanism of specific culture should be fully understood and referred for business strategy planning. While facing global markets, firms sell global products are facing similar factors such as financial, technological, and market conditions, etc. The only significant difference is the cultural environment in which the company operated. While it is emphasized in Western on "what you know", refers to technological expertise, including the price and quality of tendered product or service, it is emphasized in Confucian societies on "who you know", which refers to personal connections with the appropriate authorities or individuals. These connections are known in Chinese as *Guanxi* (Yeung & Tung, 1996). *Guanxi* is believed to be a striking feature that helps to enter a profitable and growing Chinese market; the issues of what indeed *Guanxi* is and how it works in effect thus have

become focal discussions.

This study takes a cautionary stance to SERVQUAL model, taking the findings of Imrie et al. into consideration; we conduct an empirical study to examine the perceptual linkage and gap of service quality cognition between service providers and receivers with respect to *Guanxi*. *Guanxi* plays as the internal factor in constructing interpersonal relationships and bringing the effect to reconcile the service quality perception between service providers and receivers, and *Guanxi* networks play as the external factor in connecting intra groups to reinforce the business corporation and to ensure the service quality.

In our study, we assume cognition is defined as the extent to which the providers perceive that service quality is important and valued in the firm as part of the corporate culture, and the customers' perception of service quality is viewed based upon their own value rooted from the social culture. Inspecting the difference of the service quality perception between the corporate cultures and their customers and manage to have it reconciled through *Guanxi* in order to help moderate the firm's business strategy planning in product design and service provided, which in turn empowers the firm's competitive competency.

In pursuing the objectives the paper is organized as follows. First, it reviews briefly with the concept of the importance of service quality, power of culture. Second, the meaning and context of *Guanxi* with respect to Confucianism is introduced. Third, a discussion of the *Guanxi* mechanism in comparison with the Western relationship marketing is elaborated. Fourth, the propositions of how *guanxi* plays the role as an internal factor in constructing interpersonal relationship, and *guanxi* networks as the role of external factor in connecting inter groups are developed and followed by questionnaires with our case study. Finally, the paper ends with a conclusion and directions for needed future research.

In research of perceived service quality, several studies have indicated the front-line employees' perceptions are highly correlated with those of customers, not only in their overall assessment of service quality, but also, in their evaluation of specific aspects of the firm's service climate (Schlesinger & Zornitsky, 1991; Schneider & Bowen, 1985; Schneider, 1980; Tornow & Wiley, 1991). The front-line employees, who appear to be quite sensitive to their customers, are more likely to possess unique information about customer preferences as well as the firm's ability to meet customers' needs (Schneider & Bowen, 1985).

For our purpose of this research, front-line employees' perceptions as service providers will be used assuming that service providers believe and operate in accordance with the firms' corporate culture, and they are receiving equal empowerment support from the organizations. However we ought to realize that the levels of the service quality varies across front-line service providers for characteristics of service operations caused by many effects introduced to the transaction by the customers and/or the service providers (Goodale, Koerner & Roney, 1997), and the dimensions of empowerment also play as critical factors in influencing the service quality which will not be considered for now in this research but surely are worth to be studied in further research.

In China, *Guanxi* has been a way of life since time immemorial, and the personal investment required to develop and maintain good social relations is accepted as an unavoidable fact of life. People in China ‘make out’ through interpersonal accommodation and negotiation for each specific relationship, which has been verified as “... issues relating to the central role of personal relationships ...” in Imrie et al.’s study (2002). *Guanxi* interaction has been viewed by many scholars as an idiosyncratic cultural phenomenon (Lee and Ellis, 2000) where Confucianism is the major life philosophy. We hypothesize as following to evaluate the gap of perceived service quality between service providers and receivers with respect to *Guanxi*:

H1. The perceived service quality differs independently of what the service/good is, but dependently of how the service/good providers carry out with it, which is basically relied on the Guanxi construct between the service provider and receiver.

Within this kind of *Guanxi* business, reliability, assurance, responsiveness, and trust are natural intrinsic based upon the *Guanxi* existed in between the parties, and promise or accuracy is expected to tag along with the role defined with their *Guanxi*, which is to be committed instead of being required. Tangibles are considered less inconsequential to customers than how they are being treated. And empathy is expected as a two-way treatment for both sides (service provider and receiver). A good *Guanxi* thus reinforces relationship marketing and ensures its success whereas a bad *Guanxi* spoil relationship marketing and in turn terminates the transaction.

H2. Guanxi networks, between either partners or competitors, help firms in the same industry cooperate to secure the customers’ service quality, which further enhances the customers’ confidence and in turn increases their sales.

In the insurance industry, firms sell mostly similar products and services except the sales persons’ attitude, which is what really counts in making deals with their customers. We propose that firms in Taiwan, either local or foreign ones, cooperate together to switch or combine their product/service programs so as to satisfy their customers for all kinds of requirements.

Insurance is an immaterial product that is valued subjectively by its recipients which is influenced (Hofstede, 1996). In spite of all other variables may influence service quality, we conduct an empirical study of the insurance industry to examine the perceptual linkage and gap of service quality cognition between service providers and receivers with respect to *Guanxi* what constructs interpersonal relationships as internal factor, and *Guanxi* networks what connect inter groups as external factor that endow buyers’ evaluation to the service quality and in turn direct their purchasing behavior. Since the purchases involve a combination of service and product elements. A survey was administered to individuals employed in sales department of both Taiwanese local and foreign invested insurance firms

and their customers in a major Taiwan city. The questionnaire (see Appendix 4.1A) is designed in accordance with interviews with six seniors of our studied firms and filled by the employees and their customers of the top six insurance companies (local and foreign branch) in Taiwan. Total of 35 questions concerning with the internal and external effects of *Guanxi* in marketing was asked. The subjects were total of 1,513 of questionnaires collected, consisted of 1,092 local insurance firms and the rest of FDI (foreign directed investment), including both of their sales representatives (686) and customers (827) in a major Taiwan city. The respondents of the service providers, with three or more years of working experience, had worked for the present company for at least one year, and most of them had taken more than two years of college courses. The survey was administered by one of the researchers, who gave verbal instructions to respondents before administering the questionnaire during a fifteen-minute session, and remained in the room to answer questions while the survey was completed.

With our sample of 1,513 questionnaires collected and analyzed, the results show that in this survey, there are more than 85% of the respondents give the “agreed” answers for all questions, therefore both of our propositions are supported. Both of our hypotheses are fully supported. In addition to that, there are rooms for discussion with the congruence since a CHITEST shows that some of the values of χ^2 are smaller than 0.05, which indicates answers may differ with respect to respondents of different background, such as their levels of salary and amount insured (see Appendix 4.1B).

The cultural context, commonly expressed in shared norm and value systems (Hofstede, 1980), has been shown to endow consumers with rules that guide their evaluation of service quality, which was not considered in the SERVQUAL model. So far, little is known about the influence of contextual factors on customer evaluations (Parasuraman et al., 1991). Yet, there seems to be a compelling rationale for taking cultural characteristics into consideration. Though Imrie et al.’s research (2002) reflect the supposed impact of Confusion values upon the choice of evaluative criteria, yet a richer conceptualization is required to capture issues relating to the central role of personal relationships within the service encounter.

The Western relationship marketing with elements of mutual, quality, and ongoing relationship, classified into four dimensions of trust, reciprocity, bonding, and empathy (Zeithaml et al, 1990; Callaghan, 1993; Gronroos, 1994; Callaghan et al., 1994; Berry, 1995) are considered and studied by Luk et al (1996), whose work set the scene as the potential to compare Eastern and Western approaches. By adapting the idea of Luk’s, we have further discussion on the comparison between *Guanxi* and relationship marketing in view of cultural values, and have our propositions developed. Although relationship marketing may be effective in achieving transactional sales, it faces more challenges in maintaining the long lasting customer relationship with royalty, which demands tremendous resource invested.

Guanxi in a way also requires “investment”, in a sense of putting effort to “heart-to-heart” communication (交心) to reassure the mutual belief of each other’s role along with its obligation exist and remain as usual. Once *Guanxi* is built, the role is assigned and the

obligation to it is attached and committed without written contact. This kind of “heart-to-heart” communication does not have to be physical or money-wise. It takes attention and care, which is acknowledged as attached to the roles defined in *Wulune* system of the Confucianism society. In fact in our study we also find that *Guanxi* is able to “inherit” or “transfer, which is another interesting subject for further research.

Having our hypotheses verified, we are sure of that *Guanxi* plays the role as an internal factor in constructing interpersonal relationship, and *Guanxi* networks as the role of external factor in connecting inter groups in Chinese society, where obligation is attached to specific roles assigned under *Wulune* system with the teaching of Confucianism. With the effect what *Guanxi* has, ‘matched’ values of judgment in perceiving service quality for both service providers and receivers can be reached, which further consolidate customers’ satisfaction, and in turn makes *Guanxi* the inter-cultural competency for international marketing.

Although in this study, the significant factors of *Guanxi* and *Guanxi chuen* were not directly pointed out, it was implied in the questionnaire that for Chinese, some of the factors are necessary in linking up their *Guanxi* network. It is also verified that mutual trust is easier to be built for people with *Guanxi* and with which they help each other out. Therefore business relationship is upgraded into brotherhood, even father-son *Guanxi* with the entire role-context obligation that tagged along, including being thoughtful and helpful for one another.

4.2 Interfirm collaboration: *Guanxi* and Its Role in Business: an Empirical Investigation in Insurance Industry

While it is emphasized in Western on “what you know”, refers to technological expertise, including the price and quality of tendered product or service, it is emphasized in Confucian societies on “who you know”, which refers to personal connections with the appropriate authorities or individuals. These connections are known in Chinese as *Guanxi* (Yeung & Tung, 1996), which is believed to be a striking feature that helps to enter a profitable and growing Chinese market. Thus the issues of what indeed *Guanxi* is and how it works in effect thus have become focal discussions.

China, the great family of nationalities with minor estrangement among, in particular, is a society built based upon Confucianism where people are tied closely into varieties of *Guanxi*, with which the social networks bind millions of Chinese firms into social and business webs, largely dictating their success (Pearce II and Robinson, Jr., 2000; Gibb & Li, 2003). Though many have *Guanxi* well-defined and classified including the way of maintaining it as well as its importance to business in China (Yeung & Tung, 1996; Pearce II & Robinson, Jr., 2000; Fan, 2002), the core value undermined within the Confucianism that constructs *Guanxi* networks, the mechanism of how *Guanxi* works, and the factors that make them sustainable and durable in Chinese societies have rarely been discussed thoroughly. In other words, what makes *Guanxi* particular and irreplaceable regardless of the ethical defaults

attracts our attention and indeed deserves a close-up lens. The purpose of this article is to examine the role of *Guanxi*, which acts both as the catalyst and the buffer for effective enculturation, thus enables business success in Chinese society.

Quality plays a particularly critical role in service firms (Goodale, Koerner & Roney, 1997). Customer satisfaction and service quality perceptions both positively influence consumers' purchase intentions (Bolton & Drew, 1991; Cronin & Taylor, 1992). Yet, due to the intangible nature of services, setting and ensuring adherence to precise specifications is difficult. Further, because services are produced and consumed simultaneously, and because customers are often involved in the service delivery process, service quality cannot be subjected to the same quality control procedures used in manufacturing firms (Parasuraman, Zeithaml & Berry, 1985).

In analyzing the relationship between service and customer satisfaction, no matter how many subject of debate argue from both sides, there is general agreement that customer satisfaction is transaction-specific (Oliver, 1980), whereas service quality is a more enduring, global evaluation of a service (Carman, 1990; Cronin & Taylor, 1992; Parasuraman & Berry, 1988). Thus we take the service quality which has been evidently suggested more lasting and salient construct as the primary focus of this study.

In pursuing the objectives the paper is organized as follows. First, the meaning and context of *Guanxi* with respect to Confucianism is introduced. Second, *Guanxi* networks and business is discussed. Third, a further example of *Guanxi* in business in comparison with relationship marketing is elaborated. Fifth, the propositions of how *Guanxi* plays the role as an internal factor in constructing interpersonal relationship, and *Guanxi* networks as the role of external factor in connecting inter groups are developed and followed by questionnaires with our case study. Finally, the paper ends with a conclusion and directions for needed future research.

Firms seldom survive and prosper solely through their individual efforts. Each firm's performance depends upon the activities and performance of others and hence upon the nature and quality of the direct and indirect relationships a firm develops with its counterparts (Wilkinson & Young, 2002). Corporate networking is not a new phenomenon, it is critical to most business success in our global society. Western management literature reflects executives' appreciation for the value of networking and for the need to develop corporate links. Networking is now believed to enhance a firm's competitive advantage by providing access to the resources of other network members. It is used to bridge the gap between business people of different nations and cultures, stimulating trade that might not otherwise occur (Pearce II and Robinson, Jr. 2000)

Guanxi networks are sub nets (groups) collected with sum of cells (units) constructed by threads (individuals) with knots (*Guanxi*), where groups stand for sub societies, such as communities, and cells stand for organizations, such as families, and firms. And group is defined as the amount of people gathered together for having something in similarity, and this similarity is often recognized by public as the meaning for certain social interaction, where

Guanxi can be easier to take place. Mayfair M.H. Yang has described *Guanxi* building as the transformation process whereby two discrete individuals construct a basis of familiarity to enable the subsequent development of relationship. And in this process, the gap between two hitherto unrelated individuals is bridged so that an outsider becomes part of the inside social circle of another person (Yeung and Tung, 1996).

Guanxi and its networks in a sense are connections built between discrete individuals across organizational boundaries activate the intra-culturalization and inter-culturalization, not just have knowledge transferred across, but also the generation of ideas turned into products, services, or work-place improvements that spurs innovation. And its strategic positioning depends on employee interaction with leadership and interface roles. It is highlighted that building these relationships is a critical factor in grasping local frames of reference and developing a strategic plan that will expand their presence overseas, which can be managed through *Guanxi* networks.

In daily life, we can easily see countless examples of how *Guanxi* in Chinese society works in building all kinds of relationships and have them spread out into *Guanxi* networks to connect inter groups. Thus in our study, we examine the *Guanxi* mechanism to see how *Guanxi* works as the internal factor for the firm in building interpersonal relationship so as to increase business sales; and *Guanxi* networks as the external factor in connecting inter groups, either partners or competitors, to ensure the service quality for their customers. Insurance is an immaterial product that is valued subjectively by its recipients which is influenced (Hofstede, 1996). For the purpose of our research, we raise and examine the propositions as follows:

P.1 The perceived service quality differs independently of what the services/goods are but dependently of how the services/goods providers carry out with it, which is basically relied on the Guanxi construct between the service provider and receiver.

P.2 Guanxi networks, among either partners or competitors, help firms in the same industry cooperate to secure the customers' service quality, which further enhances the customers' confidence and in turn increases their sales.

In the insurance industry, firms sell mostly similar products and services except the sales persons' attitude, which is what really counts in making deals with their customers. We propose that firms in Taiwan, either local or foreign ones, cooperate together to switch or combine their product/service programs so as to satisfy their customers for all kinds of requirements. A good *Guanxi* reinforces relationship marketing and ensures its success whereas a bad *Guanxi* spoil relationship marketing and in turn terminates the transaction.

With the teaching Confucianism, Chinese are religious by nature, and have a firm belief in one supreme, all-ruling, and personal god whom is called Heaven. People ought to know the Mandate of Heaven, stand in awe of them, obey them faithfully and carry them out

enthusiastically (Guo, et al., 1993). For Chinese, death is the wrath of the heaven, and talking about it is a taboo. Insurance is an immaterial product that is valued subjectively by its recipients which is influenced (Hofstede, 1996). Therefore for the purpose of our study, in spite of all other variables may influence service quality, we conduct an empirical study of the insurance industry to examine *Guanxi* and its role in business, with which constructs interpersonal relationships as the internal factor; and *Guanxi* networks which connect inter groups as the external factor that endow buyers' evaluation to the service quality, thus in turn direct their purchasing behavior. A survey was administered to individuals employed in sales department and their customers of both Taiwanese local and FDI (Foreign Direct Invested) insurance firms in a major Taiwan city. Using Likert scale of five levels from highly agreed to highly disagreed, the questionnaires contained with 24 questions (see Appendix 4.2A) concerned with the internal and external effects of *Guanxi* in business, was designed in accordance with interviews with six senior managers of our studied firms and filled up by the employees and their customers of the top six insurance companies (local and FDI) in Taiwan.

Total of 1,513 subjects of questionnaires were collected, consisted of 1,092 from local insurance firms and the rest from FDI ones, including both of their sales representatives (686) and customers (827) in a major Taiwan city. The respondents of the service providers, with three or more years of working experience, have been working with the present company for at least one year, and up to 90% of them had finished high school and taken more than two years of college courses (see details in tables of Appendix 4.2B). There is around 42 to 58 percent ratio of male and female sales agent (service providers) for FDI firms while there is 30 to 70 percent ration of male and female for local firms. As for customers (service receivers), the ratio of male and female is 53 to 47 for FDI firms and 65 to 35 for local firms. The ration of sales agents of both local and FDI insurance firms shows there is the gender culture in the service industry which may be worth for a further research.

With our sample of 1,513 questionnaires collected and analyzed, under Liker scale, the result for this survey is as following (see Appendix B, table 1.3 and 2.3):

1. For the service providers (including both local and FDI), questions #2 receives 86% of agreed, #13 of 82%, and #15 of 86%, which show that situations between the service providers and receivers can be: a) there may be more than one sales agent provides the service after sales, since team (inter group, inter organizational or inter industrial) may take over the after sales service; b) the sales agents may not totally agree with their organizational culture on the service conception, so they do not always follow along with it, and c) the customer's budget may not be taken into consideration for insurance plan, which explains budget is not the main concern for the business deals. And question #20 reaches to 75% of agreed, the lowest among all, shows the agents may not be as active and enthusiastic of learning as expected since it is not required, which in a sense is consistent with Foo's research (1992): Eastern structural approaches to productivity tend to be inclined towards more of a humanistic, adaptive posture, whilst Western management is more mechanistic

(labour doing perhaps what technology is unable to do efficiently or effectively) and strategy-directed, or 'hard'. However with our hybrid sample mixed with local and FDI firms, this result evidently shows that business strategy in terms of local marketing is cultural bound regardless indigenous or foreign/multinational firm.

Nevertheless there are more than 90% of the respondents give the “agreed” answers for the rest of the questions, which clearly express the idea of *Guanxi* and its role in business, such as *Guanxi* helps the agents to establish and maintain their business based upon the trust and reliability that come with it, although there is service differentiation provided based upon various levels of *Guanxi* in between the receiver and provider. In addition to that, these results also indicate that sales agents have strong faith in *guanxi*, with which they can have the inter organizational and inter industrial cooperation in providing the best service promised for their customers (supported by questions of #3, #7, #10, #19, #22).

2. For service receivers (both local and FDI firms), respondents give around 52 to 80 percent to agreed while less than 5 percent of disagreed, and the rest of 16 to 38 percent stands for yes and no. The result tells us that most of the customers do not really care about the budget limit, agent’s capability, or the insurance firm’s culture and institutions. They trust the service quality in the agent’s hand that they have *Guanxi* with, in spite of whether the service is provided from inside or outside of the contracted firm. Question #4 receives 80 percent of agreed shows that for service receivers, the service provider’s attitude which reflects one’s value onto others is what really counts since it symbolizes the level of *Guanxi* they have in between, thus guarantees the service quality as they expected. Furthermore, with the contract adjustable enabled by *Guanxi*, business deals are achieved much easier.

Having both of our propositions verified, we conclude in Chinese society where obligation is attached to specific roles assigned under *Wulune* system with the teaching of Confucianism, *Guanxi* thus plays not just as the internal factor in constructing interpersonal relationships, it also brings the effect in reconciling people’s perceptual differences, the service quality perception gap between service providers and receivers in our study, and *Guanxi* network plays as the external factor in connecting inter organizations to ensure the business collaboration and the service quality.

Therefore *Guanxi* ought to be considered as one of the essential elements not just in hooking up people physically, it also has all hearts of members bonded together not only for individuals but also for the society they belonged to. It is interesting to know that people with different *Guanxi* receive various levels of service including manner and attitude. Again it is verified that *Guanxi* and its role-context characteristics have great impact on interpersonal interaction and further influences the managerial strategy. Thus in Chinese society, having *Guanxi* is having the privilege. And the significant factors of *Guanxi* and *Guanxi chuen* are the conditions that enable the mechanism and keep it leveraged.

In addition to the above result, there are rooms for discussion with the congruence since a CHITEST ($p = 5\%$) shows that some of the values of χ^2 are smaller than 0.05 (see Appendix B, table 1.4 and 2.4), which shows that data may differ with respect to respondents of different background, such as the levels of salary and amount insured and so on. People with lower pay, position, and less amount insured usually do not have as strong faith in *Guanxi* and its role in business as people at the other end. This indicates that there are subcultures for subgroups where there is *Guanxi* existing within *Guanxi*, with which Chinese are able to utilize it as needed at the right time and right place with right people, which is another subject that deserved a closer lens.

Chinese culture provides a tightly knitted social framework in which individuals are protective of one another and organizations safeguard their members' interests. *Guanxi* in Chinese society is the basis on which they exchange a lifetime of favors, resources, and business leverage. It projects a preference for cooperation, group decision-making, and relationships. Thus, the importance of *Guanxi* and its networks lie in their emphasis on collectivism and group harmony, and in turn help the business to achieve an integrated success.

4.3 Leadership and performance: *Guanxi* Management in View of Complex Adaptive System--a Case Study of Taiwanese ODI in China

Behavior that is locally efficient can be inefficient from a global point of view, which is constructed with indigenous value that is embedded within local culture. Many firms are now in global alliances that depend upon flexibility and adaptability to local markets, requiring their managers to possess appropriate leadership styles to cope effectively with different value systems and cultures, in international management (Fahy, 2002; Coviello et al., 1998). Culture, an essential component of which is personal values (Kroeber, 1952; Kluckhohn, 1949), is now at centre stage (George et al., 1998; Nakata & Sivakumar, 1996; Steenkamp et al., 1999; Cadogan et al., 2001), in the context of analyzing the role of leadership in maintaining firm sustained competitive advantage and superior international performance (Kimber, 1997; Jackson & Aycan, 2001; Pfeffer, 2002). An investigation of managers' personal values and their cultural antecedents is necessary to understand the leadership of individual managers and their potential to influence competitive advantage (Erbring & Young, 1979).

In China, *Guanxi* has been a way of life since time immemorial, thus the personal investment required to develop and maintain good social relations is accepted as an unavoidable fact of life. *Guanxi* interaction has been viewed by many scholars as an idiosyncratic cultural phenomenon (Lee & Ellis, 2000) where Confucianism is the major life philosophy. With respect to social context, Chinese culture provides a tightly knitted social framework in which individuals are protective of one another and organizations safeguard their members' interests. It projects a preference for cooperation, group decision-making, and relationships. Thus, the importance of networks lies in their emphasis on collectivism and

group harmony. It is suggested that China is typified by the “government of people,” whereas the United States is typified by the “government of law” (Chang, 1976). The cultural value of collectivism or the designation of a “government of people” can be interpreted as manifestations of a society governed by *Guanxi* (Chun & Graen, 1997).

Guanxi is considered as a unique Chinese construct (The Economist, 8/4/2000) and a product of Confucian values and the contemporary political and socio-economic systems (Fan, 2002). For each specific relationship, people in China ‘make out’ through interpersonal accommodation and negotiation (Imrie et al., 2002). It is labeled the Chinese system of management as that of management of people (Chang, 1976; Yang, 1959). We thus propose that *Guanxi* functions as the Complex Adaptive System that expands and interconnects with one another and expands into a well knitted social network. And the *Guanxi chuen* (network), well-fixing and self-reinforcing, activates internally, externally and interactively with synergy which shows their extreme flexibility in adaptation thus enables the leadership with better management, which supplements the Leader-member Exchange Theory (LMX---Graen & Uhl-Bien, 1991; 1995). Therefore in an organization, the leadership who adopts and leverages *Guanxi* mechanism in constructing and managing can make the system resourceful, contingent and adaptive to outer changes.

For the purpose of our research, we conduct an empirical study to explore the impact of *Guanxi* on management leveraged by desirable leadership. In pursuing the objective the paper is organized as follows. First, it reviews briefly with the concept of leadership perceived in cultural contexts. Second, the meaning and cultural context of *Guanxi* with respect to Confucianism is introduced, and *Guanxi* network in view of complexity is elaborated. Third, for managerial utilization, the propositions of the role that *Guanxi* plays as the internal factor in managing and reconciling the interpersonal conflicts *and* as the link to external networks to enable the inter group coordination are developed and followed by interviews with managers and questionnaires passed to employees for verification with our case study. Finally, the paper ends with a conclusion and directions for needed future research.

Granovetter (1973) points out that bridges are so effective in tying social networks together, and the weak links are more important than the strong ones since they act as the crucial ties that sew the social network together. Situations are pretty alike in Chinese society, and these links are named as *Guanxi* with various characteristics: First, all relationship links are originated from the ‘family’, includes the weak ones. Weak links can be seen as the gate that outsiders try to cross over and become insiders. These links may be weak in comparison with blood family ties, but they are the key to unlock and relock the *Guanxi chuen* (discussed in last section). Second, strong links may not be as obvious in linking networks, they are neither ineffective nor erasable as stated in the book “NEXUS”.

For Chinese, *Guanxi* once established is permanent no matter what. Not until one is dead, the role-context of *Wulune* governs one’s mind and behavior in associating with others. Third, *Guanxi* can be distant. However frequent interaction in between with reciprocity reinforces their *Guanxi* and brings them closer. Fourth, although weak links can be seen as the social

“shortcuts”, its existence is as vital as in “the small world” that could cause the network to fall to pieces. Since all *Guanxi* (*Wulune*) rooted and derived out from the base of the ‘family’, everyone can be related with others through a basis of familiarity (mentioned in last section). Like the complex adaptive systems that are constantly revising and rearranging, *Guanxi* is adjustable and altercasting as needed. In Chinese society, *Guanxi* and its mechanism is the key, which may be featured with the characteristics in between chaos and order.

Chinese society (or any other society) is also like a brain, *Guanxi* acts as the building blocks that gathers individuals into networks and functions as the link in between chaos and order. Each *Guanxi* mechanism functions as the synapse, transmitting information, coordinating activities, and organizing into assemblies (*Guanxi chuen*). Different from cell assemblies, these social assemblies can be physically apart, yet emotionally connected through *Guanxi*. Furthermore these social assemblies can be organized into a large entity without geographical restrictions of the outer environment. And *chaxugeju of Guanxi* (Fei, 1992(1947)) classifies the closeness of relationship between oneself and others and decides each individual position and role in the *Guanxi chuen*. The closer to the core one positioned (inner), the stronger his links to the cluster. For those who positioned outer thus have relatively weaker links to the cluster. Through these weak links (*Guanxi*), individuals are able to hook up with other small worlds (*Guanxi* networks/ or *Guanxi chuen*) and have interconnections among networks in forming collected small worlds (Watts & Strogatz, 1998).

All complex systems have somehow acquired the ability to order and chaos into a special kind of balance. This balance point – often called the edge of chaos – is where the components of a system never quite lock into place, and yet never quite dissolve into turbulence, either. The edge of chaos is the constantly shifting battle zone between stagnation and anarchy, the one place where a complex system can be spontaneous, adaptive, and alive (Waldrop, 1992). In Chinese *Guanxi* network system, *Wulune* and its referred *Guanxi*, this particular cultural value is commonly recognized by all Chinese not only distinguishes the hierarchical structure in an organization, but also regulates the interactive norms between individuals, which in turn stabilizes the system. In *Guanxi* networks, the original system has been destroyed by the chaos caused by new comer’s join, further through reforming, restructuring, and been strengthened. In order to achieve mutual adaptation and reconciliation, individual surpass oneself to acquire the group characteristics and reach to the integral harmony. Utilizing resources including information, *Guanxi* under this circumstance helps individuals to turn one’s dilemma around into favors. For having the accumulated positive feedback, *Guanxi chuens* thus expand and interconnect with one another and turn into a well knitted social networks. Meanwhile functions of self-fixing and self-reinforcement of the *Guanxi chuens* are activated internally, externally and interactively with synergy which shows their extreme flexibility in adaptation.

Just like the frequently used synapses grow stronger, the frequently ‘used’ *Guanxi* is usually the tighter ones. However it is quite costly to establish and maintain *Guanxi*, including

money, energy and time spending. *Guanxi* is given birth by benefit, so will be terminated by it. When there is mutual benefit, a weak link reinforces and becomes a strong link; while there is benefit conflict, situation can be counter wise. Strong links in *Guanxi chuen* are inertia, such as blood ties, affection for each other weighs more than benefit; whereas for weak links which is substitutable, benefit is the only practical cause that really counts. We thus propose that *Guanxi* mechanism in the *Guanxi* network have the impact on the management of leadership as:

P.1 Guanxi network and its mechanism have positive effect on financing.

P.2 Guanxi network and its mechanism have positive effect on reconciling conflict.

P.3 Guanxi network and its mechanism have positive effect on lowering the employee turnover rate.

P.4 Guanxi network and its mechanism have positive effect on the performance.

A survey was administered with individuals employed in a Taiwanese ODI in mainland China. This Taiwanese firm was established with capital of five million NT dollars in 1992. Their China factory in Dongguang, Kuangtong was established in 1997 with capital of one million US dollars and increased growth at a rate of 20% yearly in last ten years. The questionnaires contained with 20 questions in four parts (see Appendix 4.3A): financing, local government, among colleagues, and superior/subordinates, concerning the internal and external effects of *Guanxi* mechanism, was designed in accordance with interviews with the CEO and then filled up by the employees of total 664. Using a 5-point Likert scale, varying from “strongly disagreed”(1) to “strongly agreed”(5). We performed Pearson test on the data collected from our sample.

Total of 554 subjects of effective questionnaires (out of total 664 passed out) were collected. All the respondents are the employees, with at least one or more years of working experience, some of them have been working with the present company for over ten years (see Appendix 4.3B). Applying Pearson test (SPSS) with 5% significant level, we have collected data analyzed. All of our propositions are supported which means that both *Guanxi* network and its mechanism have significant influence on the management of leadership. Results also show: 1) Respondents who are seniors, with more pay, or with less education have stronger belief in *Guanxi* and its effect; 2) *Guanxi* effect is positively correlated with higher positioned employees with more decision power. In other words, the more power one has, the more *Guanxi* one is able to leverage.

In addition to that, the information learned from our interviews with the CEO is fascinating: First, the expenses on maintaining the public relationship takes up to 2- 3% out of total expenses each year. Second, regardless of the same nationality of Taiwan and China, Taiwan is relatively more democratic than China which makes the information more transparent. Thus for business, real capability is emphasized in Taiwan whereas the implicit

rule – *Guanxi* is well acknowledged and complied more in China. Third, although corporate culture has its impact on cultivating employees' vision and guiding their working attitude, in China everything is basically viewed monetary wise since Chinese in mainland are eager to get rid of the poor. So *Guanxi* is used for personal benefit instead of being leveraged in reaching for mutual benefit as well as reinforcing mutual affection. And the turnover rate of employment is mostly for the operation line where the professional skill is not strictly required and those employees who never stay long enough to build subtle and stable *Guanxi* with others. For those headmen or middle managers who are assumedly well-*Guanxi* in their network usually have lower turnover rate.

In China, there are no reliable performance measures (Peng & Luo, 2000). Therefore subjective ratings are heavily relied, such as profitability, sales growth, asset growth, employee morale, and competitive status (Wang, et al, 2003). According to our interview, since its establishment of 1997, the firm has a growth rate in profit of 20% yearly, increased sales of 50% yearly, and decreasing turnover rate especially after 2001 when the local *Guanxi* network has been well-constructed. Obviously *Guanxi* has positive effect on of five forces: turnover rate decrease, ROE increase, financing/liquidity, performance efficiency, and productivity.

Having our propositions verified through interviews and empirical data, we thus conclude in China, this role-context society where obligation is attached to specific roles assigned upon *Wulune* system with the teaching of Confucianism, *Guanxi* thus plays not just as the internal factor in constructing interpersonal relationships, reinforcing team work, in turn increasing the performing efficiency; externally it also links up with other networks to enlarge the *Guanxi chuen* in lowering the outer uncertainty and ensuring the inter business cooperation. Therefore for business in China, *Guanxi* ought to be considered as one of the essential elements in not just linking up people physically, further more it has significant impact on management.

4.4 Quality Management: *Chaxugeju* differentiates service quality

Quality plays a particularly critical role in service firms (Goodale, Koerner & Roney, 1997). Customer satisfaction and service quality perceptions both positively influence consumers' purchase intentions (Bolton & Drew, 1991; Cronin & Taylor, 1992). Yet, due to the intangible nature of services, setting and ensuring adherence to precise specifications is difficult (Parasuraman, Zeithaml & Bery, 1985). Further, because services are produced and consumed simultaneously, and because customers are often involved in the service delivery process, service quality cannot be subjected to the same quality control procedures used in manufacturing firms (Parasuraman et al., 1985). As firms have become more aware of the competitive and economic implications of customer service, many have sought ways to dramatically improve their service quality (Carvins, 1988; Reichheld & Sasser, 1990). Parasuraman, Zeithaml and Berry's conceptualization of service quality (SERVQUAL)

identified five distinct components of service quality: assurance, empathy, reliability, responsiveness and tangibles, has become the global application in marketing research involved with informing and guiding service practitioners in their quest for service quality excellence (Parasuraman, et al., 1988). Service quality is an important antecedent of consumer assessments of value. Value assessments in turn have been found to influence consumer satisfaction and motivate behavioral intentions (Zeithaml, 1988; Babakus and Boller, 1992). Recent research also suggests that culture may play a fundamental role in determining how consumers perceive what constitutes service quality (Malhotra et al., 1994; Furrer et al., 2000; Imrie et al., 2000), which leaves the SERVQUAL model, a research conducted in North America, inadequate in capturing the full range of dimensions used by consumers to evaluate the quality of a service.

This paper takes a cautionary stance to SERVQUAL model, taking the findings of Imrie et al. into consideration; we conduct a survey to examine the perceptual linkage and gap of service quality cognition between service providers and receivers with respect to *Guanxi*. We assume cognition is defined as the extent to which the providers perceive that service quality is important and valued in the firm as part of the corporate culture, and the customers' perception of service quality is viewed based upon their own value rooted from the social culture. By inspecting the difference of the service quality perception between the service providers and their customers, we intend to examine the *chaxugeju* plays in reconciling the perceived gap and helps the firm moderate its marketing strategy.

In pursuing the objectives the study is organized as follows. First, it reviews briefly with the concept of the importance of service quality. Second, the meaning and context of *Guanxi* and *chaxugeju* (差序格局) with respect to Confucianism is introduced. Third, the propositions of how *chaxugeju* affects the providers'/receivers' perception about service quality are developed, and followed by questionnaires with our survey. Finally, the paper ends with a conclusion and directions for needed future research.

From a sociological view, in Fei's research (1947), Chinese inter-personal relationships is described as ripples caused by a stone thrown into the water circled along the core, which is based upon oneself surrounded by all others. Following along the ripples, the farther others position, the farther the relationship one has with them. This phenomenon of *Chaxugeju* explains the relationship differentiation of *guanxi*. It is the basic principle of social structure in the Chinese society, where in comparison with Western societies, there is differentiation among relationships in accordance with the level of closeness, relatedness, and social classes, etc.

With respect to trustworthiness, *Guanxi* can also be classified into three categories: "family", "helper", and "business" *Guanxi*, where "family" *Guanxi* is deeply rooted in the Confucian heritage, "helper" *Guanxi* and "business" *Guanxi* are mainly the product of the political and socio-economic systems in the contemporary China (Fan, 2002). Chinese offer privileges to people whom they consider as "Zijiaren" (自家人, one of us, but not necessarily of one's own family), and purposely keep distant with those whom they consider as

“Weyeren” (外人, outsider). Since there is no particular elaboration in *Wulune* for business relationships in China, “Hsin”(信) and “Yi(義)”, stand for honesty and loyalty and exist only between brothers and friends are borrowed as the metaphor of the norm. Thus for outsiders involved in the business with Chinese, they always try hard to step across the “door” to become an insider. This is the process of crossing *chaxugeju*. The magic code of doing so is to have *Guanxi* upgraded to be brothers or friends through dining, face-giving, and so on. When such roles are firmly placed, *Guanxi* is bilaterally defined and committed, and rules will be mutually agreed and followed without contract or any other written format.

In markets, people see one invisible hand - price, while in China, another hand - *Guanxi*, is seen as a potential solution for most problems of entering and operating in China. While *Guanxi* plays the role as the “protocol”, setting the rules governing the communication and the transfer of affection between individuals in Chinese societies, the teaching of Confucianism deeply rooted in effect constructs the norms of *Guanxi* for its establishment and maintenance. Although in this article we limit our discussion within the phase of *Guanxi* and business, we can still see *Guanxi* networks knitted across, reach out broadly, and wide spread into every corner of Chinese society, which has essential influence in multi and inter dimensions (Wong, 2007a).

Selling is probably one of the most resistant activities to globalization and at the same time, the most crucial, demanding successful personal relationships. Companies need to handle customer concerns authentically to make the art of persuasion easier (Gundling, 2003). In China, the success of relationship marketing is based on *Guanxi* chuen. People do business only with those they know and trust, and those who are linked in *Guanxi* networks (Wong, 2007b). While with the significant factors, members in *Guanxi* chuen give each other highly preferential treatment. Business relationships are designed to enhance *Guanxi* and thereby lead to other opportunities. *Guanxi* chuen may be regarded as valuable and unique intangible resources which are very difficult to replicate by competitors, thus giving (people) firms which possess them a significant competitive advantage.

In accordance with our above discussion, we thus have propositions proposed as follows:

P.1 Service quality perceived by both service providers and receivers are dependent on their Guanxi.

P.2 Level of service quality is decided in accordance with chaxugeju between service providers and receivers.

In research of perceived service quality, several studies have indicated the front-line employees' perceptions are highly correlated with those of customers, not only in their overall assessment of service quality, but also, in their evaluation of specific aspects of the firm's service climate (Schlesinger & Zornitsky, 1991; Schneider & Bowen, 1985; Schneider, 2003; Tornow & Wiley, 1991). The front-line employees who appear to be quite sensitive to how

their customers, are more likely to possess unique information about customer preferences as well as the firm's ability to meet customers' needs (Schneider & Bowen, 1985).

For our purpose of this research, we conduct an empirical study of insurance firms and their goods/services to examine the perceptual linkage and gap of service quality cognition between service providers and receivers with respect to *chaxugeju*, in spite of all other variables may influence service quality. Front-line employees' perceptions as service providers are used assuming that service providers believe and operate in accordance with the firms' corporate culture, and they are receiving equal empowerment support from the organizations. However we ought to realize that the levels of the service quality varies across front-line service providers for characteristics of service operations caused by many effects introduced to the transaction by the customers and/or the service providers (Goodale, Koerner & Roney, 1997).

Insurance is an immaterial product that is valued subjectively by its recipients which is influenced (Hofstede, 1996). Since the purchases involve a combination of service and product elements. A survey was administered to individuals employed in sales department of both Taiwanese local and foreign directly invested (FDI) insurance firms and their customers in a major Taiwan city (see details in Appendix B). The questionnaire is designed in accordance with interviews with six seniors of our studied firms and filled by the employees and their customers from the top six insurance companies (local and foreign branch) in Taiwan (Appendix 4.4A). Using Likert scale of five levels from highly agreed to highly disagreed, the questionnaire contained total of 20 questions are concerned with the effect of *chaxugeju* in marketing; and is filled up by the employees and their customers of the top six insurance companies (local and FDI) in Taiwan.

The subjects were total of 795 of effective questionnaires collected from 536 local insurance firms and the rest for FDI, including both of their sales representatives (380) and customers (415) in a major Taiwan city. The respondents of the service providers, with three or more years of working experience, had worked for the present company for at least one year, and most of them had taken more than two years of college courses (see Tables). The survey was administered by one of the researchers, who gave verbal instructions to respondents before collecting the questionnaire. The data collected and analyzed are shown with the percentage expression (see the Appendix 4.4B for details).

So far, little is known about the influence of contextual factors on customer evaluations (Parasuraman, 1991), nevertheless there seems to be a compelling rationale for taking cultural characteristics into consideration. The cultural context, commonly expressed in shared norm and value systems (Hofstede, 1980), has been shown to endow consumers with rules that guides their evaluation of service quality, was not considered in the SERVQUAL model. Though Imrie et al.'s research (2002) has reflected the supposed impact of Confusion values upon the choice of evaluative criteria, yet a richer conceptualization is required to capture issues relating to the central role of personal relationships within the service encounter.

With our sample of 795 questionnaires collected and analyzed, under Likert scale, the results show that in this survey, there are more than 85% of the respondents give the “agreed” answers for all questions, therefore both of our propositions are supported. In addition to that, there are rooms for discussion with the congruence since a CHITEST shows that some of the values of χ^2 are smaller than 0.05, which indicates answers may differ with respect to respondents of different background, such as their levels of salary and amount insured (see Appendix B).

Having our hypotheses verified, we conclude in Chinese society, where obligation is attached to specific roles assigned under *Wulune* system with the teaching of Confucianism, *Guanxi* thus plays not just as the internal factor in constructing interpersonal relationships, it also brings the effect in reconciling the service quality perception between service providers and receivers, and *Chaxugeju* as the social order that not just regulates people’s closeness; it is also the essential factor deciding the level of service quality provided. Therefore *guanxi* ought to be considered as one of the essential elements in linking interpersonal relationship; and *Chaxugeju* is the tacit norm followed by Chinese in their society in deciding resource allocation.

4.5 Personal interview and cases in practice: a deep interview with senior managers in insurance industry

With the above research, we developed the significant factors that construct *Guanxi* mechanism. In this section, we provide a deep interview with the senior managers mediating in insurance industry as the brokers. For their being both service providers and receivers at the first line, they have the best knowledge about the customers’ satisfaction. The interviewees are senior managers of X firm who are insurance brokers. This firm was established in year of 2000 with initial capital of NT\$15 million. They have 30 branches around Taiwan and 1,500 employees (90% of them are licensed brokers of insurance), making yearly net income of NT\$500 million approximately.

In our discussion, the *Guanxi* mechanism with significant factors is introduced and received positive confirmation from our interviewees. The followings are the interviewing questions sorted along with the cases provided by them to support their points of view.

Interview questions:

1. ‘Similarity’ starts up the relationship and decides the roles for both sides to play.
2. Service provided is adjustable in accordance with customers’ requests.
3. A one-to-one tailor-made service is provided.
4. Presumed role playing sets the rules for both sides.
5. Levels of service are provided upon various presumed role playing.
6. The closer the relationship in between, the better the service offered.
7. Frequent visits increase mutual understanding and trust.
8. Sharing with each other like a family.

9. Inter firms' cooperation is designed to back up the team service.
10. Consensus on the role playing reinforces trust and reliability.
11. Trust based upon role playing increases reliability.
12. 'Similarity' in between makes better relationships.
13. There is service differentiation for different customers.
14. Lifetime service is guaranteed once relationship is built.
15. Mutual trust in between service providers and receivers ensures future business.

Significant factors that match with the above points:

	X ₁	X ₂	X ₃	X ₄	X ₅	X ₆	X ₇	X ₈	Y ₁	Y ₂	Y ₃	Y ₄	Y ₅	Y ₆	Y ₇	Y ₈		
1		√	√		√	√	√		√	√	√	√	√	√	√	√	√	√
2		√	√	√	√	√	√	√	√	√	√	√	√	√	√			√
3		√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
4	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
5		√	√		√		√	√	√	√	√	√		√	√			√
6	√	√	√	√	√		√	√	√	√	√	√	√		√	√		√
7		√	√			√	√	√	√	√	√	√			√	√		√
8		√	√		√	√			√	√	√	√	√	√	√	√		√
9	√	√	√	√	√		√	√	√	√	√	√	√	√	√			√
10		√	√			√	√		√	√	√	√	√	√	√	√		√
11	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
12	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
13		√	√		√		√	√	√	√	√	√	√	√	√	√	√	√
14	√	√	√	√	√				√	√	√	√					√	
15		√	√		√		√		√	√	√	√				√		

Interviewed cases documented:

Case 1

Transaction amount: NT\$80,000/yr.

Transaction objectives: Female, 47 yrs old. Modifying the original insurance contract and adding new terms with new firms.

Guanxi type: friends – via elder sister – brothers

Case description: Under mutual understanding, technical document can be processed with flaws to speed up the necessary procedure.

Case 2

Transaction amount: NT\$120,000/yr

Transaction objectives: Female, 27 yrs old. Professional assistance provided on solving the disputes.

Guanxi type: customer - friends - sisters

Case description: Free consulting on solving disputes for customers to gain trust and become friends; and warmhearted care like a family turned the friendship into sisters.

Case 3

Transaction amount: 1st yr NT \$1,000,000; 2nd NT\$240,000/yr.

Transaction objectives: Female, 56 yrs old. Sharing mutual learning experience and have their *Guanxi* strengthened.

Guanxi type: customer - father and son

Case description: Through sharing learning experience (eg. children education) and continuous free service on solving problems,

Case 4

Transaction amount: 1st yr NT\$300,000 (incl. NT\$160,000); 2nd NT\$100,000/yr.

Transaction objectives: Female, 50 yrs old. Help on integrating insurance contracts.

Guanxi type: customer – sisters

Case description: Helping customer to uncover the vagueness of the insurance and to design new adjustment.

Case 5

Transaction amount: NT\$ 150-200,000/yr.

Transaction objectives: Female, 55 yrs old. Person-to-person service provided to satisfy individual requirement.

Guanxi type: customer – friends/sisters

Case description: Understand personal needs and provide required service with frank information on rights and obligations of the insurance contract.

Case 6

Transaction amount: NT\$300,000/yr.

Transaction objectives: Female, 38 yrs old. Passed test on insurance diagnosis and suggestion plan and earn trust for business.

Guanxi type: classmates - sisters

Case description: Passed tests on insurance for professional knowledge to earn the customer's trust; and confidence in transactions upgrades *Guanxi*.

Case 7

Transaction amount: NT\$3,000,000 paid all in one time.

Transaction objectives: Female 50 yrs old. Newly met but provided service for the whole family with suitable programs, which proves professional skill with sincerity.

Guanxi type: strangers - friends

Case description: Although no 'similarity' to link the *Guanxi* at beginning, as long as play the role right with prescribed rules as expected, *Guanxi* would eventually take place and sustain.

Case 8

Transaction amount: NT\$100,000/yr.

Transaction objectives: Female, 36 yrs old. Professional assistance earned confidence and the business.

Guanxi type: competitors - friends

Case description: The customer is also an employee of another insurance firm. With profession advice and sincerity of a friend, transaction is achieved so is the friendship.

Case 9

Transaction amount: 1st yr NT\$1400,000; 2nd yr NT\$120,000/yr.

Transaction objectives: Female, 60 yrs old with an only son. Warmhearted care for her like a daughter would do.

Guanxi type: customer- father and son (mother and daughter)

Case description: An old lady who has an only son but lives alone. Offering her warmhearted concern and assistance in daily life, just like what we would do for our own seniority.

Case 10

Transaction amount: NT\$30,000/yr.

Transaction objectives: Female, 55 yrs old single.

Guanxi type: mother-daughter

Case description: A working woman who has never married and hard to give out her trust. Sincere care with heart offered moves her and redefine their relationship from customer/sales to family which lasts forever.

In this deep interview, these cases obviously show us the importance of *Guanxi* and its mechanism in building interpersonal relationship in business, with which not just being the communication base for mutual trust; but also for trading base that sets the exchange rules for both sides that play their own roles right as expected as *Wulune* and its extension value.

. Conclusion and Implication

Chinese culture is considered to be particularist (relationships are more important than rules) (Hampden-Tuner & Trompenaars, 2000), whilst Western societies are considered to be universalist (rules apply equally to all). We are social network, in our families, communities and academic disciplines. Wherever there are human cultures, particularist or universalist, there are emergent social networks that are partially visible. There are interaction rules, such as the *Guanxi* rules in our research, within those communities designed to preserve the community and the roles within it. We often struggle to see, describe and function within that rule set. Basic assumptions represent the deepest level of culture, while the artifacts and behavior can be observed; values and beliefs can be questioned. The underlying assumptions need to be acknowledged and interpreted, and taken into consideration with managerial plan in cross cultural business.

Some writing in the business literature on *Guanxi* have suggested that *Guanxi* is a cultural remnant of a feudal society that is being washed out as the Chinese culture becomes more Westernized (Hammond & Glenn, 2004). However while the Western population of Social Network tells us that we all are some kind of social network, the norms of *Guanxi*, specific to Chinese culture, is not simply a series of engagement rules. *Guanxi* may change with the forces of globalization, but it will also remain as a source of order and stability for it's being culturally rooted on the basic assumption for behaviors and socially prevailed on the daily basis.

Guanxi is a social link constructed on the base of *Wulune* of Confucianism (discussed earlier), with which Chinese believe and follow as the social norm for interpersonal interaction with public consensus. For its being a common value in Chinese society, Chinese acknowledge each other's role context and the obligation attached with it. Under the ultimate goal for the society in remaining harmony, individuals cannot get better off without taking others into consideration for his 'role' playing and the obligation attached. Therefore the community coevolves together with individuals, so does the whole society. This *Guanxi* mechanism links up all members and makes the society as a whole adaptive to uncertainty, and vice versa. Activated by the 'similarity' of it that was culturally originated from *Wulune*, the adaptation of *Guanxi* mechanism goes on and on as an evolving cycle. The 'similarity' is named as "ISOLINK" in this research.

In this research, four case studies along with a deep interview are provided to verify our theory. Results show in China, the role-context society, where obligation is attached to specific roles assigned upon *Wulune* system with the teaching of Confucianism, with its significant factors, *Guanxi* plays not just as the internal factor of social norm in constructing interpersonal relationships, reinforcing team work, and in turn increasing the performing efficiency; externally it also links up with other networks to enlarge the *Guanxi chuen* in adapting to the outer uncertainty and ensuring the intergroup cooperation. Through the ISOLINK with 'similarities', may not be all of them, the significant factors construct *Guanxi*

link and *Guanxi chuen* facilitate the *Guanxi* mechanism and activates the adaptation cycle, and it keeps evolving.

However ISOLINK is merely one of the acknowledgeable phenomenon that links and gathers all *Guanxi chuens*. For the significant factors we pointed out, *Guanxi* is too delicate to be defined in words and its way of construct is too complicated to be limited to certain methodology. Having ‘similarity’ is only the path to the door. *Guanxi* link may be the key to unlock the gate, it still takes artifice to get in and remain inside of the *Guanxi chuen* with sustainability afterwards, which is predetermined by the role-context culturally embedded.

Besides *Guanxi* constructing, “double-interpretations”, the art of *Guanxi* reinforcement, quoted from Prof. Kao Cheng-shu’s new book (will be published in 2008 summer), explicitly explains the delicacy of the dynamic order of *Guanxi* reinforcement. Under circumstances, for instance, people have the chance to go through difficulties together. Facing same dilemmas puts them in the same boat and in solidarity with each other. This situation ends up with a new ‘similarity’ of ISOLINK which reinforces their *Guanxi* and endow it an upgraded meaning and brings the allies closer to one another.

For people do not have direct *Guanxi*, the metaphors of *Guanxi* are borrowed and work just as well. And the “double-interpretations” effect also works for the metaphor *Guanxi*. Having common cultural value on *Guanxi*, with which Chinese believe everyone can be linked to one another as members and protected from outsiders. Privilege is taken for granted for people with *Guanxi*, and treatment differentiation exists for various *Guanxi* upon closeness in between.

Guanxi mechanism is living fact and belief for Chinese. They entrust their lives with it and expect to receive feedback in return. This makes *Guanxi* the social norm for Chinese. Therefore for business in Chinese society, *Guanxi* mechanism, its significant factors, as well as the ISOLINK and the ISOPERPTION ought to be recognized and considered as the essential elements socially and economically. It is also acknowledged that for those who are not aware of *Guanxi* as culturally embedded in Chinese society, the ISOLINK theory derived in this research is worth more attention since it is the niche to *Guanxi* ‘leverage’ instead of utilization.

. Future Perspective

Although the purpose of this research is to examine *Guanxi* mechanism and its significant factors of skill set in practice on management, we realize that there are likely to be other associations not specially examined in this research that warrant future attention. There are a few suggestions for future research: First, *Wulune*, on the basis of Confucianism in effect defines the social roles and classifies their hierarchical system, is in fact the cornerstone for *Guanxi* construct. The effect of the teaching of Confucianism is dynamic which may vary with the possibility of generation gap. How *Guanxi* mechanism works for Chinese among generations in recognizing and leveraging with their *Guanxi* networks deserves more attention and studies. Second, in our survey, we notice that regardless how *Guanxi* matters to all Chinese, most of the first line employees take orders as it is given but deal with them in their own way. This phenomenon shows that reward system may compensate the *Guanxi* leak, which deserves another research. Third, we acknowledge that *Guanxi* networks knitted across and widely spread into every corner of Chinese society, its essential influence in multi and inter dimensions requires further attention. Last and most importantly, the possibility of looking at *Guanxi* mechanism from other existing domain will be worthwhile, such as in what pattern *Guanxi* may be presenting in view of the Organizational Behavior? Or in comparison with *Guanxi*, is there any relation-base social structure to it with similar or contrast mechanism? Also the generation gap on the cultural value may twist the framework and dysfunction *Guanxi* mechanism which may need another model developed.

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. Appendix

Appendix 4.1.A1 Questionnaire for service receivers

1. The service received from the insurance agent is adjustable in accordance with my personal requests.
2. There is only a single agent provide me with all kinds of help ever since the every beginning of signing contract up to now.
3. My insurance agent is very enthusiastic and sincere; I shall turn to him for help for any possible future additional insurance needed.
4. Excellent service attitude increases my willing to sign up the insurance contract.
5. My insurance agent pays me regular visit to impetus mutual understanding.
6. My insurance agent always puts me at the first of his priority under any situation.
7. Following his firm's standard procedure, the insurance agent takes care of business.
8. The insurance company provides full support for his insurance agents.
9. The completeness of the support system of the insurance firms is the main concern for me in signing the contract.
10. Excellent communication exists between the insurance agents and me for having good relationships.
11. Excellent service is provided by not just a single agent but a team work from the insurance firms.
12. A teamwork service ensures the service quality.
13. My insurance agents are willing to share their working and living experience.
14. The insurance agents and I are having nice relationship, thus provide me with lifelong service guarantees.
15. The insurance firms are well facilitated with professional experts and advisors to support my insurance agents any time as needed.
16. I heavily rely on my insurance agent since I have strong confidence in him.
17. My insurance agents agree with his firms' service conception and follow the organizational culture accordingly.
18. I introduce my insurance agents to my friends because I am positive with their service quality.
19. My insurance agents took my budget into consideration while designed me with my insurance contract.
20. For different customers, there is service differentiation offered by the insurance agents.
21. My insurance agents are my good friends who would extend the service for my personal situation.
22. Me and my insurance agents are having nice friendship because my admiration for his moral and integrity.
23. I am sure with my insurance agents' service quality for his having lots of professional licenses.

24. I believe the insurance agents' good quality are trained and required by their firms.
25. A firm with good reputation must have employees with quality.
26. I am certain with good service quality which is decided by whether the service providers are thoughtful or not.
27. My insurance agents are sensitive with the learning opportunity to increase his competitive competency and service quality.
28. My insurance agents are deterministic and fearless.
29. The insurance firms I have contract with are having their corporation culture and service quality well defined.
30. Having complete e-service, the insurance firms provide me with more rapid and accurate service.
31. The suggestions I proposed activate the insurance agents and their firms to make improvements.
32. My insurance agents actively care and provide the service I need.
33. My insurance agents actively search for problems and provide with solutions for me.
34. For having good relationship with my insurance agents, I can feel their warmth besides business.
35. My mother makes the major decisions with the insurance contracts.
36. My wife makes the major decisions with the insurance contracts.
37. I believe it is simple and well-budgeted to have insurance contract with just a single firm.
38. The reasons for me to insure with more than one firms are:
 - a. To diversify risks since I have not enough confidence in a single firm
 - b. More firms share more risks
 - c. others

Appendix 4.1.A2 Questionnaire for service providers

2. The service provided for our customers is adjustable in accordance with their personal requests.
3. We offer a one by one service for our customers from the very beginning.
4. My clients always count on me for all kinds of help and his trust in me ensures any possible future additional insurance contracts.
5. My service attitude increases the clients' willingness to sign up the insurance contract.
6. I regularly pay visits to my clients to impetus mutual understanding.
7. My insurance agent always puts me at the first of his priority under any situation.
8. Following our firm's standard procedure, we take care of business.
9. Our insurance company provides full support including inter firms' corporation for services.
10. My clients consider the completeness of the support system of the insurance firms as the main concern for signing the contract.
11. Excellent communication exists between my clients and me to maintain good

relationships.

12. Excellent service is provided by not just a single agent but a team work from the insurance firms.
13. A teamwork service ensures the service quality.
14. I am willing to share my working and living experience with my clients.
15. Having nice relationship, I provide my clients with lifelong service guarantees.
16. Our insurance firms are well facilitated with professional experts and advisors to support my service for customers any time as needed.
17. Having strong confidence in me as good friends, my clients heavily depend on me.
18. I agree with my firms' service conception and follow the organizational culture accordingly.
19. I am often introduced by my clients to their friends because they are positive with my service quality.
20. I always take my clients' budget into consideration while design their insurance contract.
21. There is service differentiation offered for different customers.
22. My clients and I are good friends, thus the service is always extended for my clients' personal need.
23. Me and my clients are having nice friendship because we admire each other's moral and integrity.
24. I am sure with my insurance agents' service quality for his having lots of professional licenses.
25. I believe the insurance agents' good quality are trained and required by their firms.
26. A firm with good reputation must have employees with quality.
27. I am certain with good service quality which is decided by whether the service providers are thoughtful or not.
28. I am sensitive with the learning opportunity to increase my competitive competency and service quality.
29. I am deterministic and fearless.
30. Our firm is having his corporation culture and service quality well defined.
31. Having complete e-service, our insurance firms provide clients with more rapid and accurate service.
32. The suggestions from my clients activate me and my firm in making improvements.
33. I actively care and provide the service my clients need.
34. I actively search for problems and provide with solutions for my clients.
35. Since we have good relationship agents, I give my clients warmth besides business.
36. The mother makes the major decisions with the insurance contracts in the family.
37. The wife makes the major decisions with the insurance contracts in the family.
38. I believe it is simple and well-budgeted to have insurance contract with just a single firm.
39. The reasons for clients to insure with more than one firms are:
 - a. To diversify risks since I have not enough confidence in a single firm

b. More firms share more risks

c. others

Appendix 4.1B Data Tables

Table 1.1 Service Providers (FDI firms') Basic Information

SEX	Number of people	Percentage
Male	89	41.78%
Female	124	58.22%
AGE		
Below 20 years old	1	0.47%
Between 21~25 years old	20	9.39%
Between 26 ~30 years old	36	16.90%
Between 31~35 years old	34	15.96%
Between 36 ~40 years old	52	24.41%
Between 41 ~50 years old	57	26.76%
Above 51 years old	13	6.10%
EDUCATION		
Elementary school	0	0.00%
Junior high school	7	3.29%
High school	75	35.21%
Community college	2	0.94%
Technological college	66	30.99%
University	57	26.76%
Masters and above	6	2.82%
WORKING EXPERIENCE		
Less than 1 year	10	4.69%
Between 1~3years	17	7.98%
Between 3~5years	40	18.78%
others	146	68.54%
YEARS INSURED		
Less than 1 year	9	4.23%
Between 1~3years	17	7.98%
Between 3~5years	38	17.84%
others	149	69.95%
CURRENT POSITION		
Sales agent	105	49.30%
Middle manager	91	42.72%
CEO	17	7.98%
CURRENT DEPT		
Sales	174	81.69%
R&D	22	7.51%
Management	15	7.04%
Others	8	3.76%
CURRENT SALARY LEVEL		
Below NT\$20,000	7	3.29%
Between NT\$20,000~30,000	30	14.08%
B/TNT\$30,000~40,000	29	13.62%
B/T NT\$40,000~50,000	33	15.49%

CURRENT SALARY LEVEL	Number of people	Percentage
Above NT\$50,000	114	53.52%
INSURANCE FIRMS		
Cathay Life(國泰人壽)	36	16.90%
Taiwan Life(台灣人壽)	14	6.57%
Mass Mutual Mercuries Life(三商美邦人壽)	8	3.76%
Shin Kong Life	55	25.82%
Nan Shan AIG	30	14.08%
Kuo Hua Life(國華人壽)	7	3.29%
ING ANTAI(安泰人壽)	14	6.57%
PCA Life(保誠人壽)	57	26.76%
Others	114	53.52%
AMOUNT INSURED(YEARLY)		
Below \$20,000	18	8.45%
Between \$20,000~\$40,000	22	10.33%
B/T\$40,000~\$60,000	29	13.62%
B/T \$60,000~80,000	14	6.57%
B/T\$80,000~100,000	10	4.69%
Above \$100,000	120	56.34%

Table1.2 Service Providers (local firms') Basic Information

SEX	Number of people	Percentage
Male	150	32%
Female	326	68%
AGE		
Below 20 years old	3	1%
Between 21~25 years old	44	9%
Between 26 ~30 years old	85	18%
Between 31~35 years old	65	14%
Between 36 ~40 years old	72	15%
Between 41 ~50 years old	155	33%
Above 51 years old	52	11%
EDUCATION		
Elementary school	3	1%
Junior high school	12	3%
High school	211	44%
Community college	15	3%
Technological college	115	24%
University	107	22%
Masters and above	13	3%
WORKING EXPERIENCE		
Less than 1 year	26	5%
Between 1~3years	59	12%
Between 3~5years	87	18%
others	304	64%
YEARS INSURED		
Less than 1 year	28	6%
Between 1~3years	56	12%
Between 3~5years	89	18%
others	303	64%

CURRENT POSITION		
Sales agent	304	64%
Middle manager	150	32%
CEO	22	5%
R&D	5	1%
Others	41	9%
CURRENT SALARY LEVEL		
Below NT\$20,000	7	3.29%
Between NT\$20,000~30,000	30	14.08%
Between NT\$30,000~40,000	29	13.62%
Between NT\$40,000~50,000	33	15.49%
Above NT\$50,000	114	53.52%
INSURANCE COMPANY		
Cathay Life(國泰人壽)	36	16.90%
Taiwan Life(台灣人壽)	14	6.57%
Mass Mutual Mercuries Life	8	3.76%
Shin Kong Life (新光人壽)	55	25.82%
Nan Shan AIG(南山人壽)	30	14.08%
Kuo Hua Life(國華人壽)	7	3.29%
ING ANTAI(安泰人壽)	14	6.57%
PCA Life(保誠人壽)	57	26.76%
Others	114	53.52%
AMOUNT INSURED(YEARLY)		
Below NT\$20,000	23	5%
Between NT\$20,000~\$30,000	88	18%
Between NT\$30,000~\$40,000	108	23%
Between NT\$40,000~\$50,000	87	18%
Above NT\$50,000	170	36%

Table 1.3 Service Providers Responses

Responses	Highly agreed	Agreed		Yes&no	Disagreed		Highly disagreed
Questions							
Q.1	44%	47%		8%	1%		0%
Q.2	47%	39%		12%	1%		0%
Q.3	64%	32%		4%	0%		0%
Q.4	57%	35%		8%	0%		0%
Q.5	46%	47%		7%	0%		0%
Q.6	41%	48%		9%	2%		0%
Q.7	51%	39%		8%	1%		0%
Q.8	56%	37%		6%	0%		0%
Q.9	56%	37%		7%	0%		0%
Q.10	51%	43%		6%	1%		0%
Q.11	51%	43%		6%	0%		0%
Q.12	49%	46%		5%	1%		0%
Q.13	39%	43%		15%	3%		0%
Q.14	49%	41%		9%	1%		0%
Q.15	47%	39%		11%	3%		0%
Q.16	44%	47%		8%	0%		0%
Q.17	45%	48%		7%	0%		0%
Q.18	48%	45%		7%	0%		0%

Responses Questions	Highly agreed	Agreed		Yes&no	Disagreed		Highly disagreed
Q.19	52%	44%		4%	0%		0%
Q.20	33%	42%		6%	3%		15%
Q.21	50%	41%		8%	1%		0%
Q.22	50%	44%		5%	1%		0%
Q.23	51%	43%		6%	0%		0%
Q.24	50%	43%		7%	0%		0%
Q.25	53%	42%		5%	0%		0%
Q.26	54%	39%		6%	1%		0%
Q.27	49%	39%		9%	2%		0%
Q.28	54%	39%		6%	1%		0%
Q.29	52%	40%		8%	1%		0%
Q.30	53%	43%		4%	0%		0%
Q.31	52%	45%		3%	0%		0%
Q.32	49%	45%		5%	1%		0%
Q.33	45%	48%		6%	1%		0%
Q.34	25%	38%		19%	10%		7%
Q.35	20%	36%		36%	8%		1%
Q.36	4%	10%		6%	14%		66%
Q.37	9%	15%		30%	21%		26%
Q.38	46%		18%			36%	

Table 1.4 CHITEST- service providers

Attributes Questions	Sex	Age	Education	Working experience	Years insured	Current position	Current dept	Current salary	Insurance company	Amount Insured (yearly)
Q1	0.170	0.158	0.226	0.025	0.010	0.483	0.939	0.910	1	0.006
Q2	0.499	0.200	0.946	0.346	0.505	0.833	0.227	0.760	0.029	0.151
Q3	0.678	0.887	0	0.980	0.995	0.270	0.061	0.419	0	0
Q4	0.510	0.755	0	0.726	0.420	0.559	0.149	0.081	1	0.228
Q5	0.518	0.930	0.935	0.590	0.496	0.981	0.912	0.885	0.023	0.884
Q6	0.270	0.222	0.987	0.091	0.403	0.568	0.763	0.006	1	0.571
Q7	0.928	0.682	0.953	0.781	0.859	0.725	0.006	0.858	0.003	0.138
Q8	0.140	0.762	0	0.751	0.993	0	0.140	0.320	0.1	0
Q9	0.576	0.974	0.986	0.450	0.903	0	0.598	0.508	0.842	0
Q10	0.240	0.624	0.955	0.749	0.965	0.262	0.873	0.437	1	0.006
Q11	0.342	0.737	0	0.927	0.091	0	0	0.003	1	0
Q12	0.054	0.447	0.849	0.231	0.998	0	0	0.079	1	0.060
Q13	0.739	0.238	0.927	0.133	0.47	0.001	0.647	0.600	0.513	0
Q14	0.966	0.425	0.849	0.954	0.971	0	0.002	0.147	0	0
Q15	0.023	0.812	0.047	0.514	0.803	0.520	0.880	0.951	0.999	0.003
Q16	0.040	0.491	0.522	0.192	0.795	0.034	0.057	0.117	1	0.001
Q17	0.953	0.694	0.999	0.690	0.766	0.315	0.239	0.144	0.96	0.107
Q18	0.109	0.530	0.884	0.110	0.150	0	0.443	0.048	1	0
Q19	0.547	0.969	0.883	0.860	0.917	0	0.181	0.393	1	0
Q20	0.133	0.144	0.8132	0.210	0.050	0.021	0.127	0.834	0.842	0.04
Q21	0.415	0.834	0.863	0.782	0.544	0.606	0.230	0.346	1	0.300
Q22	0.545	0.413	0.994	0.050	0.845	0.063	0	0.052	1	0.017
Q23	0.465	0.663	0.994	0.140	0.547	0.516	0.984	0.756	0.863	0.489
Q24	0.122	0.611	0.594	0.320	0.442	0	0	0.438	0	0
Q25	0.189	0.649	0.438	0.844	0.952	0.015	0.849	0.524	0.319	0
Q26	0.048	0.619	0.406	0.746	0.885	0.363	0.947	0.141	1	0

Attributes	Sex	Age	Education	Working experience	Years insured	Current position	Current dept	Current salary	Insurance company	Amount Insured (yearly)
Questions										
Q27	0.402	0.149	0.720	0.171	0.784	0.066	0.670	0	0.998	0
Q28	0.089	0.956	0.983	0.644	0.849	0.772	0.049	0.570	1	0
Q29	0.645	0.892	0	0.341	0.974	0.823	0.247	0.096	1	0
Q30	0.383	0.417	0.345	0.682	0.975	0.712	0.914	0.408	0.1	0.033
Q31	0.120	0.489	0.872	0.160	0.701	0.215	0.752	0.191	0.998	0.059
Q32	0.464	0.304	0.151	0.851	0.987	0.369	0.466	0.478	0.997	0.024
Q33	0	0.498	0.554	0.365	0.109	0	0.229	0.132	1	0
Q34	0.007	0.755	0.725	0.811	0.574	0.042	0.874	0.799	0.989	0.013
Q35	0.052	0.377	0.009	0.717	0.262	0	0.051	0.127	0.78	0
Q36	0.735	0.112	0.189	0.165	0.19	0.006	0.786	0.072	0.883	0
Q37	0.639	0.073	0.515	0.468	0.093	0	0.436	0.869	0.573	0
Q38	0	0.581	0.615	0.858	0.672	0.657	0.193	0.836	0.1	0.004

Table 2.1 Service Receivers (local firms') Basic Information

Gender	Number of people	Percentage
Male	402	65%
Female	214	35%
AGE		
Below 20 yrs old	21	3%
Between 21~25 yrs old	176	29%
Between 26 ~30 yrs old	180	29%
Between 31~35 yrs old	98	16%
Between 36 ~40 yrs old	59	10%
Between 41 ~50 yrs old	49	8%
Above 51 yrs old	33	5%
EDUCATION		
Elementary school	18	3%
Junior high school	17	3%
High school	123	20%
Community college	21	3%
Technological college	352	57%
University	70	11%
Masters and above	15	2%
WORKING EXPERIENCE		
Less than 1 yr	50	8%
Between 1~3yrs	137	22%
Between 3~5yrs	156	25%
others	273	44%
YEARS INSURED		
Less than 1 yr	65	11%
Between 1~3yrs	138	22%
Between 3~5yrs	173	28%
others	240	39%
CURRENT POSITION		
Sales agent	400	65%
Middle manager	185	30%
CEO	31	5%
CURRENT DEPT		
operation	108	18%

CURRENT DEPT	Number of people	Percentage
R&D	247	40%
Management	89	14%
Others	65	11%
CURRENT SALARY LEVEL		
Below NT\$20,000	91	15%
Between NT\$20,000~30,000	251	41%
Between NT\$30,000~40,000	148	24%
Between NT\$40,000~50,000	71	12%
Above NT\$50,000	55	9%
INSURANCE FIRMS		
Cathay Life(國泰人壽)	241	34%
Taiwan Life(台灣人壽)	83	12%
Mass Mutual Mercuries Life(三商美邦人壽)	109	15%
Shin Kong Life (新光人壽)	68	10%
Nan Shan AIG(南山人壽)	139	19%
Kuo Hua Life(國華人壽)	33	4%
ING ANTAI(安泰人壽)	18	3%
PCA Life(保誠人壽)	18	3%
Others	241	34%
AMOUNT INSURED(YEARLY)		
Below \$20,000	147	24%
Between \$20,000~\$40,000	255	41%
Between \$40,000~\$60,000	87	14%
Between \$60,000~80,000	50	8%
Between \$80,000~100,000	26	4%
Above \$100,000	51	8%

Table 2.2 Service Receivers (FDI firms') Basic Information

Gender	Amount	Percentage
Male	107	52.97%
Female	95	47.03%
Age		
Below 20 years old	4	1.98%
Between 21~25 yrs old	31	15.35%
Between 26 ~30 yrs old	78	38.61%
Between 31~35 yrs old	45	22.28%
Between 36 ~40 yrs old	23	11.39%
Between 41 ~50 yrs old	16	7.92%
Above 51 years old	5	2.47%
Education		
Elementary school	3	1.49%
Junior high school	5	2.48%
High school	47	23.27%
Community college	2	0.99%
Technological college	92	45.54%
University	51	25.25%
Masters and above	2	0.99%
Working Experience		
Less than 1 year	11	5.45%

Working Experience	Amount	Percentage
Between 1~3years	27	13.37%
Between 3~5years	60	29.70%
others	105	51.98%
Years Insured		
Less than 1 year	19	9.41%
Between 1~3years	30	14.85%
Between 3~5years	60	29.70%
others	93	46.04%
Current Position		
Sales agent	134	66.34%
Middle manager	59	29.21%
CEO	9	4.46%
Current Department		
	Amount	Percentage
Sales	9	4.46%
Production	96	47.52%
Management	38	18.81%
R&D	17	8.42%
Others	42	20.79%
Current Salary Level		
Below NT\$20,000	17	8.42%
Between NT\$20,000~30,000	85	42.08%
Between NT\$30,000~40,000	67	33.17%
Between NT\$40,000~50,000	20	9.90%
Above NT\$50,000	13	6.44%
Insurance Firms		
Cathay Life(國泰人壽)	71	35.15%
Taiwan Life(台灣人壽)	4	1.98%
Mass Mutual Mercuries Life(三商美邦人壽)	20	9.90%
Shin Kong Life (新光人壽)	34	16.83%
Nan Shan AIG(南山人壽)	62	30.69%
Kuo Hua Life(國華人壽)	21	10.40%
ING ANTAI(安泰人壽)	39	19.31%
PCA Life(保誠人壽)	11	5.45%
Amount Insured(Yearly)		
	Amount	Percentage
Below \$20,000	45	22.28%
Between \$20,000~\$40,000	83	41.09%
Between \$40,000~\$60,000	36	17.82%
B/T \$60,000~80,000	18	8.91%
B/T \$80,000~100,000	9	4.46%
Above \$100,000	11	5.45%

Table 2.3 Service receiver Responses

Responses	Highly agreed	Agreed	Y&N	Disagreed	Highly disagreed
Questions					
1	13%	42%	38%	4%	3%
2	19%	40%	27%	10%	4%
3	22%	40%	30%	6%	2%
4	41%	39%	16%	3%	1%

Responses	Highly agreed	Agreed	Y&N	Disagreed	Highly disagreed
Questions					
5	16%	39%	33%	8%	4%
6	19%	39%	32%	7%	3%
7	15%	48%	30%	6%	2%
8	13%	41%	38%	6%	2%
9	25%	43%	28%	3%	1%
10	18%	39%	35%	5%	2%
11	12%	39%	37%	8%	3%
12	23%	45%	26%	3%	2%
13	15%	38%	38%	7%	3%
14	18%	41%	33%	6%	2%
15	15%	38%	37%	8%	2%
16	15%	39%	34%	10%	3%
17	13%	41%	38%	6%	2%
18	18%	38%	34%	8%	2%
19	19%	43%	31%	5%	2%
20	13%	38%	39%	8%	2%
21	15%	42%	34%	7%	3%
22	16%	42%	33%	6%	2%
23	16%	38%	36%	7%	3%
24	16%	44%	34%	5%	1%
25	19%	43%	28%	8%	3%
26	29%	46%	22%	2%	1%
27	22%	48%	27%	2%	1%
28	15%	42%	34%	6%	2%
29	15%	46%	34%	4%	2%
30	21%	47%	27%	4%	2%
31	19%	41%	33%	6%	1%
32	15%	39%	36%	7%	3%
33	13%	37%	38%	8%	3%
34	16%	38%	36%	7%	2%
35	16%	25%	26%	20%	14%
36	13%	25%	28%	19%	16%
37	15%	31%	30%	17%	7%
38	45%	21%	34%	0	0

Table 2.4 CHITEST- service receivers

Attribute	Sex	Age	Education	Working experience	Years insured	Current position	Current dept	Current salary	Insured company	Amount Insured (yearly)
Questions										
Q1	0.958	0.958	0.032	0.567	0.894	0.219	0.247	0.311	0.996	0.0049
Q2	0.801	0.006	0.813	0.023	0.004	0.1497	0.597	0	0.985	0.0016
Q3	0.201	0.291	0.481	0.0044	0.060	0.316	0.341	0.120	1	0.0998
Q4	0.240	0.140	0.833	0.526	0.108	0.644	0.006	0.100	1	0.804
Q5	0.169	0.2677	0.509	0.036	0.059	0.139	0.191	0.213	1	0
Q6	0.279	0.470	0.108	0	0.267	0	0.630	0.018	0.976	0
Q7	0.956	0.036	0.167	0.567	0.630	0.3074	0.616	0.002	0.991	0.1082
Q8	0.757	0.707	0.752	0.225	0.030	0	0.063	0.021	0.997	0
Q9	0.110	0.015	0.938	0.548	0.579	0.725	0.171	0.001	1	0.1429

Attribute Questions	Sex	Age	Education	Working experience	Years insured	Current position	Current dept	Current salary	Insured company	Amount Insured (yearly)
Q10	0.643	0.143	0.110	0.604	0.327	0	0.388	0.001	1	0
Q11	0.573	0.715	0.610	0.485	0.71	0	0.782	0.313	1	0
Q12	0.458	0	0.438	0.306	0.233	0.187	0.050	0.001	1	0.0433
Q13	0.717	0	0.472	0.173	0.521	0.2783	0.231	0.044	1	0.356
Q14	0.298	0.369	0	0.593	0.613	0.079	0.088	0.019	1	0.0699
Q15	0.592	0.958	0.472	0.862	0.427	0.0684	0.284	0.007	1	0.0131
Q16	0.644	0.281	0.076	0.419	0.106	0.2059	0.043	0.110	0.974	0.0005
Q17	0.435	0.923	0.765	0.685	0.546	0.106	0.349	0.220	0.981	0.0088
Q18	0.099	0	0.037	0.153	0.341	0.446	0.044	0.624	1	0.4070
Q19	0.0907	0.915	0.206	0.220	0.554	0.407	0.424	0.027	1	0.0417
Q20	0.233	0.904	0.104	0.654	0.871	0.666	0.418	0.707	0.993	0.4854
Q21	0.502	0.991	0.081	0.294	0.279	0	0.514	0.445	0.997	0
Q22	0.841	0.758	0.284	0.1433	0.450	0.769	0.303	0.205	1	0.4131
Q23	0.596	0.217	0.325	0.194	0.187	0.2329	0.141	0.013	0.992	0.02
Q24	0.862	0.878	0.593	0.047	0.762	0.2389	0.650	0	1	0.0803
Q25	0.878	0.986	0.277	0.0294	0.770	0.7645	0.944	0.628	1	0.5345
Q26	0.740	0	0.433	0.138	0.028	0.7475	0.173	0.513	1	0.0457
Q27	0.568	0.2567	0.847	0.092	0.033	0	0.244	0.023	1	0
Q28	0.314	0.684	0.817	0.115	0.712	0	0.092	0.005	1	0
Q29	0.759	0	0.102	0.415	0.521	0.7397	0.109	0.873	0.965	0.2197
Q30	0.341	0.795	0.657	0.345	0.513	0.916	0.455	0.002	1	0.287
Q31	0.319	0.537	0.602	0.038	0.679	0	0.019	0.201	1	0
Q32	0.758	0.548	0.294	0.0708	0.711	0.343	0.129	0.278	1	0.2814
Q33	0.186	0.938	0.075	0.287	0.726	0.1208	0.149	0.752	1	0.3472
Q34	0.408	0.797	0.189	0.0238	0.281	0	0.002	0.205	0.934	0
Q35	0.117	0.232	0.421	0	0	0	0.220	0.010	0.648	0
Q36	0.0096	0.05	0.111	0.0629	0.008	0.4819	0.002	0.036	0.655	0.3764
Q37	0.911	0.06	0.228	0.161	0	0	0.263	0.005	0.885	0
Q38	0.772	0.466	0.134	0.012	0.015	0.222	0.109	0.07	0.942	0.159

Appendix 4.2A Questionnaire

1. The service received from the insurance agent is adjustable in accordance with the customers' personal requests.
2. There is only one single agent who provides his customers service from the beginning of signing contract to after sale service.
3. The programmed insurance contract can be altered and services of other rivals can be included as requested by the customers.
4. Warm attitude of the service providers enables the customers' willingness to sign up the insurance contract.
5. The insurance agents pay their customers regular visits to impetus mutual understanding.
6. Having good *Guanxi*, the insurance agent(s) always put(s) his customers at the top of his service priority under any circumstance.
7. The insurance company offers full support for his insurance agents in service providing, including rival's service.

8. Whether the insurance firms have the full support system does not affect the customers' decision on a contract.
9. The insurance agents and his customers are having good relationships because of the excellent and frequent communication.
10. A team service provided ensures the service quality.
11. The insurance agents and customers are having nice relationship, thus a lifelong service is guaranteed.
12. Customers rely on their insurance agents with insurance related matters because of trust which is based upon their *Guanxi*.
13. The insurance agents agree with his firms' service conception and follow along with their organizational culture accordingly.
14. Having reliable *Guanxi*, the insurance agents are often introduced to their customers' friends.
15. The insurance agents take the customers' personal budget into consideration while planning them the insurance contract.
16. For different customers with various *Guanxi*, there is service differentiation provided by the insurance agents.
17. The insurance agents and their customers are good friends who extend the service in accordance with their customers' personal situation.
18. Having common value of life, it is easier for the insurance agents to build good *Guanxi* with their customers.
19. All possible service either inside or outside of the firms can be offered to satisfy the customers.
20. The insurance agents do not overlook learning opportunities so as to upgrade his competence and improve the service quality.
21. The insurance firms have their organizational culture and service quality well defined.
22. Lots inter organizational and inter industrial cooperation take place to provide better service.
23. With *Guanxi*, the insurance agents actively search out problems with solutions for their customers.
24. More and more inter organizational and inter industrial cooperation are taking place for the approach of customization of insurance contract.

Appendix 4.2B Data Tables

Table 1.1 Service Providers (FDI firms') Basic Information

Gender	Number of people	Percentage
Male	89	41.78%
Female	124	58.22%
AGE		
Below 20 years old	1	0.47%
Between 21~25 years old	20	9.39%
Between 26 ~30 years old	36	16.90%
Between 31~35 years old	34	15.96%
Between 36 ~40 years old	52	24.41%
Between 41 ~50 years old	57	26.76%
Above 51 years old	13	6.10%

EDUCATION	Number of people	Percentage
Elementary school	0	0.00%
Junior high school	7	3.29%
High school	75	35.21%
Community college	2	0.94%
Technological college	66	30.99%
University	57	26.76%
Masters and above	6	2.82%
WORKING EXPERIENCE		
Less than 1 year	10	4.69%
Between 1~3years	17	7.98%
Between 3~5years	40	18.78%
others	146	68.54%
YEARS INSURED		
Less than 1 year	9	4.23%
Between 1~3years	17	7.98%
Between 3~5years	38	17.84%
others	149	69.95%
CURRENT POSITION		
Sales agent	105	49.30%
Middle manager	91	42.72%
CEO	17	7.98%
CURRENT DEPT		
Sales	174	81.69%
R&D	22	7.51%
Management	15	7.04%
Others	8	3.76%
CURRENT SALARY LEVEL		
Below NT\$20,000	7	3.29%
Between NT\$20,000~30,000	30	14.08%
B/TNT\$30,000~40,000	29	13.62%
B/T NT\$40,000~50,000	33	15.49%
Above NT\$50,000	114	53.52%
INSURANCE FIRMS		
Cathay Life(國泰人壽)	36	16.90%
Taiwan Life(台灣人壽)	14	6.57%
Mass Mutual Mercuries Life(三商美邦)	8	3.76%
Shin Kong Life	55	25.82%
Nan Shan AIG	30	14.08%
Kuo Hua Life(國華人壽)	7	3.29%
ING ANTAI(安泰人壽)	14	6.57%
PCA Life(保誠人壽)	57	26.76%
Others	114	53.52%
AMOUNT INSURED(YEARLY)		
Below \$20,000	18	8.45%
Between \$20,000~\$40,000	22	10.33%
B/T\$40,000~\$60,000	29	13.62%
B/T \$60,000~80,000	14	6.57%
B/T\$80,000~100,000	10	4.69%
Above \$100,000	120	56.34%

Table1.2 Service Providers (local firms') Basic Information

Gender	Number of people	Percentage
Male	150	32%
Female	326	68%
AGE		
Below 20 years old	3	1%
Between 21~25 years old	44	9%
Between 26 ~30 years old	85	18%
Between 31~35 years old	65	14%
Between 36 ~40 years old	72	15%
Between 41 ~50 years old	155	33%
Above 51 years old	52	11%
EDUCATION		
Elementary school	3	1%
Junior high school	12	3%
High school	211	44%
Community college	15	3%
Technological college	115	24%
University	107	22%
Masters and above	13	3%
WORKING EXPERIENCE		
Less than 1 year	26	5%
Between 1~3years	59	12%
Between 3~5years	87	18%
others	304	64%
YEARS INSURED		
Less than 1 year	28	6%
Between 1~3years	56	12%
Between 3~5years	89	18%
others	303	64%
CURRENT POSITION		
Sales agent	304	64%
Middle manager	150	32%
CEO	22	5%
R&D	5	1%
Others	41	9%
CURRENT SALARY LEVEL		
Below NT\$20,000	7	3.29%
Between NT\$20,000~30,000	30	14.08%
Between NT\$30,000~40,000	29	13.62%
Between NT\$40,000~50,000	33	15.49%
Above NT\$50,000	114	53.52%
INSURANCE COMPANY		
Cathay Life(國泰人壽)	36	16.90%
Taiwan Life(台灣人壽)	14	6.57%
Mass Mutual Mercuries Life	8	3.76%
Shin Kong Life (新光人壽)	55	25.82%
Nan Shan AIG(南山人壽)	30	14.08%
Kuo Hua Life(國華人壽)	7	3.29%
ING ANTAI(安泰人壽)	14	6.57%

INSURANCE COMPANY	Number of people	Percentage
PCA Life(保誠人壽)	57	26.76%
Others	114	53.52%
AMOUNT INSURED(YEARLY)		
Below NT\$20,000	23	5%
Between NT\$20,000~\$30,000	88	18%
Between NT\$30,000~\$40,000	108	23%
Between NT\$40,000~\$50,000	87	18%
Above NT\$50,000	170	36%

Table 1.3 Service Providers Responses

Responses	Highly agreed	Agreed	Yes & No	Disagreed	Highly disagreed
Questions					
Q.1	44%	47%	0%	8%	1%
Q.2	47%	39%	1%	12%	1%
Q.3	64%	32%	0%	4%	0%
Q.4	57%	35%	0%	8%	0%
Q.5	46%	47%	0%	7%	0%
Q.6	41%	48%	0%	9%	2%
Q.7	51%	39%	1%	8%	1%
Q.8	56%	37%	1%	6%	0%
Q.9	56%	37%	0%	7%	0%
Q.10	51%	42%	0%	6%	1%
Q.11	51%	43%	0%	6%	0%
Q.12	48%	46%	0%	5%	1%
Q.13	39%	43%	0%	15%	3%
Q.14	49%	41%	0%	9%	1%
Q.15	47%	39%	0%	11%	3%
Q.16	44%	47%	1%	8%	0%
Q.17	45%	48%	0%	7%	0%
Q.18	48%	45%	0%	7%	0%
Q.19	52%	44%	0%	4%	0%
Q.20	33%	42%	15%	6%	3%
Q.21	50%	41%	0%	8%	1%
Q.22	50%	44%	0%	5%	1%
Q.23	51%	43%	0%	6%	0%
Q.24	50%	43%	0%	7%	0%

Table 1.4 CHITEST- service providers

Attributes Questions	Gender	Age	Education	Working experience	Years insured	Current position	Current dept	Current salary	Insurance company	Amount Insured (yearly)
	1	0.17	0.15	0.22	0.02	0.01	0.48	0.94	0.91	1
2	0.50	0.20	0.95	0.35	0.51	0.81	0.23	0.76	0.03	0.15
3	0.68	0.88	0	0.98	0.98	0.27	0.06	0.42	0	0
4	0.51	0.76	0	0.73	0.42	0.56	0.15	0.08	1	0.23
5	0.52	0.93	0.94	0.59	0.50	0.98	0.91	0.89	0.02	0.88
6	0.27	0.22	0.99	0.09	0.40	0.57	0.76	0.01	1	0.57
7	0.93	0.68	0.95	0.78	0.86	0.73	0.01	0.86	0	0.14
8	0.14	0.76	0	0.75	0.99	0	0.14	0.32	0.1	0
9	0.57	0.97	0.99	0.45	0.90	0	0.60	0.50	0.84	0
10	0.24	0.62	0.96	0.75	0.96	0.26	0.87	0.44	1	0.01
11	0.34	0.74	0	0.93	0.09	0	0	0.00	1	0
12	0.05	0.45	0.85	0.23	0.10	0	0	0.08	1	0.01
13	0.74	0.24	0.93	0.13	0.47	0	0.65	0.60	0.51	0
14	0.97	0.42	0.85	0.95	0.94	0	0.00	0.15	0	0
15	0.02	0.81	0.05	0.51	0.80	0.52	0.88	0.95	0.10	0
16	0.04	0.49	0.52	0.19	0.80	0.03	0.06	0.11	1	0
17	0.95	0.69	0.10	0.69	0.77	0.32	0.24	0.14	0.96	0.12
18	0.11	0.53	0.88	0.11	0.15	0	0.44	0.05	1	0
19	0.55	0.97	0.88	0.86	0.92	0	0.18	0.39	1	0
20	0.13	0.14	0.81	0.21	0.05	0.02	0.13	0.83	0.84	0.04
21	0.41	0.83	0.86	0.78	0.54	0.61	0.23	0.35	1	0.30
22	0.54	0.41	0.99	0.05	0.85	0.06	0	0.05	1	0.02
23	0.47	0.66	0.99	0.14	0.55	0.52	0.98	0.76	0.86	0.49
24	0.12	0.61	0.59	0.32	0.44	0	0	0.44	0	0

Table 2.1 Service Receivers (local firms') Basic Information

Gender	Number of people	Percentage
Male	402	65%
Female	214	35%
AGE		
Below 20 yrs old	21	3%
Between 21~25 yrs old	176	29%
Between 26 ~30 yrs old	180	29%
Between 31~35 yrs old	98	16%
Between 36 ~40 yrs old	59	10%
Between 41 ~50 yrs old	49	8%
Above 51 yrs old	33	5%
EDUCATION		
Elementary school	18	3%

EDUCATION	Number of people	Percentage
Junior high school	17	3%
High school	123	20%
Community college	21	3%
Technological college	352	57%
University	70	11%
Masters and above	15	2%
WORKING EXPERIENCE		
Less than 1 yr	50	8%
Between 1~3yrs	137	22%
Between 3~5yrs	156	25%
others	273	44%
YEARS INSURED		
Less than 1 yr	65	11%
Between 1~3yrs	138	22%
Between 3~5yrs	173	28%
others	240	39%
CURRENT POSITION		
Sales agent	400	65%
Middle manager	185	30%
CEO	31	5%
CURRENT DEPT		
operation	108	18%
R&D	247	40%
Management	89	14%
Others	65	11%
CURRENT SALARY LEVEL		
Below NT\$20,000	91	15%
Between NT\$20,000~30,000	251	41%
Between NT\$30,000~40,000	148	24%
Between NT\$40,000~50,000	71	12%
Above NT\$50,000	55	9%
INSURANCE FIRMS		
Cathay Life(國泰人壽)	241	34%
Taiwan Life(台灣人壽)	83	12%
Mass Mutual Mercuries Life(三商美邦人壽)	109	15%
Shin Kong Life (新光人壽)	68	10%
Nan Shan AIG(南山人壽)	139	19%
Kuo Hua Life(國華人壽)	33	4%
ING ANTAI(安泰人壽)	18	3%
PCA Life(保誠人壽)	18	3%
Others	241	34%
AMOUNT INSURED(YEARLY)		
Below \$20,000	147	24%
Between \$20,000~\$40,000	255	41%
Between \$40,000~\$60,000	87	14%
Between \$60,000~80,000	50	8%
Between \$80,000~100,000	26	4%
Above \$100,000	51	8%

Table 2.2 Service Receivers (FDI firms') Basic Information

Gender	Amount	Percentage
Male	107	52.97%
Female	95	47.03%
AGE		
Below 20 years old	4	1.98%
Between 21~25 yrs old	31	15.35%
Between 26 ~30 yrs old	78	38.61%
Between 31~35 yrs old	45	22.28%
Between 36 ~40 yrs old	23	11.39%
Between 41 ~50 yrs old	16	7.92%
Above 51 years old	5	2.47%
EDUCATION		
Elementary school	3	1.49%
Junior high school	5	2.48%
High school	47	23.27%
Community college	2	0.99%
Technological college	92	45.54%
University	51	25.25%
Masters and above	2	0.99%
WORKING EXPERIENCE		
Less than 1 year	11	5.45%
Between 1~3years	27	13.37%
Between 3~5years	60	29.70%
others	105	51.98%
YEARS INSURED		
Less than 1 year	19	9.41%
Between 1~3years	30	14.85%
Between 3~5years	60	29.70%
others	93	46.04%
CURRENT POSITION		
Sales agent	134	66.34%
Middle manager	59	29.21%
CEO	9	4.46%
CURRENT DEPT		
	Amount	Percentage
Sales	9	4.46%
Production	96	47.52%
Management	38	18.81%
R&D	17	8.42%
Others	42	20.79%
CURRENT SALARY LEVEL		
Below NT\$20,000	17	8.42%
Between NT\$20,000~30,000	85	42.08%
Between NT\$30,000~40,000	67	33.17%
Between NT\$40,000~50,000	20	9.90%
Above NT\$50,000	13	6.44%
INSURANCE FIRMS		
Cathay Life(國泰人壽)	71	35.15%
Taiwan Life(台灣人壽)	4	1.98%
Mass Mutual Mercuries Life(三商美邦)	20	9.90%

INSURANCE FIRMS	Number of people	Percentage
Shin Kong Life (新光人壽)	34	16.83%
Nan Shan AIG(南山人壽)	62	30.69%
Kuo Hua Life(國華人壽)	21	10.40%
ING ANTAI(安泰人壽)	39	19.31%
PCA Life(保誠人壽)	11	5.45%
AMOUNT INSURED (YEARLY)	Amount	Percentage
Below \$20,000	45	22.28%
Between \$20,000~\$40,000	83	41.09%
Between \$40,000~\$60,000	36	17.82%
B/T \$60,000~80,000	18	8.91%
B/T \$80,000~100,000	9	4.46%
Above \$100,000	11	5.45%

Table 2.3 Service receiver Responses

Responses Questions	Highly agreed	Agreed	Yes & No	Disagreed	Highly disagreed
1	13%	42%	38%	4%	3%
2	19%	40%	27%	10%	4%
3	22%	40%	30%	6%	2%
4	41%	39%	16%	3%	1%
5	16%	39%	33%	8%	4%
6	19%	39%	32%	7%	3%
7	15%	48%	30%	6%	2%
8	13%	41%	38%	6%	2%
9	25%	43%	28%	3%	1%
10	18%	39%	35%	5%	2%
11	12%	39%	37%	8%	3%
12	23%	45%	26%	3%	2%
13	15%	38%	38%	7%	3%
14	18%	41%	33%	6%	2%
15	15%	38%	37%	8%	2%
16	15%	39%	34%	10%	3%
17	13%	41%	38%	6%	2%
18	18%	38%	34%	8%	2%
19	19%	43%	31%	5%	2%
20	13%	38%	39%	8%	2%
21	15%	42%	34%	7%	3%
22	16%	42%	33%	6%	2%
23	16%	38%	36%	7%	3%
24	16%	44%	34%	5%	1%

Table 2.4 CHITEST- service receivers

Attributes	Gender	Age	Education	Working experience	Years Insured	Current position	Current dept	Current salary	Insurance company	Amount Insured (yearly)
Questions										
1	0.96	0.958	0.032	0.567	0.894	0.219	0.247	0.311	0.1	0
2	0.80	0	0.813	0.023	0.004	0.149	0.597	0.00	0.1	0
3	0.20	0.291	0.481	0	0.060	0.316	0.341	0.120	1	0.1
4	0.24	0.140	0.833	0.526	0.108	0.644	0.006	0.100	1	0.80
5	0.17	0.267	0.509	0.036	0.059	0.139	0.191	0.213	1	0
6	0.28	0.470	0.108	0	0.267	0	0.630	0.018	0.1	0
7	0.96	0.036	0.167	0.567	0.630	0.307	0.616	0	1	0.11
8	0.76	0.707	0.752	0.225	0.030	0	0.063	0.021	1	0
9	0.11	0.015	0.938	0.548	0.579	0.725	0.171	0	1	0.14
10	0.64	0.143	0.110	0.604	0.327	0	0.388	0	1	0
11	0.57	0.715	0.610	0.485	0.71	0	0.782	0.313	1	0
12	0.46	0	0.438	0.306	0.233	0.187	0.050	0	1	0.04
13	0.72	0	0.472	0.173	0.521	0.278	0.231	0.044	1	0.36
14	0.3	0.369	0	0.593	0.613	0.079	0.088	0.019	1	0.07
15	0.59	0.958	0.472	0.862	0.427	0.068	0.284	0.007	1	0.01
16	0.64	0.281	0.076	0.419	0.106	0.205	0.043	0.110	0.97	0.01
17	0.44	0.923	0.765	0.685	0.546	0.106	0.349	0.220	0.98	0.01
18	0.1	0.00	0.037	0.153	0.341	0.446	0.044	0.624	1	0.41
19	0.1	0.915	0.206	0.220	0.554	0.407	0.424	0.027	1	0.04
20	0.23	0.904	0.104	0.654	0.871	0.666	0.418	0.707	0.99	0.49
21	0.50	0.991	0.081	0.294	0.279	0.00	0.514	0.445	0.99	0
22	0.84	0.758	0.284	0.143	0.450	0.769	0.303	0.205	1	0.41
23	0.6	0.217	0.325	0.194	0.187	0.232	0.141	0.013	0.99	0.02
24	0.86	0.878	0.593	0.047	0.762	0.238	0.650	0.00	1	0.08

Appendix 4.3A Questionnaire

1. *Guanxi* well with banks helps build the firm's creditability.
2. *Guanxi* well with banks helps increase financed amount.
3. *Guanxi* well with banks helps extend due date of the loan.
4. *Guanxi* well with banks receives more preferential financing.
5. *Guanxi* well with local government helps solve labor dispute.
6. *Guanxi* well with local government helps the firm's development.
7. *Guanxi* well with local government helps mediate inter corporations' dispute.
8. *Guanxi* well with local government helps gain contract.
9. *Guanxi* well with local government helps build corporate image.
10. *Guanxi* well with colleagues helps decrease the turnover rate.
11. *Guanxi* well with colleagues helps increase mutual willingness assisting each other.
12. *Guanxi* well with colleagues helps increase performing efficiency.

13. *Guanxi* well with colleagues encourages improvement.
14. *Guanxi* well with colleagues helps increase employees' morale.
15. *Guanxi* well with colleagues helps the firm's solidarity.
16. *Guanxi* well between superior and his subordinates helps execute the firm's policy.
17. *Guanxi* well between superior and his subordinates helps increase efficiency.
18. *Guanxi* well between superior and his subordinates helps the top-down orders run smooth
19. *Guanxi* well between superior and his subordinates strengthens mutual trust.
20. *Guanxi* well between superior and his subordinates helps foster team spirit.

Appendix 4.3B

Table 1 Basic Information of the Respondents

SEX		WORKING EXPERIENCE	
Male	337	Less than 1 yeas	402
Female	217	Between 1 ~ 3 yeas	53
AGE		Between 3 ~ 5 yeas	67
Below 20 years old	57	others	32
Between 21 ~ 25 years old	249	CURRENT POSITION	
Between 26 ~ 30 years old	160	Operators	545
Between 31 ~ 35 years old	40	Middle managers	8
Between 36 ~ 40 years old	25	CEO	1
Between 41 ~ 50 years old	16	CURRENT DEPT	
Above 51 years old	7	Production	529
EDUCATION		R&D	6
Elementary school	28	Management	8
Junior high school	83	Others	11
High school	331	CURRENT SALARY LEVEL	
Community college	16	Below RMB ¥ 500	34
Technological college	11	Between RMB ¥ 500 ~1,000	281
University	77	Between RMB ¥ 1,000 ~ 1,500	166
Masters and above	8	Between RMB ¥ 1,500 ~ 2,000	45
		Above RMB ¥ 2,000	28

Table 2 The characteristics of samples

Treatment	Source	Sun of squares	Degrees of freedom	Mean square	Mean	SD	F
Age	SSB	20879.755	553	37.757	26.57.	6.145	13.658.
	SSW	.000	0	.			
	SST	20879.755	553				
Working experience	SSB	904.599	553	1.636	1.69	1.279	.28.789
	SSW	.000	0	.			
	SST	904.599	553				
Current Salary	SSB	89525383.574	553	161890.386	1031.14.	402.3356	729.739
	SSW	.000	0	.			
	SST	89525383.574	553				

Table 3 Data Collected of Responses

Responses Questions	Strongly agreed	Agreed	Yes & No	Disagreed	Strongly disagreed
Q.1	44%(243)	47%(261)	0%(0)	8%(44)	1%(6)
Q.2	47%(261)	39%(216)	1%(6)	12%(65)	1%(6)
Q.3	64%(355)	32%(177)	0%(0)	4%(22)	0%(0)
Q.4	57%(316)	35%(194)	0%(0)	8%(44)	0%(0)
Q.5	46%(254)	47%(261)	0%(0)	7%(39)	0%(0)
Q.6	41%(228)	48%(265)	0%(0)	9%(50)	2%(11)
Q.7	51%(282)	39%(216)	1%(6)	8%(44)	1%(6)
Q.8	56%(310)	37%(205)	1%(6)	6%(33)	0%(0)
Q.9	56%(310)	37%(205)	0%(0)	7%(39)	0%(0)
Q.10	51%(283)	42%(232)	0%(0)	6%(33)	1%(6)
Q.11	51%(283)	43%(238)	0%(0)	6%(33)	0%(0)
Q.12	48%(265)	46%(254)	0%(0)	5%(29)	1%(6)
Q.13	39%(216)	43%(239)	0%(0)	15%(83)	3%(16)
Q.14	49%(270)	41%(228)	0%(0)	9%(50)	1%(6)
Q.15	47%(261)	39%(217)	0%(0)	11%(60)	3%(16)
Q.16	44%(243)	47%(261)	1%(6)	8%(44)	0%(0)
Q.17	45%(250)	48%(265)	0%(0)	7%(39)	0%(0)
Q.18	48%(265)	45%(250)	0%(0)	7%(39)	0%(0)
Q.19	52%(289)	44%(243)	0%(0)	4%(22)	0%(0)
Q.20	33%(183)	42%(233)	15%(83)	6%(33)	4%(22)

Appendix 4.4A Questionnaire

I. With *Guanxi*, the followings (1-10) are most likely to happen:

1. The service received from the insurance agent is adjustable in accordance with the customers' personal requests.
2. One and only one agent who provides his customers service from the beginning of signing contract to after sale service is need and receives more efficiency.
3. The programmed insurance contract can be altered or even customized as customer's request accordingly.
4. Better service is provided with warm attitude of the service providers which enables the customers' willingness on signing up the insurance contract.
5. The insurance agents are more understanding and thoughtful.
6. The insurance agent(s) always put(s) his customers on the top of his service list under any circumstance.
7. Service quality is guaranteed and matched to the customer's expectation.
8. Service quality is promised and carried out by one and his joint *Guanxi chuen*.
9. Preexisted *Guanxi* reinforces trust between the insurance agents and his customers.
10. With *Guanxi*, a team service is redundant.

II. *Chaxugeju* has the following effect (11-20):

11. *Chaxugeju* helps to build *Guanxi* in metaphor of *Wulune*.
12. *Chaxugeju* is acknowledged and accepted as the social norm for interpersonal interactions.
13. *Chaxugeju* works well in maintaining group harmony.
14. In *Guanxi chuen*, *Chaxugeju* works for everyone in straightening social order.
15. Positioning in *Chaxugeju* that is closer to the core of *Guanxi chuen* assures the service quality.
16. Following rules of *Chaxugeju*, it is easier to get accepted in a group.
17. *Chaxugeju* helps in allocating resources without being challenged.
18. Reaching to the inner *Chaxugeju* assures more resource acquiring.
19. *Chaxugeju* stands as the law for interpersonal interaction.
20. *Chaxugeju* helps in reconciling disagreement.

Appendix 4.4B Data Tables

Table 1.1 Service Providers (FDI firms') Basic Information

GENDER	Number of people	Percentage
Male	65	42.76%
Female	87	57.24%
AGE		
Below 20 years old	2	1.32%
Between 21~25 years old	11	7.24%
Between 26 ~30 years old	22	14.48%
Between 31~35 years old	28	18.42%
Between 36 ~40 years old	37	24.34%

AGE	Number of people	Percentage
Between 41 ~50 years old	41	26.97%
Above 51 years old	11	7.24%
EDUCATION		
Elementary school	0	0
Junior high school	9	5.92%
High school	54	35.53%
Community college	2	1.32%
Technological college	37	24.34%
University	42	27.63%
Masters and above	8	5.26%
WORKING EXPERIENCE		
Less than 1 year	6	3.95%
Between 1~3years	15	9.87%
Between 3~5years	27	17.76%
Others	104	68.42%
YEARS INSURED		
Less than 1 year	4	2.63%
Between 1~3years	11	7.24%
Between 3~5years	20	13.16%
Others	117	76.97%
CURRENT POSITION		
Sales agent	81	53.29%
Middle manager	66	43.42%
CEO	5	3.29%
CURRENT DEPT		
Sales	125	82.24%
R&D	17	11.18%
Management	7	4.61%
Others	3	1.97%
CURRENT SALARY LEVEL		
Below NT\$20,000	1	0.66%
Between NT\$20,000~30,000	20	13.16%
B/TNT\$30,000~40,000	16	10.53%
B/T NT\$40,000~50,000	20	13.16%
Above NT\$50,000	95	62.5%
INSURANCE FIRMS		
Cathay Life(國泰人壽)	16	10.53%
Taiwan Life(台灣人壽)	8	5.26%
Mass Mutual Mercuries Life(三商美邦人壽)	4	2.63%
Shin Kong Life (新光人壽)	19	12.5%
Nan Shan AIG(南山人壽)	16	10.53%
Kuo Hua Life(國華人壽)	4	2.63%
ING ANTAI(安泰人壽)	8	5.26%
PCA Life(保誠人壽)	23	15.13%
Others	54	35.53%
AMOUNT INSURED(YEARLY)		
Below \$20,000	7	4.61%
Between \$20,000~\$40,000	11	7.24%
B/T\$40,000~\$60,000	16	10.53%

AMOUNT INSURED(YEARLY)	Number of people	Percentage
B/T \$60,000~80,000	9	5.92%
B/T\$80,000~100,000	14	9.21%
Above \$100,000	95	62.5%

Table1.2 Service Providers (local firms') Basic Information

GENDER	Number of people	Percentage
Male	72	32%
Female	156	68%
AGE		
Below 20 years old	4	1.75%
Between 21~25 years old	14	6.14%
Between 26 ~30 years old	21	9.21%
Between 31~35 years old	61	26.75%
Between 36 ~40 years old	34	14.91%
Between 41 ~50 years old	82	35.96%
Above 51 years old	12	5.26%
EDUCATION		
Elementary school	1	0.44%
Junior high school	6	2.63%
High school	110	48.25%
Community college	8	3.51%
Technological college	58	25.44%
University	38	16.67%
Masters and above	7	3.07%
WORKING EXPERIENCE		
Less than 1 year	13	5.7%
Between 1~3years	28	12.28%
Between 3~5years	42	18.42%
Others	145	63.6%
YEARS INSURED		
Less than 1 year	14	6.14%
Between 1~3years	29	12.72%
Between 3~5years	39	17.11%
Others	146	64.04%
CURRENT POSITION		
Sales agent	132	57.89%
Middle manager	65	28.51%
CEO	11	4.82%
R&D	2	0.88%
Others	18	7.89%
CURRENT SALARY LEVEL		
Below NT\$20,000	3	1.32%
Between NT\$20,000~30,000	25	10.96%
Between NT\$30,000~40,000	45	19.74%
Between NT\$40,000~50,000	67	29.39%
Above NT\$50,000	88	38.6%
INSURANCE COMPANY		
Cathay Life(國泰人壽)	18	7.89%
Taiwan Life(台灣人壽)	7	3.07%

INSURANCE COMPANY	Number of people	Percentage
Mass Mutual Mercuries Life(三商美邦人壽)	4	1.75%
Shin Kong Life (新光人壽)	32	14.04%
Nan Shan AIG(南山人壽)	19	8.33%
Kuo Hua Life(國華人壽)	7	3.07%
ING ANTAI(安泰人壽)	11	4.82%
PCA Life(保誠人壽)	42	18.42%
Others	88	38.6%
AMOUNT INSURED(YEARLY)		
Below NT\$20,000	11	4.82%
Between NT\$20,000~\$30,000	43	18.86%
Between NT\$30,000~\$40,000	50	21.93%
Between NT\$40,000~\$50,000	41	17.98%
Above NT\$50,000	83	36.4%

Table 1.3 Service Providers Responses

Responses	Highly agreed	Agreed	Yes & No	Disagreed	Highly disagreed
Questions					
Q.1	39%	43%	15%	3%	0%
Q.2	49%	41%	9%	1%	0%
Q.3	47%	39%	11%	3%	0%
Q.4	44%	47%	8%	0%	0%
Q.5	45%	48%	7%	0%	0%
Q.6	48%	45%	7%	0%	0%
Q.7	52%	44%	4%	0%	0%
Q.8	33%	42%	6%	3%	15%
Q.9	50%	41%	8%	1%	0%
Q.10	50%	44%	5%	1%	0%
Q.11	51%	43%	6%	0%	0%
Q.12	50%	43%	7%	0%	0%
Q.13	53%	42%	5%	0%	0%
Q.14	54%	39%	6%	1%	0%
Q.15	49%	39%	9%	2%	0%
Q.16	54%	39%	6%	1%	0%
Q.17	52%	40%	8%	1%	0%
Q.18	53%	43%	4%	0%	0%
Q.19	52%	45%	3%	0%	0%
Q.20	49%	45%	5%	1%	0%

Table 1.4 CHITEST- service providers

Attribute	Gender	Age	Education	Working experience	Years insured	Current position	Current dept	Current salary	Insurance company	Amount Insured (yearly)
Question										
1	0.739	0.238	0.927	0.133	0.47	0.001	0.647	0.600	0.513	0
2	0.966	0.425	0.849	0.954	0.971	0	0.002	0.147	0	0
3	0.023	0.812	0.047	0.514	0.803	0.520	0.880	0.951	0.9992	0.003
4	0.040	0.491	0.522	0.192	0.795	0.034	0.057	0.117	1	0.001
5	0.953	0.694	0.999	0.690	0.766	0.315	0.239	0.144	0.96	0.107
6	0.109	0.530	0.884	0.110	0.150	0	0.443	0.048	1	0
7	0.547	0.969	0.883	0.860	0.917	0	0.181	0.393	1	0
8	0.133	0.144	0.8132	0.210	0.050	0.021	0.127	0.834	0.842	0.04
9	0.415	0.834	0.863	0.782	0.544	0.606	0.230	0.346	1	0.300
10	0.545	0.413	0.994	0.050	0.845	0.063	0	0.052	1	0.017
11	0.465	0.663	0.994	0.140	0.547	0.516	0.984	0.756	0.863	0.489
12	0.122	0.611	0.594	0.320	0.442	0	0	0.438	0	0
13	0.189	0.649	0.438	0.844	0.952	0.015	0.849	0.524	0.319	0
14	0.048	0.619	0.406	0.746	0.885	0.363	0.947	0.141	1	0
15	0.402	0.149	0.720	0.171	0.784	0.066	0.670	0	0.998	0
16	0.089	0.956	0.983	0.644	0.849	0.772	0.049	0.570	1	0
17	0.645	0.892	0	0.341	0.974	0.823	0.247	0.096	1	0
18	0.383	0.417	0.345	0.682	0.975	0.712	0.914	0.408	0.1	0.033
19	0.120	0.489	0.872	0.160	0.701	0.215	0.752	0.191	0.998	0.059
20	0.464	0.304	0.151	0.851	0.987	0.369	0.466	0.478	0.997	0.024

Table 2.1 Service Receivers (local firms') Basic Information

GENDER	Number of people	Percentage
Male	201	65%
Female	107	35%
AGE		
Below 20 yrs old	10	3.25%
Between 21~25 yrs old	88	28.57%
Between 26 ~30 yrs old	90	29.22%
Between 31~35 yrs old	57	18.5%
Between 36 ~40 yrs old	33	10.71%
Between 41 ~50 yrs old	16	5.19%
Above 51 yrs old	14	4.54%
EDUCATION		
Elementary school	12	3.7%
Junior high school	15	4.87%
High school	66	21.43%
Community college	18	5.84%
Technological college	158	51.3%
University	33	10.71
Masters and above	6	.195%
WORKING EXPERIENCE		
Less than 1 yr	25	8.11%

WORKING EXPERIENCE	Number of people	Percentage
Between 1~3yrs	66	21.43%
Between 3~5yrs	84	27.27%
Others	133	43.18%
YEARS INSURED		
Less than 1 yr	32	10.39%
Between 1~3yrs	67	21.75%
Between 3~5yrs	76	24.68%
Others	133	43.18%
CURRENT POSITION		
Sales agent	200	64.94%
Middle manager	93	30.19%
CEO	15	4.87%
CURRENT DEPT		
Operation	64	20.78%
R&D	144	46.75%
Management	55	17.86%
Others	45	14.61%
CURRENT SALARY LEVEL		
Below NT\$20,000	41	13.31%
Between NT\$20,000~30,000	163	52.92%
Between NT\$30,000~40,000	63	20.45%
Between NT\$40,000~50,000	24	7.79%
Above NT\$50,000	17	5.52%
INSURANCE FIRMS		
Cathay Life(國泰人壽)	78	25.32%
Taiwan Life(台灣人壽)	28	9.09%
Mass Mutual Mercuries Life(三商美邦人壽)	34	11.04%
Shin Kong Life (新光人壽)	24	7.79%
Nan Shan AIG(南山人壽)	47	15.26%
Kuo Hua Life(國華人壽)	7	2.27%
ING ANTAI(安泰人壽)	6	1.95%
PCA Life(保誠人壽)	6	1.95%
Others	78	25.32%
AMOUNT INSURED(YEARLY)		
Below \$20,000	79	25.65%
Between \$20,000~\$40,000	116	37.66%
Between \$40,000~\$60,000	41	13.31%
Between \$60,000~80,000	27	8.77%
Between \$80,000~100,000	17	5.52%
Above \$100,000	28	9.09%

Table 2.2 Service Receivers (FDI firms') Basic Information

GENDER	Amount	Percentage
Male	58	52.97%
Female	49	47.03%
AGE		
Below 20 years old	1	0.93%
Between 21~25 yrs old	19	17.76%
Between 26 ~30 yrs old	40	37.38%
Between 31~35 yrs old	23	21.5%
Between 36 ~40 yrs old	12	11.21%
Between 41 ~50 yrs old	8	7.48%
Above 51 years old	4	3.74%
EDUCATION		
Elementary school	3	2.8%
Junior high school	4	3.74%
High school	25	23.36%
Community college	2	1.87%
Technological college	43	40.19%
University	28	26.17%
Masters and above	2	1.87%
WORKING EXPERIENCE		
Less than 1 year	6	5.6%
Between 1~3years	14	13.8%
Between 3~5years	32	29.91%
Others	55	51.4%
YEARS INSURED		
Less than 1 year	9	8.41%
Between 1~3years	14	13.8%
Between 3~5years	36	36.64%
Others	48	44.86%
CURRENT POSITION		
Sales agent	71	66.36%
Middle manager	31	28.97%
CEO	5	4.67%
CURRENT DEPT		
Sales	5	4.67%
Production	51	47.66%
Management	20	18.69%
R&D	9	8.41%
Others	22	20.56%
CURRENT SALARY LEVEL		
Below NT\$20,000	8	7.48%
Between NT\$20,000~30,000	46	42.99%
Between NT\$30,000~40,000	36	33.64%
Between NT\$40,000~50,000	10	9.35%
Above NT\$50,000	7	6.54%
INSURANCE FIRMS		
Cathay Life(國泰人壽)	29	27.1%
Taiwan Life(台灣人壽)	2	1.87%
Mass Mutual Mercuries Life(三商美邦人壽)	6	5.61%

INSURANCE FIRMS	Amount	Percentage
Shin Kong Life (新光人壽)	15	14.02%
Nan Shan AIG(南山人壽)	28	26.17%
Kuo Hua Life(國華人壽)	7	6.54%
ING ANTAI(安泰人壽)	17	15.89%
PCA Life(保誠人壽)	3	2.8%
AMOUNT INSURED (YEARLY)		
Below \$20,000	24	22.43%
Between \$20,000~\$40,000	44	41.12%
Between \$40,000~\$60,000	19	17.76%
B/T \$60,000~80,000	9	8.41%
B/T \$80,000~100,000	4	3.74%
Above \$100,000	7	6.54%

Table 2.3 Service receiver Responses

Responses	Highly agreed	Agreed	Yes & No	Disagreed	Highly disagreed
Questions					
1	15%	38%	38%	7%	3%
2	18%	41%	33%	6%	2%
3	15%	38%	37%	8%	2%
4	15%	39%	34%	10%	3%
5	13%	41%	38%	6%	2%
6	18%	38%	34%	8%	2%
7	19%	43%	31%	5%	2%
8	13%	38%	39%	8%	2%
9	15%	42%	34%	7%	3%
10	16%	42%	33%	6%	2%
11	16%	38%	36%	7%	3%
12	16%	44%	34%	5%	1%
13	19%	43%	28%	8%	3%
14	29%	46%	22%	2%	1%
15	22%	48%	27%	2%	1%
16	15%	42%	34%	6%	2%
17	15%	46%	34%	4%	2%
18	21%	47%	27%	4%	2%
19	19%	41%	33%	6%	1%
20	15%	39%	36%	7%	3%

Table 2.4 CHITEST- service receivers

Attributes	Gender	Age	Education	Working experience	Years insured	Current position	Current dept	Current salary	Insurance company	Amount Insured (yearly)
Questions										
1	0.717	0	0.472	0.173	0.521	0.2783	0.231	0.044	1	0.356
2	0.298	0.369	0	0.593	0.613	0.079	0.088	0.019	1	0.0699
3	0.592	0.958	0.472	0.862	0.427	0.0684	0.284	0.007	1	0.0131
4	0.644	0.281	0.076	0.419	0.106	0.2059	0.043	0.110	0.974	0.0005
5	0.435	0.923	0.765	0.685	0.546	0.106	0.349	0.220	0.981	0.0088
6	0.099	0	0.037	0.153	0.341	0.446	0.044	0.624	1	0.4070
7	0.0907	0.915	0.206	0.220	0.554	0.407	0.424	0.027	1	0.0417
8	0.233	0.904	0.104	0.654	0.871	0.666	0.418	0.707	0.993	0.4854
9	0.502	0.991	0.081	0.294	0.279	0	0.514	0.445	0.997	0
10	0.841	0.758	0.284	0.1433	0.450	0.769	0.303	0.205	1	0.4131
11	0.596	0.217	0.325	0.194	0.187	0.2329	0.141	0.013	0.992	0.02
12	0.862	0.878	0.593	0.047	0.762	0.2389	0.650	0	1	0.0803
13	0.878	0.986	0.277	0.0294	0.770	0.7645	0.944	0.628	1	0.5345
14	0.740	0	0.433	0.138	0.028	0.7475	0.173	0.513	1	0.0457
15	0.568	0.2567	0.847	0.092	0.033	0	0.244	0.023	1	0
16	0.314	0.684	0.817	0.115	0.712	0	0.092	0.005	1	0
17	0.759	0	0.102	0.415	0.521	0.7397	0.109	0.873	0.965	0.2197
18	0.341	0.795	0.657	0.345	0.513	0.916	0.455	0.002	1	0.287
19	0.319	0.537	0.602	0.038	0.679	0	0.019	0.201	1	0
20	0.758	0.548	0.294	0.0708	0.711	0.343	0.129	0.278	1	0.2814