

Jarosław Linka

Institute of Organization and Management in Industry – ORGMASZ in Warsaw, Poland

THE CROSS-CULTURE CHALLENGES IN MARKETING RELATIONSHIP CREATION. UNDERSTANDING CHINESE *GUANXI*, *RENQING*, *LIAN*, *MIANZI*, *XINYONG*, AND *XINREN* FROM THE DIRECT EXPERIENCES OF POLISH MANAGERS (BEYOND HOFSTEDE'S APPROACH)

ABSTRACT

Close relationships with all members of the market environment are now widely accepted by academics and practitioners as an excellent way of creating a sustainable, competitive advantage. However, views on exactly which activities constitute the essence of market relationships may differ significantly in various cultural contexts. The purpose of this paper is to explore the impact of Chinese culture on market relationship creation, focusing on specific *guanxi networks with closely related indigenous cultural aspects, such as renqing, lian, mianzi, xinren and xinyong*, in order to reveal their implications for the functioning of foreign companies in China. An *emic* approach was predominantly implemented in this analysis, in addition to a polemic on the commonly used assessment methods of culture impact that is based on Western evaluation and bipolar culture dimensions. The information presented is based on research carried out on thirty-eight cases of Polish companies in China that used a semi-structured interview technique with individual managers directly responsible for operations in this market. It is reinforced with a broad literature overview and many years of the author's direct observations. In addition, some practical recommendations and further research are suggested.

Key words:

Relationship marketing, Chinese culture, *Guanxi*, *Renqing*, Trust, Face, Polish investment in China

1. Introduction

Most academics and practitioners now advocate effective management of relationships with all market participants as the key factor for market success. However, the importance of relationship creation was not emphasized in marketing literature until the late seventies, when the use of the traditional '4Ps' (product, price, promotion, and distribution) significantly decreased in effectiveness and revealed its inadequacy in addressing specific industrial and service market requirements. A group of researchers centred on the so-called Nordic School of Services Marketing and the IMP Group (Industrial Marketing and Purchasing Group) has started to emphasize that companies do not operate in the market as autonomous entities, but, through interaction, form dense relationship networks with various stakeholders, and these connections are the most valuable resources and key elements in building and maintaining a competitive advantage¹. Winning customers only for a single transaction is not enough for business profitability, but the main objective should be convincing them to re-purchase and stay with the company for a longer period. Relationship marketing, as this new approach was named in the subject literature, is highlighting the particular need for cooperation not only with the customer, but also with all of the stakeholders. Building relationships with suppliers, financial institutions, subcontractors, governmental institutions, even competitors, etc. have a significant impact on the implementation of strategic objectives, higher profit achievement, and the strengthening of a company's market position².

Initially, the studies involved in the relationship-marketing field related primarily to the Western business environment, where the focus was put predominantly on relationships in the domestic markets, almost excluding the analysis from international and cross-cultural settings³. In the last two decades, with the unprec-

¹ Ch. Grönroos, *Relationship Marketing: Strategic and Tactical Implications*, "Management Decision" 1996, No. 3, Vol. 34, pp. 6–7.

² E. Gummesson, *Making Relationship Marketing Operational*, "International Journal of Service Industry Management" 1994, No 5, Vol. 5, pp. 5–20.

³ M. Mitreęa, *Marketing relacji. Teoria i praktyka* [Relationship Marketing. Theory and Practice], Warszawa 2005, pp. 126–127.

edented growth of globalization, internationalization, and, thereby, an extension of contacts with stakeholders from different cultural and social settings, researchers began to recognize the need for analyzing relationship networks from the international, cross-cultural, and culture – specific perspective. There is no doubt that the establishment of relationships in a different environment is a much more complex and difficult process than in one's own country. As Tse and Lee have emphasized, culture understanding is a primary aspect in the development of cross-cultural relationships and the main issue facing multinational corporations, both in the coordination of internal human resources and the external relationship with different international market participants⁴. However, Western relationship marketing theory does not reflect the multifaceted nature of building networks across culture (or within targeted non-western culture), which usually includes other unique social dimensions. This is especially noticeable in the Asian markets, where culture is still deeply influenced by Confucian philosophy and comprehension of the surrounding world reality is based on Taoist and Buddhist values. Moreover, while the concepts and practices of relationship marketing were considered as an innovative approach to the exchange processes in the Western world, but the Asian markets, by contrast, were always acknowledged to be the more natural model of market exchange than the transactional attitude. Personal connections used in various Asian cultures, such as Japanese *kankei*, Korean *kwankye* and Chinese *guanxi*, are still an inherent part of economic and social life, despite a growing Western influence⁵.

Considering the recent scale of international investment and enormous market potential, of particular interest is the Chinese exchange model based on *guanxi* networks. Since the reforms and opening initiated by Hua Guofeng in 1976 and Deng Xiaoping's "Four Modernizations" in 1978, China is, on average, achieving an unprecedented GDP growth rate of 9.6% each year, which undoubtedly attracts a huge amount of foreign investment⁶. It is worth mentioning that China had overtaken the US as the most popular market for Foreign Direct Investment (FDI) in 2003, absorbing more than \$53 billion after only two years as a member of the WTO⁷. In 2010, the value of FDI amounted to approximately \$105 billion, with

⁴ D.K. Tse, K. Lee, I. Vertinsky, D.A. Wehrung, *Does Culture Matter? A Cross-Cultural Study of Executives' Choice, Decisiveness, and Risk Adjustment in International Marketing*, "Journal of Marketing" 1988, No. 4, Vol. 52, p. 81.

⁵ I.Y. M. Yeung, R.L. Tung, *Achieving Business Success in Confucian Societies: The Importance of Guanxi (Connections)*, "Organizational Dynamics" 1996, No. 2, Vol. 25, pp. 54–65.

⁶ *China Statistical Yearbook*, Beijing 2010.

⁷ *World Investment Report*, 2005.

more than 27,000 newly approved foreign enterprises⁸. Nevertheless, through its cultural uniqueness, particularly in the relational aspects, the Chinese market is creating serious problems and challenges for many multinational companies, especially those from Western civilization⁹.

The aim of this paper is to explore the impact of culture on relationship creation, focusing on a specific *guanxi* relationship paradigm and to reveal its implications, from the perspective of Polish direct investment, for the investments and operations of foreign companies in the People's Republic of China (PRC). The paper also presents the unique aspects of Chinese culture that is closely associated with *guanxi*, i.e. *renqing*, *lian*, *mianzi*, *xinyong* and *xinren*, which do not have an exact equivalent in Western culture, but, nonetheless, have significant effects on relationship creation. Furthermore, a polemic about the commonly used assessment methods of culture impact on relationship creation that is based on Western evaluation and bipolar culture dimensions is engaged.

2. Conceptualizing culture – beyond Hofstede's approach

Before detailed examination of specific aspects of Chinese culture and their impact on relationship creation, the concept of culture itself should be briefly defined.

The notion of culture, because of its complexity, multidimensional nature, and various approaches, is very difficult to explicitly define. Conceptualization of this term is also mostly dependent on the discipline in which researchers conduct their analysis and examination. Furthermore, the understanding of this concept is strongly contingent on the level of aggregation used in the studies and varies according to whether the researcher is interested in a nation (society) as a whole, or focuses on a specific group, whose members are identified, e.g. by reference to the same profession, qualification, or organization. The following discussion will primarily focus on culture at the national (societal) level.

The classic culture definition is one proposed in the late 20th century by English anthropologist E. Taylor. According to this author, „culture or civilization, taken in its broad, ethnographic sense, is the complex whole which includes knowledge, belief, art, morals, law, custom, and other capabilities and habits acquired by man

⁸ <http://english.mofcom.gov.cn/aarticle/statistic/foreigninvestment/201101/20110107381641.html> [access: 25.08.2011].

⁹ J. Wu, *An Analysis of Business Challenges Faced by Foreign Multinationals Operating the Chinese Market*, "International Journal of Business and Management" 2008, No. 12, Vol. 3, pp. 169–174.

as a member of society”¹⁰. In his proposal, Taylor has primarily made two important observations. First, culture is a holistic, integrated concept and is not merely an art, religion, or way of life. Culture is in fact the combination of all these elements, simultaneously matched with one another. Secondly, culture is learnt and passed from generation to generation through the process of interaction with other people.

The modern approach to culture conceptualization should be generally dated from the work of Kluckhohn and Kroemer in 1952 and their analysis of more than 160 culture definitions in various fields, from which they also developed their own interpretation. They understand cultural as: “patterns, explicit and implicit of and for behaviour, acquired and transmitted by symbols... The essential core of culture consists of tradition, ...ideas and especially their attached values; culture systems may, on the one hand, be considered as products of action, on the other hand, as conditioning elements of future action”¹¹. Both quoted definitions have had a tremendous impact on today’s perception of this concept, especially at the macro level. In most cases, the contemporary culture definition stresses that it operates within a group, is transferred in the process of learning from one generation to the next, affects the basic processes of thinking in social groups and also describes their behavior and shared values. The action of individuals within the group may vary, but the group, as a whole, tends to act according to their common cultural heritage.

Using these above-mentioned principles, Rice, in marketing studies, defined culture as „the values, attitudes, beliefs, artefacts and other meaningful symbols represented in the pattern of life adopted by people that help them interpret, evaluate and communicate as members of a society. Culture both affects and describes human behavior”¹². One of the most cited definitions over the past two decades¹³ in cross-culture management, marketing, and other social sciences is Hofstede’s proposition, which defines it as a „collective programming of the mind which

¹⁰ Ch. Nakata, *Cultural Theory in International Marketing: An Ontological and Epistemological Examination* [in:] *Handbook of Research in International Marketing*, S.C. Jain (ed.), Northampton 2003, p. 212.

¹¹ A. Kroeber, C. Kluckhohn, *Culture: A Critical Review of Concepts and Definitions* (Peabody Museum of American Archeology and Ethnology Papers 47, 1952, p. 181 [in:] *Cross National, Cross-cultural Organizational Behavior Research: Advances, Gaps, and Recommendations*, A.S. Tsui, S.S. Nifadkar, Yi Ou, “Journal of Management” 2007, No. 3, Vol. 33, p. 429.

¹² C. Rice, *Consumer Behaviour: Behavioural Aspects of Marketing*, Oxford 1993, pp. 242–253.

¹³ G. Hofstede’s *Culture Consequences*... has been cited 1,101 times from 1987 to 1997 according to the Social Science Citations Index. Furthermore, G. Hofstede is the third most cited author in international business studies published between 1989 and 1993 [quoted in:] K. Sivakumar, C. Nakata, *The Stampede toward Hofstede’s Framework – Avoiding the Sample Design Pit in Cross-Cultural Research*, “Journal of International Business Studies” 2001, No. 3, Vol. 32, p. 556.

distinguishes the members of one group or category of people from the other”¹⁴. Hofstede characterizes the culture concept through the perspective of several bipolar values (identifying five universal – individualism, masculinity, power distance, uncertainty avoidance, and long-term orientation)¹⁵ occurring in varying degrees in different countries. According to his proposition, taking Polish culture as an example, Polish culture is described as slightly individualistic with a low power distance and high degree of uncertainty avoidance. By contrast, the United States is perceived as the most individualistic with a low power distance and uncertainty avoidance, as well as a short-term orientation¹⁶. On the other hand, China is regarded as collectivistic with a noticeable degree of uncertainty avoidance, high power distance, and the highest rating of long-term orientation. Using this bipolarization of national culture, the United States is usually presented as a typical transactional culture while the Chinese are presented as highly relational. As a result of the particularly easy implementation of cross-national comparison, bipolar approach has become one of the dominating paradigms in cross-cultural studies in the last twenty years¹⁷. Although such a framework is very useful, particularly in the formulation of hypotheses for a positivistic approach to cross-cultural studies (e.g. by ease of quantifying culture variables), it seems to be of little benefit in providing an in-depth understanding of the various processes within the one culture context. This issue has been reflected very accurately by Yoko Brannen in a statement concerning the preparation of managers in becoming leaders in a cross-cultural scope; “Corporate leaders are discovering is that what they really lack is deep contextual understanding – specifically about culture in context... Armed with only artefact-level understandings of culture differences proliferated by easy-to-learn, fast-to-recall dimensions offered by Hofstede and other propo-

¹⁴ G. Hofstede, *Culture's Consequences: International Differences in Work Related Values*, Beverly Hills 1984, p. 23.

¹⁵ Hofstede originally distinguished only four dimensions: individualism-collectivism, power distance, uncertainty avoidance, masculinity-femininity. After his collaboration with Bond they proposed a fifth dimension called Confucius dynamism (long-term and short-term orientation). See: G. Hofstede, M.H. Bond, *The Confucius Connection: From Cultural Roots to Economic Growth*, “Organizational Dynamics” 1988, No 4, Vol. 16, pp. 5–21.

¹⁶ Poland wasn't included in the original studies by Hofstede. Data from secondary research and descriptions using the same methodology was found in: M. Bartosik–Purgat, *Uwarunkowania kulturowe w marketingu międzynarodowym* [Cultural Factors in International Marketing], Poznań 2004, pp. 40–49.

¹⁷ See: Ch. C. Nakata, *Cultural Theory*, op.cit, p. 210.

nents of the aggregate value-based models of culture... global leaders find themselves stereotype rich and operationally poor where culture meets context”¹⁸.

For the purpose of this study, regarding all limitations occurring in Hofstede’s definition and approach¹⁹, a more comprehensive understanding of this term, proposed by the NCCC of Georgetown University, was chosen. Here, culture is understood as “an integrated pattern of human behavior that includes thoughts, communications, languages, practices, beliefs, values, customs, courtesies, rituals, manners of interacting, roles, relationships and expected behaviors of a racial, ethnic, religious or social group; the ability to transmit the above to succeeding generations is dynamic in nature”²⁰. This definition seems to be a more adequate conceptualization of culture for including all elements postulated by Bodley²¹, so both “what people think” and “what they do” encompassing beliefs, values, communication, rituals, customs, and expected behaviors and recognized that these are the ways on which the culture should be based and formalized.

3. Cross-culture research in relationship marketing in China – *etic* or *emic* approach?

In cross-cultural studies, there are basically two methodological approaches used – *etic* and *emic*. In the *etic* studies reality is explored “from the outside” of the system perspective, culture is treated objectively, and assessment criteria have a universal (absolute) character. The best-known and most frequently cited examples of this approach are the previously mentioned analysis by Hofstede, *Culture’s Conse-*

¹⁸ M. Yoko Brannen, *Culture in Context: New Theorizing for Today’s Complex Cultural Organizations* [in:] *Beyond Hofstede. Cultural Frameworks for Global Marketing and Management*, Ch. Nakata (ed.), London 2009, pp. 81–82.

¹⁹ For example: including a belief that culture are foremost values and excluding habits, practices, norms and other aspects of characteristics and group life, furthermore an assumption of the exceptional culture stability, and a choice of the values that do not correspond well with today’s realities, etc..., – More critical comments on the application of G. Hofstede’s definition and approach in cross-cultural marketing research can be read in – Ch. Nakata, *Cultural Theory*, op.cit., pp. 209–227.

²⁰ National Center for Cultural Competence: <http://www.ncccurrecula.info/glossary.html> [access: 20.06. 2011].

²¹ Bodley in his *Cultural Anthropology: Tribes, States and the Global System* (1994) has grouped the 160 definitions provided by Kroeber and Kluckhohn into eight categories and has brought out the essence of what is most important in defining culture. He suggested that culture is made up of at least three components: what people think, what they do, and the material item they produce as a result of what they do. (The problem in defining the culture of using only the values and beliefs, is that it is vastly different between what people think, what they should do (value) and what they really are doing.)

quences: *Comparing Values, Behaviours, Institutions and Organizations Across Nations*, as well as Trompenaars and Hampden-Turners's *Riding the Waves of Culture* and Hall's *Beyond Culture*. The *emic* approach, which has its origins in the linguistic work and comparisons of Sapir²² and Pike²³, and later developed and implemented by Berry²⁴ in a cross culture psychology, is based on the interpretation *from inside* the system. Culture is defined here subjectively; idiosyncratic concepts are used to describe a picture of reality and measurement instruments are adapted to each culture separately. The review of literature on culture impact in relationship marketing reveals the widespread use of the *etic* studies and the application of well-known sets of cultures' dimensions proposed by the aforementioned Hofstede and Hall. An example of the *etic* approach is Baton and Perry's study on the influence of culture on the relationship development between Chinese and Australian partners, where all five Hofstede's dimensions were applied to measure their impact in each phase of the relationship development²⁵. Similarly, Hall's classification of high and low context cultures was used by Larsen and Rosenbloom in assessing the effect of culture on communication in marketing channels between American exporters and their foreign distributors²⁶.

The common application of *etic* studies in the cross-cultural comparison can be further justified by the Western way of reasoning, based on Aristotelian logic of the non-contradiction principle, where only one of two conflicting judgments can be true. Among the first critics of this approach within the international relationship-marketing domain were Fang and Kriz, who indicated the possibilities of ignoring the dimensions that may be unique in other cultures and recommended a revised research approach for *emic*. The analysis from *inside of the system* was recommended primarily for all research in Asia with an emphasis on China, where the bipolar paradigm, based on *either/or*, is inconsistent with the Chinese worldview of paradoxes co-existing, embedded in *both/and* principle and represented in this culture by the Taoist symbol of *Ying/Yang*²⁷. The classical symbol of *Yin* and

²² E. Sapir, *The Status of Linguistic as a Science*, "Language" 1929, No. 4, Vol. 5, pp. 207–214.

²³ K.L. Pike, *Language in Relation to a Unified Theory of the Structure of Human Behavior*, Hague 1967 [in:] *Marketing across Culture*, J. Usunier, J. Lee (eds.), Edinburgh 2005, p. 182.

²⁴ J.W. Berry, *Introduction to Methodology* [in:] *Handbook of Cross-Cultural Psychology*, H. Triandis, J.W. Berry (eds.), Boston 1980, Vol. 2, pp. 1–28.

²⁵ G. Batonda, Ch. Perry, *Influence of Culture on Relationship Development Processes in Overseas Chinese/Australia Networks*, "European Journal of Marketing" 2003, No. 11–12, Vol. 37, pp. 1548–1573.

²⁶ T. Larsen, B. Rosenbloom, *Communication in International Business-to-Business Marketing Channels: Does Culture Matter?*, "Industrial Marketing Management" 2003, No. 32, pp. 309–315.

²⁷ See: T. Fang, A. Kriz, *Cross-cultural Challenges to the IMP Paradigm: Evidence from Chinese Markets*. IMP Conference, Bath, 07.09.2000 (conference materials); T. Fang, *From "Onion" to "Ocean"*

Yang is an exemplification of the Chinese dualistic philosophical concept of opposing, but complementary elements of the whole existence²⁸. Perfect harmony in the universe is based on the balance of two opposing elements – *yin* and *yang*²⁹. The nature of *yin* and *yang* lies in interchange and interplay of the two components. *Yin* can contain certain part of *yang* and *yang* can have some component of *yin*. Thus, the Chinese worldview of holism and tolerance of ambiguity assumes that the surrounding reality is not precise, but complex and full of contradictions, and its elements are not isolated and independent. Chinese people do not perceive the simultaneous co-existence of opposite values and behaviors as illogical, but, on the contrary, tend to intrinsically embrace paradoxes for their sheer existence and healthy development³⁰. Therefore, the *yin/yang* principle is an explanation for many Chinese concepts and practices that look inconsistent and puzzling for Westerners, but do not disturb the internal consistency and coherence of the Chinese peoples' minds. In China, it is possible to unite the positive aspects with the negative, where only the context determines what is appropriate. As stated in the above interpretation, culture, therefore, can also be simultaneously characterized by masculinity and femininity dimensions, long – and short-term orientation, high and low context, individualistic and collectivistic attitudes, depending on the situation, time, and context. In the following analysis, taking into account the specific Chinese culture impact, the *emic* approach will be predominantly implemented. Hence, the unique dimensions of Chinese culture are described using concepts and evaluation specific to this region. Simultaneously, for increased clarity of the information presented and the evaluation of some aspects occurring in the Chinese society, a harmonious linking of the *emic* and *etic* approaches will be applied, according to the instructions of Berry³¹.

Paradox and Change in National Cultures, "International Studies of Management & Organization" 2006, No. 4, Vol. 35, pp. 71–90.

²⁸ E. Kajdański, *Chiny. Leksykon. Historia, gospodarka, kultura* [China. Lexicon. History, Economy, Culture], Warszawa 2005, p. 321.

²⁹ *yin* – negative – but not associated with bad – female element: dark, soft, warm, passive, the moon, etc. and *yang* – positive – but not associated with good – male element: bright, dry, strong, cold, active, the sun, etc.

³⁰ T. Fang, A. Kriz, *Cross-Cultural...*, op.cit., p. 77.

³¹ J.W. Berry, *Imposed Etics-emics-derived Etics: The Operationalization of a Compelling Idea*, "International Journal of Psychology" 1989, No. 4, Vol. 24, pp. 721–735.

4. Research method and source of information

The basis for the presented information are broad reviews of the subject literature, interviews with Polish managers directly responsible for managing operations in the Chinese market, as well as the author's more than six years of direct observations. The research process, because of intangible specific issues, is based on non-fundamental requirements of epistemology³² and the use of Gummesson's proposal of so-called *interactive research*³³. According to this recommendation, the process of scientific cognition is based on interaction and dialogue which takes place between the researcher and the subject of study and its actors, between your consciousness and qualities of your inner self; between substantive data and general concepts; between the parts and the whole; between words, numbers, body language and tacit language; and concurrent, non-linear and dynamic interaction between data collection, analysis, interpretation and conclusions³⁴. Moreover, the wide use of case study analyses, direct participation in the observed processes (such as advisor, consultant), and continuous verification of theoretical thesis produced during the research process are advised. Gummesson also recommends referring to the researcher's knowledge and experience and discussing the results with a variety of audiences. He does not preclude the use of quantitative research but even encourages a simultaneous application of their results together with qualitative analysis. However, he refers critically to the extreme functionalist views implemented in marketing and social studies, arguing that any research process is also liable to the subjective choices of the researcher, his knowledge, and experience (e.g. in determining analyses' variables and interpretation of results)³⁵.

The following research has been carried out in Polish companies operating in China in accordance with the above recommendations of Gummesson. The qualitative research methods, with the application of semi-structured interview techniques, were utilized³⁶. A special interview guide containing open-ended questions, together with some general background questions about the company and par-

³² See Ł. Sułkowski, *O potrzebie niefundamentalistycznego dyskursu w epistemologii zarządzania* [Non-Fundamentalist Manner of Conducting Management Sciences], "Organizacja i Kierowanie" [Organization and Management] 2006, No. 1, pp. 53–65.

³³ E. Gummesson, *Are Current Research Approaches in Marketing Leading Us Astray?*, "Marketing Theory" 2001, No. 1, pp. 38–40.

³⁴ Ibidem, p. 39.

³⁵ E. Gummesson, *Qualitative Research in Marketing: Roadmap for a Wilderness of Complexity and Unpredictability*, "European Journal of Marketing" 2005, No. 3–4, Vol. 39, pp. 309–327.

³⁶ S. Kvale, *Interview. Wprowadzenie do jakościowego wywiadu badawczego* [Interviews. An Introduction to Qualitative Research Interviewing, London 1996], Białystok 2004, p. 38.

ticipants' experience was developed. Nevertheless, an open and flexible approach was maintained during the entire questioning process to achieve a richness of material. The main objective of this exploratory study was to sample the most diverse range of respondents and companies so that the overall perspective of Chinese market relationship issues could be extracted from a myriad of information sources. The respondents were managers permanently residing in China and directly responsible for managing the operations in this market. The final analysis was based on thirty-eight case studies from forty-five examined enterprises. The sampling process was purposive and ceased when subsequent cases did not bring further information to the researched phenomena. The decision to end the theoretical sampling process was undertaken when the so-called theoretical saturation had been reached³⁷. It should be mentioned that this study constitutes almost the entire Polish investment activity in China. According to the Ministry of Economy of Republic of Poland (RP) and the Embassy of RP in Beijing, Polish companies have initiated only 70–80 direct investment projects in this market since the PRC was established. All organizations that took part in this research project operated in this market for more than a year, with the average length being approximately six years. The division according to the legal form of activity was shaped as follows: 42% representative office, 28% joint-venture, 21% representative office in China with the company being incorporated in Hong Kong, and 13% were wholly foreign-owned enterprises (WFOE). Managers participating in the study had resided in China for at least one year. Of those, three possessed over twenty years tenure (the longest being twenty-two years) in this market. The average length of stay was about four and a half years. There were only seven companies employing more than one hundred employees. In twenty cases, the number did not exceed ten persons. Most of the companies had chosen Beijing or Shanghai for their locations (34% and 30% respectively), followed by Shenzhen and Guangzhou (15% each).

In order to ensure greater objectivity of the formulated conclusions, triangulation procedures were applied to the method and data. Additional information was obtained based on participant observation, daily interaction in Chinese society, and an analysis of press and company documents submitted by the surveyed managers.

³⁷ K. Konecki, *Studia z metodologii badań jakościowych. Teoria ugruntowana* [Studies in Qualitative Methodology. Grounded Theory], Warszawa 2000, p. 31.

5. Specific aspects of Chinese culture – their characteristics and implications for relationship building process

During the interviews, respondents indicated at least a few unique factors in the Chinese environment that do not occur in Western business, but play an enormous role in the initiation, development, and maintenance of market relationships. From their statements emerged the ubiquitous and particular role of personal relationships based on the cultural model of *guanxi*, in addition to the closely intertwined concept of *renqing*. Furthermore, respondents highlighted specific aspects connected with *xinyong*, *xinren* (trust), *lian*, *mianzi* (face), and the cunning application of *Bingfa* (“The Art of War” – Sun Tzu) in the negotiation process.

5.1. *Guanxi* and *Renqing* – theory and practical implication

The Chinese concept of *Guanxi* through its dynamic, complex and cultural specificity is defined in the literature multi-dimensionally and usually ambiguously, mostly dependent on the discipline which is being studied. Luo thus describes *guanxi* as “a complex, long-rooted, diverse-impact, and nebulous term associated with not only management, marketing, and economics, but also sociology, anthropology, psychology, organizational behavior and human resource management... ”³⁸. The etymological meaning of the two components *guan* and *xi* is the following: the character *guan* means a gate or hurdle and *xi* refers to a tie, a relationship, or a connection. So, *guanxi* literally means “pass the gate and get connected”³⁹. The interpretation of the individual components *guan* and *xi* does not cause much controversy in contrast to the statement created in the one word – *guanxi*. Thus, Standifird and Marshall understand *guanxi* as “the cultivation of long-term personal relationships”⁴⁰. In turn, Pye translates *guanxi* as “friendship with implication of continued exchanges of favors”⁴¹. This phenomenon is described by Zhang and

³⁸ Y. Luo, *Guanxi: Principles, Philosophies, and Implications*, “Human Systems Management” 1997, No. 1, Vol. 16, p. 49.

³⁹ D.Y. Lee, P.L. Dawes, *Guanxi, Trust, and Long-Term Orientation in Chinese Business Markets*, “Journal of International Marketing” 2005, No. 2, Vol. 13, p. 29.

⁴⁰ S.S. Standifird, R.S. Marshall, *The Transaction Cost Advantage of Guanxi-Based Business Practices*, “Journal of World Business” 2000, No. 1, Vol. 35, p. 22.

⁴¹ L.W. Pye, *Chinese Negotiating Style: Commercial Approaches and Cultural Principles*, New York 1982, p. 101.

Chang as an “interwoven network of special interpersonal relationships”⁴². The resourceful aspects of *guanxi* are highlighted by Park and Luo, who describe it as “social capital embedded in social relationships”⁴³. A similar perspective is presented by Huang, who defines *guanxi* as “social capital, a salient governance mechanism upon which businessmen can rely on when formal institutions and resources are unavailable”⁴⁴. In the business sphere, the *guanxi* concept, because of numerous similarities and enormous implications for building and maintaining market relationships, is often identified with the Chinese form of relationship marketing⁴⁵. The process of building and maintaining relationships in the Chinese market has many resemblances to Western standards of relationship marketing, such as mutual understanding, long-term view on co-operation, repeat exchange of service, and emphasis on mutual benefits. However, it also has its own unique characteristics, including predominant personal characteristics of ties (seldom reflecting the linkage at the organizational level), very emotional commitment of participants with a focus on the partner’s personal problems, and the emphasis on building relationships before transactions in order to protect its full course⁴⁶.

In general, it should be assumed that *guanxi* means a relationship or social bond based on mutual interests and benefits. This is a special type of relationship mainly built on family and connected people (e.g. by place of birth, dialect, etc.), defined by the principle of reciprocity and mutual obligations, emerging through the continuous exchange of favors and cooperation. Ideally, these connections are also supported by a sense of goodwill and personal affection⁴⁷.

The historical source of *guanxi* is the tradition of exchanging gifts, which dates from the days of Imperial China. The omnipresence of this phenomenon today is attributable to the continuous existence of Confucian values in Chinese life and

⁴² Y. Zhang, Z. Zhang, *Guanxi and Organizational Dynamics in China: A Link between Individual and Organizational Levels*, “Journal of Business Ethics” 2006, No. 67, p. 378.

⁴³ S.H. Park, Y. Luo, *Guanxi and Organizational Dynamics: Organizational Networking in Chinese Firms*, “Strategic Management Journal” 2001, No. 22, p. 457.

⁴⁴ K.K. Hwang, *Face and Favor: The Chinese Power Game*, “The American Journal of Sociology” 1987, No. 4, Vol. 92, pp. 944–77.

⁴⁵ L.C. Simmons, J.M. Munch: *Is Relationship Marketing Culturally Bound: A Look at Guanxi in China*, “Advances in Consumer Research” 1996, No. 1, Vol. 23, p. 96.

⁴⁶ On the contrary in Western theory relationship marketing is mostly concentrated on connections at the organizational level and company’s issues with no attention to personal problems. Furthermore, the transaction should occur first and its positive effect creates a platform for relationship building.

⁴⁷ See M.J. Chen, *Inside Chinese Business: A Guide for Managers Worldwide*, Boston 2001, pp. 46–47.

the institutional weakness of the state⁴⁸. According to Confucian philosophical objectives, the manner in which society functions is based on strong family ties (*Chinese familism*) and is governed by five fundamental relationships (*wu lun*): ruler and subject, husband and wife, father and son, elder and younger brothers, and older and younger friends. These five relationships support order and stability in the social system and offer the role-context in which self-examination and self-development can be judged and interpreted⁴⁹. Therefore, Chinese people, as a fundamental social structure, traditionally do not recognize the individual, but rather the family (clan) and hierarchy dominating within. The family is central to all economic and social life and its protection, survival, harmony, and unity are the key values⁵⁰. *Chinese familism* principles and rules are extended to other non-family groups which adapt a similar model of interaction. Organizations function like the family structure, according to the inside family logic, taking into account dependency and the hierarchy of age. Institutional weaknesses of the State were mostly revealed after the dismantling of the Chinese legal system in 1949 and during the Cultural Revolution between 1966–1976. As a result of not having formal institutional security of transactions, the Chinese began using *guanxi* networks as a substitute for contracts⁵¹.

Guanxi is characterized by the ability to adapt to a new situation. Thus, in the current Chinese society, it is possible to observe various categories of *guanxi* pragmatically widening beyond familial ties for business purposes. The strength of this relationship varies considerably and depends primarily on the closeness of kinship, as well as to the place and time of acquaintance and position within *wulun*. The most common classification consists of: *qinren*, *shuren*, *shengren*. *Qinren* are relationships within the family based on blood ties, where trust and emotional bonds are strongest. *Shuren* are relationships outside the family with people that have been introduced by a third party within the existing *guanxi* network or previ-

⁴⁸ J.H. Dunning, Ch. Kim: *The Cultural Roots of Guanxi: An Exploratory Study*, "The World Economy" 2007, No. 2, Vol. 30, pp. 329–341.

⁴⁹ Ch. Hui, G. Graen, *Guanxi and Professional Leadership in Contemporary Sino-American Joint Ventures in Mainland China*, "Leadership Quarterly" 1997, No. 4, Vol. 8, p. 454.

⁵⁰ C.F. Yang: *Familialism and Development: An Examination of the Role of Family in Contemporary China Mainland, Hong Kong, and Taiwan* [in:] *Social Values and Development: Asian Perspectives*, D. Sinha, H.S. R. Kao (eds.), New Delhi 1988, pp. 93–123.

⁵¹ M. Schramm, M. Taube, *Institutionenökonomische Anmerkungen zur Einbettung von Korruption in das Ordnungssystem chinesischer Guanxi-Netzwerke*, 2001, p. 7; <http://www.uni-duisburg.de/FB5/VWL/OAWI/ARBEITSPAPIERE/paper60.html> [access:11.04.2007].

ously known from a common birthplace, education, etc⁵². Whereas, shengren relationships are with strangers or people who have the potential to discover their ties in a similar way, as in the case of *shuren* (because of the same place of birth, dialect, unexpected event, which could potentially strengthen the relationship). Shengren, after an introduction and meeting, can become *shuren*. However, in the beginning, these relationships are usually utilitarian with a low level of personal trust. Additionally, often cited in literature is the classification proposed by Hwang⁵³ who categorizes *guanxi* similarly into three levels. The most permanent and valuable are the expressive ties, which are similar to *qinren* and are related to one's immediate kin and closest relatives and ruled by *wulun* hierarchy principles and fulfilment of entire family needs and expectations. The mixed ties refer to relationships between friends and include both instrumental and expressive components. Instrumental ties accommodate people who just know each other and who are connected by a yet-to-be-discovered tie and mostly seek instrumental value from each other. In market activities, especially in the case of Western investors, the most common identifiable relationships are *shuren* (mixed ties) and *shengren* (instrumental ties), which do not require close kinship.

It should also be noted that in each of these relationship categories, to a certain extent, different behavior procedures are applied. In relationships within the family (*qinren*/express ties) the prevailing principle of resource distribution is based on the needs of each family member, regardless of the contribution incurred to maintain these ties. At the opposite extreme are the *shengren* relationships (instrumental ties), which are dependent on egalitarian principles, without the emotional factors and more typically associated with a utilitarian understanding of *guanxi*. The rules governing the relations inside the type of *shuren* category (mixed ties) are particularly interesting. They are mainly based on an emotional attitude towards the partner, related to the specific principle of *renqing*, where *renqing* is understood as the reciprocity of special favors within *guanxi* networks.

Renqing provides the moral foundations for reciprocity and equity that are implicit in all *guanxi* relationships⁵⁴. *Guanxi* without *renqing* is useless and loses its meaning and significance. In practice, a person who does not comply with *renqing*, e.g. does not return favors, is seen as untrustworthy and is excluded from *guanxi* networks. Violation of rules to one partner is interpreted as opportunistic

⁵² These include e.g. the people of the same city-*tongxiang*, colleagues-*tongshi*, schoolmates-*tongxue*, or even fellow prisoners-*laoyou*.

⁵³ K.K. Hwang, *Face...*, op.cit., pp. 47-52

⁵⁴ Y. Luo, *Guanxi and Business*, Singapore 2000, p. 15.

behaviour in the whole network of hierarchy and connections. This leads to exclusion and a lack of opportunity for further cooperation within this network. *Renqing*, however, has two peculiar features that distinguishes it from the simple Western principle of returning favor for favor. Firstly, benefits should predominantly be of an emotional nature and not materialistic, usually of unequal value. The weaker – and lower-ranked partner participating in *guanxi* network can call for a special favor, for which he does not have to reciprocate to an equal degree⁵⁵. Secondly, the return of benefits does not necessarily occur at the same time; it can be postponed until the other side seeks its redemption, even for future generations. Thus, this type of *guanxi* relationship demands continuous willingness in a never-ending spiral of favor reciprocity, which one always amply pays off⁵⁶.

The effectiveness of *guanxi*'s use in market activities has already been empirically confirmed⁵⁷. The utilization of *guanxi* has a positive impact for obtaining information, access to raw materials, and market channels. It also helps in overcoming institutional barriers and unstable government regulatory policy. In addition, it reduces transaction costs and increases cooperation security. The need for *guanxi* building in order to achieve long-term success in China was also revealed in research conducted by Abramson and Ai⁵⁸ at U.S. companies and by Björkman and Kock⁵⁹ for Scandinavian investors. Furthermore, Luo⁶⁰ has revealed a positive correlation between the use of *guanxi* with increasing sales and return on investment for multinational companies operating in China.

The results of the author's research also confirmed the importance of *guanxi* in today's China. However, the interpretation of this phenomenon was varied and dependent on the company's position in the distribution channel and the amount of time managers had spent in this market and their knowledge of Chinese language and culture. Most Polish managers confirmed the ubiquity of *guanxi* in the

⁵⁵ K.K. Hwang, *Face...*, op.cit., pp. 956–959.

⁵⁶ This aspect was particularly incomprehensible for most Polish managers, who as other Westerners are not particularly accustomed to commitments of emotional and personal nature (but economical and organizational), with emphasis on symmetrical reciprocation based on cost/benefit and their immediate repayment.

⁵⁷ I.Y. M. Yeung, R.L. Tung, *Achieving Business...*, op.cit., p. 64.

⁵⁸ N.R. Abramson, J.X. Ai, *Using Guanxi-Style Buyer-Seller Relationships in China: Reducing Uncertainty and Improving Performance Outcomes*, "The International Executive" 1997, No. 6, pp. 765–804.

⁵⁹ I. Björkman, S. Kock, *Social Relationships and Business Networks: The Case of Western Companies in China*, "International Business Review" 2001, No. 4, Vol. 4, pp. 519–535.

⁶⁰ Y. Luo, *Guanxi and Performance of Foreign-Invested Enterprise in China: An Empirical Inquiry*, "Management International Review" 1997, No. 1, pp. 1951–1970.

business sphere in China. Respondents generally defined *guanxi* as "...connections, networking, personal relationships used in business..." and always highlighted its crucial importance in this environment. One respondent, who is supervising a manufacturing plant in Jiangsu province, described the impact of this situation as follows: "In China without *guanxi* you are nobody, ...you will not be able to arrange the simplest license, taxes, permission to build a factory, and even your electricity will be switched off, ...in China, everything is based on personal connections and the resulting favors...". Additionally, in most cases, interviewees pointed out the difficulties they, as foreigners, have in building these special relationships in China. They draw attention to its insular, highly complex and time-consuming characteristics: "*Guanxi* is unlike a transaction, you can't have it right away, you have to work on it for a long time..., the Chinese are very suspicious, and it does not happen that someone will trust you initially, you have to devote many years to each relationship with many trials in order to verify your credibility ...the best case is if you are introduced by someone who has high status (for example a government official) who gives you a 'guarantee' of your status, but this seldom happens". Therefore, respondents firstly pointed to government officials (76%) among the main stakeholders with whom *guanxi* should be built and, secondly, to customers (71%). Thereafter, local workers (40%) and intermediaries/suppliers followed as the last priorities (26% and 15% respectively). These results would be surprising for Western markets. However, in China because of the continued bureaucracy and strong influence of public servants in the business sphere these answers are consistent. In many cases, it is still dependent on the willingness of the individual bureaucrat to speed up the process of necessary permits and to receive further assistance in solving the manifold administrative problems that can arise in everyday operations.

Not all managers share the same propensity to build *guanxi* and assess the effectiveness of this exchange model functioning in the Chinese market. Three main approaches can be distinguished here. The first was based on self-involvement in *guanxi*-building and its application. Managers largely represented this attitude with extensive experience in China, educational background related to Asian culture, or Chinese language. However, this group of respondents was rather small and occurred mostly in joint ventures and sales offices. The second was associated with the more typical transaction attitude. Surprisingly, this group of respondents pointed out that the Chinese business environment is no different to that of the Polish business environment and they do not need to obey *guanxi* rules. One representative of this group asserted: "It's all about price, we actually give the order and we may set up co-operation standards ...I do not need *guanxi* at all...". It should be

noted, that in most cases managers employed by purchasing offices, where they hold the dominant position in the market channel, represented this approach. These individuals possessed limited experience in cooperating with Chinese counterparts and did not have thorough knowledge of Chinese culture and language. The third position was based on a mixed model combining Western forms of relationship marketing with selected elements of *guanxi*. Most executives from this group considered that true *guanxi* existed only between Chinese people and they needed to transfer it through, e.g. loyal Chinese employees. This strategy was chosen regardless of the scale and form of business or the position in the distribution channel.

In summing up the Polish managers' attitudes towards Chinese personal relationships, the vast majority admitted the high importance of using *guanxi*. Nevertheless, as a result of their relatively short stay in China and widespread misunderstandings of the Chinese culture and language barriers, these relationships were typically built instrumentally and without deep emotional involvement. As a consequence, their strong effort to "blindly" comply with all *guanxi* principles often brought counter-productive results. One executive, who was searching for a joint-venture partner, suggested that: "Giving gifts and just spending time in expensive restaurants can turn against you. Chinese skillfully use newcomers and trick them not only for expensive gifts and dinners, but even on trips and holidays to Europe. Later you might discover that these people are not even owners, but only middlemen...". Respondents additionally pay particular attention to the problem of maintaining the balance between *guanxi* and Western Human Resource standards in staff management. On one hand, they were obliged to give special privileges and treatments to employees who have special *guanxi* (which is regarded in China as normal and ethical). On the other hand, they are obliged to implement Western teamwork spirit with fair and equal treatment. Similar conflicts have occurred in cooperating with customers. Favoring those with whom they have good *guanxi* was at a cost to losing many others who, e.g. have lower levels of price or superior service standards.

The explicit determination for the best form of cooperation and intensity of *guanxi* use in this market is ambiguous. The model of conduct will be the result of a range of activities (generally different for purchases and sales) or managers' personal preferences related to the length of their residence, knowledge of Chinese culture, and personal attitude to the Chinese.

5.2. *Lian* and *Mianzi* – theory and their current “traps”

The second most frequently mentioned aspect of the PRC business environment by Polish respondents was the concept of “Chinese face” and its significant role in market interaction compared to Western culture. As Kim and Nam argued, “face” is a powerful concept that may help to account for much of the distinctive, yet misunderstood organizational behaviour in this part of the World⁶¹.

In the subject literature, there are two main ways of analyzing the role of “face” in Chinese society. The first has its origins in the Western concept of face and its global nature, as a form of prestige and as an indicator of individual qualification (etic). Using this approach, the pioneering study about the face phenomenon, which later became the basis for many further analysis, was conducted by Goffman in the mid-fifties⁶². The author defined face as “the positive social value a person effectively claims for himself by the line others assume he has taken during a particular contact. Face is an image self delineated in terms of approved social attributes”⁶³. According to these assumptions, the person may experience shame and embarrassment if he/she finds that his/her face has been discredited in certain circumstances. This embarrassment can lead to a disruption in co-operation, which means these participants are mainly concerned with saving face in order to maintain acceptable interactions. Using the achievements of Goffman, Brown and Levinson later defined face as “public self-image that every member wants to claim for himself”⁶⁴. According to the authors, the participants in social interaction can usurp the right to ensure that nobody can interfere in damaging their face and at the same time must respect the face of the other party in the communication process. Additionally, face has two sides: positive and negative. Negative face is focused on defending one’s own territory, freedom, and the right that other people respect the individual’s own actions and behavior. Positive face refers to the desire for recognition and appreciation of oneself. Thus, the Western approach sees face as an autonomous, internal attribute of the individual, not external in the form of title or social status. Here, face is private (rarely shared or collective) and it is generally considered in the interaction between participations of equal status. “Work

⁶¹ J.Y. Kim, S.H. Nam, *The Concept and Dynamics of Face: Implications for Organizations Behavior in Asia*, “Organization Science” 1998, No. 4, Vol. 9, p. 523.

⁶² E. Goffman, *Embarrassment and Social Organizations*, “American Journal of Sociology” 1956, No. 62, pp. 264–271.

⁶³ E. Goffman, *On Face-Work: An Analysis of Ritual Elements of Social Interaction*, “Psychiatry: Journal for the Study of Interpersonal Processes” 1955, No. 3, Vol. 18, p. 213.

⁶⁴ P. Brown, S. Levinson, *Politeness: Some Universals in Language Use*, Cambridge 1987, p. 61.

on the face” is mostly considered in the context of short meetings and not long-term relationships.

On the contrary, Chinese perceive their face in the context of the hierarchical relationship built within the family and the above-described *guanxi* networks. The Chinese face is a determinant of position in the relationship, has a collective character, and is created based on a history of the socially sanctioned behavior of individuals. Loss of face in Chinese society is not only associated with the fault of the individual, but is a form of public humiliation resulting in shame, a distinctly collective, or rather communal sentiment⁶⁵. Therefore, the Western approach does not often reflect the Chinese face nuances, so the most important analysis of this concept was created with the emic perspective. Commonly cited studies are the works of Hu⁶⁶ from 1944, who conducted an analysis of 200 Chinese proverbs and classified the concept of face in two main dimensions: *lian* and *mianzi*, and the publication of Ho⁶⁷ from 1972, which based on the same division. At the physical level, *lian* and *mianzi* means the “physical face” and are close to the Western concept of face. In social relations however, have their specific and hidden meanings.

Lian means „the confidence of society in the integrity of ego’s moral character” and is “both a social sanction for enforcing moral standards and an internal sanction... Once people lose *lian*, it is impossible for them to function properly in society”⁶⁸. It refers to the basic dignity and respect of an individual and is a form of social sanction to enforce moral standards⁶⁹. In short, it can be equated with morality and a sense of shame in Western societies.

Mianzi, on the other hand, is “a reputation achieved through getting on in life, through success and ostentations”⁷⁰. Hu stressed that Chinese *mianzi* refers to the Western concept of face, but it lacks the connotation of *lian*⁷¹. *Mianzi* can be obtained by personal attributes (e.g. knowledge, skills) and from non-derived personal characteristics, such as wealth, social connections, *guanxi*, and power. *Mianzi* can be characterized in terms of both – quantity and quality⁷². In China, it is

⁶⁵ Y. Wang, X.S. Zhang, R. Goodfellow, *China Business Culture-Strategies for Success*, Singapore 2003, p. 25.

⁶⁶ H.C. Hu, *The Chinese Concept of Face*, “American Anthropologist” 1944, No. 1, Vol. 46, pp. 45–64.

⁶⁷ D.Y. Ho, *On the Concept of Face*, “American Journal of Sociology” 1976, No. 81, pp. 867–884.

⁶⁸ H.C. Hu, *The Chinese...*, op.cit., p. 45.

⁶⁹ Ibidem.

⁷⁰ Ibidem.

⁷¹ Ibidem.

⁷² Ibidem, p. 55.

referred to as either large or small *mianzi*. The first is associated with greater influence, social recognition, and respect, which means more power to achieve desired goals. *Mianzi* is attributed not only to the actual person, but also to the position that he/she holds. The higher the position the person has, the greater his/her *mianzi* is. The size of one's *Mianzi* is a function of the person's social status, but it varies from group-to-group. For example, a manager will have more *mianzi* than his/her subordinates, but will not necessarily have the same *mianzi* among a group of intellectuals. *Mianzi* can be viewed in two dimensions: subjective and objective. In the subjective perspective, *mianzi* is the self-esteem value of the individuals in social relations. In the objective dimensions, *mianzi* reflects place and social position of the individual in the eyes of other members in the group. It often happens that the subjective appraisal of the perceived value of *mianzi* may not coincide with the assessment from society. From the subjective point of view, a person can speak of the loss of *mianzi*. Objectively, the individual *mianzi* is simply too small to achieve one's plans and goals. *Mianzi* is usually achieved by positive feedback from the group in which the interaction is happening, the exemplary behavior of the person, superior accomplishment, or enhanced status by professional advancement. It can be lost when the behavior and achievements are below the minimum level considered acceptable for this person's status and the individual is no longer able to adequately meet his/her requirements for holding the social position⁷³.

Lian differs from *mianzi* by the way of special claim; it is more ascribed than achieved. Everyone is entitled to *lian* by virtue of membership in society and can only lose it by breaching the norms and principles of this society. In China, it is therefore not accurate to say that *lian* can be gained, as it can only be "lost", and this has much greater consequences than in the case of *mianzi*. The loss of *mianzi* can be more easily regained. By contrast, once *lian* is lost, it means that the integrity of the person's character is subjected to doubt or even indefinitely destroyed. In the case of losing *lian*, the individual is blamed since the loss is only associated with his/her own reprehensible conduct or violation of social rules. Instead, *mianzi* can be lost as a result of other people's behavior. *Lian* guarantees minimum level of social esteem, which every individual possesses regardless of his/her social position, power, or authority. Anything that goes beyond this minimum level of social esteem belongs to *mianzi*. Every person has *lian*, but not everyone has *mianzi*. It is possible to indicate direct relation – having *lian* is a prerequisite for having *mianzi*.

⁷³ D.Y. Ho, *On the Concept...*, op.cit., p. 870.

In market relationships, *mianzi* is used to extend the reach of these connections while *lian* is the moral foundation and guarantee for them. According to Redding and Ng, a fear of losing *lian* among the Chinese is the basis for widespread informality toward contracts. Conversely, *mianzi* enters much more into everyday transactions as a form of social currency⁷⁴.

Most of the surveyed Polish executives confirmed the unique importance of face in relationship marketing and negotiation practices in China. Face was regarded as one of the most distinct features in this environment by almost 90 per cent of the research participants. However, giving and protecting face practices was dependent on the stage of the relationships, not as a fixed protocol as suggested in various handbooks on Chinese business culture. Almost 30 interviewees (79%) pointed to face as one of the most important factors in the initial stage of cooperation with the need to adapt to all Chinese norms and rules. Only six respondents (15%) opted to continue the same conduct in the final process of negotiations and in everyday operations⁷⁵. One of the purchasing managers of a clothing distributor described this as “praising the achievements of a partner and courtesy in the greeting phase, and, then, only hard negotiations are relevant. The Chinese are unlikely to play fair in negotiations, no matter how many faces they are given...” The explanation of this situation is that Chinese have different behaviour standards depending on the previously explained categories of *guanxi*. Face practices around the closest family relationships (*qinren*) are governed by hierarchical and strict rules that are deeply rooted in *wulun* tradition. Shuren relationships require sustained efforts of face giving and protection through the following: preferred treatment, continuous favours reciprocation, gift giving, and frequent banquet invitations. The Chinese partners would see neglecting any of these rules as a lack of respect. Although, in interacting with the shengren (strangers), the required “face work” is much more complicated. The giving of *mianzi* should be without exception the norm in early stages of relationship building, especially during the first public meetings and presentations. After the initial stage, it is usually advised to deviate from the stringent rules and principles of this phenomenon. The negotiations should not only focus on social content but more on substantive issues connected to dispute differences.

⁷⁴ S.G. Redding, M. Ng, *The Role of Face in the Organizational Perceptions of Chinese Managers*, “Organizational Studies” 1982, No. 3, Vol. 3, p. 207.

⁷⁵ The exceptions are the relationships in joint-venture companies. Managers pointing out the need of continuous face work with Chinese partners were employed just in this type of organizations. Justification might be here the change of attitude of Chinese themselves to this type of cooperation and highlight to the transition of foreign partners to the higher level in the *guanxi* hierarchy.

Interviewees also acknowledged prevalent incidents in recent years where Chinese partners try to use “face protocol” to their own advantage. In most cases, on-the-surface culture training of Western managers caused them to become easy “prey” for their counterparts, as a result of their very naive application of face practices, especially unconditional avoidance of *mianzi* losing situation by their partners. The Chinese who became more accustomed to these situations began to pragmatically exploit this behaviour in negotiation and everyday cooperation. Furthermore, they pointed to a different approach in the adaptation of face practices, depending on the stakeholder groups. The greatest attention should be given to the government officials, who have enormous power and prestige ascribed to their position and, therefore, the highest sensitivity of losing *mianzi*. In this case, the best strategy would be to permanently care for their *mianzi* by always paying the highest standard of courtesy, hospitality, and constantly praising both professional and personal achievements. The next group of importance was placed on the Chinese workers. Open communication and collaborative problem solving methods are convoluted or, in many cases, even impossible to implement. Inherited from childhood, the hierarchical and dependent way of thinking does not allow Chinese employees to openly express individual opinions, not to mention, direct criticism of a supervisor. Subordinates at all costs try to give and protect their superior’s *mianzi*, even if it is to the detriment of the organization. For example, one respondent described the following extreme case, “my company did not participate in the tender because of missing the deadline for submission due to the fact that my worker was afraid to tell me that I had forgotten to sign the proposal and I was unfortunately oblivious to his ambiguous hints...”.

Additionally, respondents turned their attention to the special respect of face among the executives at state-owned companies, where-in comparison to the private sector-the emotional factors combined with *mianzi* are largely put before economic considerations. Moreover, the interviewees often warned that issues of a political nature should never be discussed, even with already well-established partnerships. This is because the loss of face can be connected with the overall common sense of nationalism among the Chinese.

To recap the face issue in China, giving and protecting *mianzi* should be the basis for any social and business interaction in this market. Although, it should be remembered that the initial phase of cooperation need be separated, in which courtesy gestures, gift giving, lavish dinners emphasized the importance of the partnership. For the actual phase of negotiations, however, open communication and a clear statement of one’s own proposals brings more desirable results in the long run.

5.3. *Xinren* and *Xinyong* – theory and practical implications

In Chinese culture, similar to the face concept, trust is represented by two intertwined terms: *xinyong* and *xinren*. Before explaining these two concepts, the Western approach to trust will be discussed.

Trust is considered as an important, even decisive success factor in marketing operations all over the world. In Western relationship marketing, trust was found to be the fundamental element affecting relationship building and the main factor influencing competitive market advantage. For example, Morgan and Hunt⁷⁶ indicated trust and commitment are the basic elements in the entire process of relationship building. Correspondingly, trust and promises were highlighted by Grönroos and considered as critical determinants in the formation and maintenance of partnerships⁷⁷. Most studies highlighted that trust reduces the negative client's perception on the potential opportunistic behavior of suppliers, builds a sense of security in co-operation, and significantly reduces transaction costs⁷⁸.

Even though the concept of trust is commonly used, there isn't any standard or binding definition in the subject literature. It is mostly identified with the cooperation, kindness, honesty, reliability, predictability, competence, openness, good will, or even a sense of caring. In sociological writings, one of the most recognized conceptualization of this term is the proposition of Sztompka, who sees it as "commitment through action, or – metaphorically speaking – placing a bet"⁷⁹. According to this Polish author, trust refers to the actions of other individuals (not one's own), where the risk is taken by placing bets on their sovereign, future actions. In marketing literature, trust is defined as the "willingness to rely on an exchange partner in whom one has confidence"⁸⁰. In addition, regarding trust in the market, McAllister stressed the interpersonal factor distinguishing the cognition-based

⁷⁶ R. Morgan, S. Hunt, *Relationship Marketing in the Era of Network Competition*, "Marketing Management" 1994, No. 1, Vol. 3, pp. 19–28.

⁷⁷ Ch. Grönroos, *From Marketing Mix to Relationship Marketing. Towards a Paradigm Shift in Marketing*, "Management Decision" 1994, No. 2, Vol. 32, p. 9.

⁷⁸ See S. Ganesan, *Determinants of Long-Term Orientation in Buyer-Seller Relationship*, "Journal of Marketing" 1994, No. 58, p. 3.

⁷⁹ P. Sztompka, *Zaufanie. Fundament społeczeństwa* [Trust: The Foundation of Society], Kraków 2007, pp. 69–70.

⁸⁰ Ch. Moorman, G. Zaltman, R. Deshpande, *Relationships between Providers and Users of Market Research: The Dynamics of Trust within and Between Organizations*, "Journal of Marketing Research" 1992, No. 3, Vol. 29, p. 315.

trust and affect-based trust⁸¹. Cognition-based trust is related to the knowledge possessed by individuals about the solidity and reliability of others. Affective-based trust is built on the emotional ties between people who genuinely express concern for the good and interest of a partner with the belief that this feeling and concern will be reciprocated. The second major force creating security within market operations, as well as the above interpersonal perspective, is the concept of system trust that was introduced by Luhmana⁸². (Williamson similarly describes institutional trust⁸³). System trust is based on formal, structural regulations valid throughout the country, such as legal contract enforcement, product quality proven by certification, etc. If the entire system created by these regulations is working properly, it reduces the risk of entering into relationships with partners where there is limited experience in co-operation. Western organizations mainly based on this type of trust usually prefer the system/legal protection of transactions, objective assessment of partner qualifications, and a written contract instead of any involvement of interpersonal trust⁸⁴.

On the contrary, personal trust is emphasized in the majority of Asian countries including China. Following Fukuyama's theory, the Chinese nation as a whole can be described as a low-trust society, but high trust if we consider the behavior in groups like extended family, clan, etc., where interpersonal trust protects individuals against high levels of general social opportunism⁸⁵. In China, trust is therefore not based on well-functioning institutions, but on strong blood ties and *guanxi networks*.

The most similar word corresponding to Western comprehension of trust is *xinren*, which occurs primarily on the interpersonal level and translates repeatedly as "deep trust." Additionally, the use of the word is often interchanged with *xinyong*, however, it is not exactly the equivalent meaning. Chinese *xinyong* should rather be identified with credibility and recognition, which is based on the history of cooperation and one's reputation in keeping promises and fulfilling obligations in the *guanxi* network. Furthermore, *xinyong* differs from *xinren* by implying a level of hierarchy in the relationship, i.e. a person standing higher in society al-

⁸¹ D.J. McAllister, *Affect- and Cognition-Based Trust as Foundation for Interpersonal Cooperation in Organizations*, "The Academy of Management Journal" 1995, No. 1, Vol. 38, pp. 24–59.

⁸² N. Luhmann, *Trust and Power*, Chichester 1979, p. 50.

⁸³ O.E. Williamson, *Calculativeness, Trust and Economic Organization*, "Journal of Law and Economics" 1993, No. 1, Vol. 36, pp. 453–486.

⁸⁴ L.G. Zucker, *Institutional Theories of Organization*, "Annual Review of Sociology" 1987, No. 13, p. 454.

⁸⁵ F. Fukuyama, *Zaufanie. Kapitał społeczny a droga do dobrobytu [Trust. The Social Virtues and the Creation of Prosperity]*, New York 1995], Warszawa 1997, pp. 40–43.

ways has more *xinyong*⁸⁶. For that reason, *xinyong* is attached to a person's social credibility and is a determinant of social status as well as a measurement of the ethical business integrity of the individual⁸⁷. If a person judges another person within networks as having *xinyong*, high trust will be placed in him/her during the exchange process.

Due to the intertwined meanings of these categories, it cannot be exactly defined as to which term *xinren* or *xinyong* should be always used to describe trust in China. This will usually depend on the context, where it has to be remembered that *xinren* indicates a trust between people who have had time to get to know each other and to enhance trust, while *xinyong* is indicative of hierarchical relationships and the transfer of reputation within *guanxi* networks. As described by Leung, *guanxi* is a type of "lubricant" to reduce the psychic distance between exchange partners. *Xinyong* is a "convergent point" to facilitate a partnership relationship between a buyer and seller⁸⁸. Both *xinren* and *xinyong* are strongly tied and depend on the rules of *renqing*, which through the obeying of emotional involvement elements leads to the development of long-term orientation in relationships. It is impossible to build *xinren* without *renqing*, and *xinyong* may be reduced if a person with high credibility and reputation will not reciprocate favors and does not show emotional commitment.

However, the above-presented emotional attitude to trust and its connection with *renqing* and *guanxi* stand in stark contrast to the perception of trust from the perspective of the commonly used strategies of Master Sun Tzu known as *Bingfa*. In fact, all strategies and tactics proposed by Sun Tzu are based on deception, fraud, stratagems, and evasion involving lack of trust in relationships, rather than its encouragement. This contradiction fits perfectly into the earlier classification of China's low-trust societies, partly as a result of reference to Master Sun Tzu's way of thinking and promotion of high trust in *guanxi* and *renqing* relationships within family and close acquaintances.

Polish executives, in most cases, due to a lack of special Chinese cultural/language education, were not able to precisely quote the Chinese words equivalent to trust. Only a few of them correctly used terms such as *xinyong* and *xinren*, indicating that it is easier to obtain *xinyong* as a form of reputation, credibility, or trustworthiness compared to *xinren*, which is quite rare among Chinese and foreigners.

⁸⁶ In the case of *xinren*, it assumes that the relationships are horizontal in nature

⁸⁷ T.K. P. Leung, K. Lai, R.Y. K. Chan, Y.H. Wong, *The Role of Xinyong and Guanxi in Chinese Relationship Marketing*, "European Journal of Marketing" 2005, No. 5–6, Vol. 39, p. 532.

⁸⁸ *Ibidem*, p. 536.

Regarding the question about the main foundation in *guanxi* development, managers indicated *renqing* as the most important factor (68% of responses) and, surprisingly, trust as second (31% of responses). The emphasis of *renqing*'s importance before trust may reflect common obstacles and long-term needs in gaining real trust (*xinren*), especially for managers with short-term secondments (2–4 years) in this market and their mostly un-emotional and pragmatic perception of *renqing* as “returning favor for favor”. This results in the immediate expectation of reciprocation for help by Chinese partners (often associated with a kickback) as opposed to genuine *renqing* and *xinren* based on emotional involvement. Therefore, firms planning to expand in this market should always consider longer-term transfers of managers or devise plans for them to spend their entire career in the region. One executive describes this as “two, three year stays in the market makes no sense ... It is best if they (Chinese) know that you will spend your entire professional life here as then it is possible that you will become a real partner in their *guanxi* networks... and after many years can gain *xinyong* or even *xinren*...”.

Similar to face practices, respondents also warned against frequent manipulations of the trust issue in order to achieve business benefits. The Chinese naturally use misleading tactics in the form of flattery, as well as assurances of friendship and deep trust, especially in the initial stage of co-operation to avoid signing a formal contract. In this situation, as advised in Sun Tzu Bingfa, they often take advantage and do not fulfill obligations. It is worth mentioning that these tricks are not just reserved for cooperation with foreigners. Chinese managers also use misleading tactics among their compatriots, if the relationship is superficial in nature, the partner does not have a high *xinyong*, or is partially excluded from the *guanxi* network.

To summarize the Western and Chinese perspective on trust, it has to be remembered that it is regarded as one of the most important factors in cooperation development, building partnerships, and reducing transaction costs. However, in both areas we are dealing with a different understanding of trust. Western market participants choose “institutional solutions” as guarantees in exchange processes due to well-developed regulations and efficient legal system. On the contrary, Chinese market participants particularly prefer to support the transaction with personal trust. Building trust in this environment is therefore more complex; intricate; and requires higher dedication of personal time by managers, especially on issues related to empathetic and emotional commitment in a relationship and reciprocating favors according to the rules of *renqing*. In addition, it would be advisable to develop the ability to discover partners' needs and sensitivity to their personal problems, which further enhances the emotional involvement necessary to acquire

real *xinren*. However, if the Chinese party finds the relationship is not beneficial, managers must also maintain vigilance to various tactical behavior aimed at misleading and taking advantage when opportunities arise.

6. Conclusion

The obtained research findings and the following analysis strongly suggests that relationship marketing theory, based on Western values and evaluation, does not fully reflect the relational characteristics of this emerging market. IMP Group tradition almost completely ignores aspects such as giving and protecting “face”, emotional and empathetic personal involvement in the business relationship, and the ability to intrinsically embrace paradoxes, which, for example, simultaneously allows the insistence of deep personal trust and the use of misleading tactics based on Sun Tzu’s thoughts. Relationships in China are built on the deeply rooted *guanxi* model; always maintained on a personal level with strict hierarchy; special emotional involvement based on *renqing*, which guarantees ample reciprocation of favors even transcending the next generation. The notions of *xinren* and *xinyong* represent trust. It also has a typically personal nature and is a substitute for the still under-developed institutional framework. “Face”, which is similarly represented by the two constructs of *mianzi* and *lian*, is the most enigmatic aspect of this culture and remains the foundation of forming all relationships. However, as some respondents have suggested, it has recently provided an additional platform for malpractice by opportunistic Chinese counterparts. Not to repeat everything that has already been described about these indigenous aspects, in the end, it is worth pointing out some practical managerial implications.

First of all, when expanding in the Chinese market, companies should always send managers to be physically present in the environment. This strategy not only supports Western theoretical backgrounds of internationalization, where knowledge can be best acquired from direct experience, but is inevitable from the *guanxi* point of view – where relationships are built on a personal level. The Chinese always prefer to do business with people they know and trust, rather than with an faceless organization even if it is associated with a famous brand.

Due to the complexity of cultures and different social etiquette, companies and their expatriates must be prepared for a management paradigm shift in their China operations. Instead of being analytical, they should apply a more Chinese-oriented holistic approach. The selected managers must demonstrate the highest level of cultural sensitivity and, ideally, should have previous experience working

in other international markets. The training process should be multi-phased and multi-faceted with knowledge not only of market development, industry competition, laws, etc. But, above all, should focus on specific relational and ethical culture standards, including dialectical thinking, Chinese history, and intensive language training.

Furthermore, Western managers should be prepared for the common practice of Chinese partners to intertwine business and personal relationships and highlight private over organizational interest. They also have to demonstrate exceptional patience during the protracted negotiation process that rarely discuss the project or finalizes the contract, but instead aims to obtain personal knowledge of the partner's potential to develop relationships. It should be further emphasized that because of the personal nature of gaining trust in building relationships, it is advised not to have frequent changes of key personnel, as is usually the case with contract durations that last a few years. The best solution would be to find individuals who are willing to tie his/her career to the region, because this provides the chance to gain real *xinren* (trust) and to be actively involved in the *guanxi* network.

In dealings with Chinese partners, expatriates should always remember to keep with the hierarchy of age and position with continued giving of face by complimentary remarks on their business and personal achievements. Direct criticism should be avoided in all cases since Chinese partners will inevitably lose face. Similarly, Human Resources Management of staff should encompass a strong emphasis on positive work, which is the best method for enhancing face and personnel performance. Criticism should be discreet and presented as a guideline for future actions rather than a reprimand.

Additionally, it has to be remembered that if the Chinese side realizes that the relationship is not valuable, managers must remain vigilant not to succumb to the various tactics aimed at taking advantage of them. In order to maintain relationships that are enduring and long lasting, companies must adopt an integrated approach of reciprocating favors with long-term cultivation of mutual benefit, increased for emotional involvement in the relationship and mutual trust development.

Finally, to support expatriate managers, the parent organization needs to assign people with experience and sound knowledge of intricate operational issues in this market to create an understanding between the headquarters and the Chinese subsidiary. The lack of understanding by the headquarters of local requirements and frequent enforcement to unify the overall global strategy were identified by most respondents as the main inter-organizational factors hindering effective operations in this market.

7. Limitations and future research

Although this paper has important theoretical and managerial contributions to the literature on relationship marketing in cross-cultural settings, like other studies, there are some inherent limitations to this research. Firstly, the sample of only thirty-eight respondents limits the generalizability and, as a result of the structure of Polish firms that have invested in China, these remarks are narrow and mostly relate to the B2B markets and small-to-middle-range companies. The study should thus be treated as exploratory research and presented findings need further testing on larger and diversified samples. However, application of some findings to other sectors and company size, which inevitably are facing similar investment problems can also be relevant.

Even though the presented remarks refer only to the situation in Mainland China, they can also be successfully used in co-operation with other Chinese culture-based markets. The relational business that is characteristic for Taiwan, Singapore, Hong Kong, and other South East Asian countries, where the Chinese population controls the majority of the economy, e.g. Thailand (more than 80%) and in Indonesia (nearly 70%), are fairly similar because they are based on the same cultural heritage.

Finally, it has to be admitted that this study includes to some extent an imposed „etic” because of authors’ own cultural heritage. Thus, it would be very interesting to consider conducting similar studies from the perspective of researchers with Chinese ethnic background. Additionally, the research might consider Chinese companies investing abroad and report their opinions on indigenous managerial practices and co-operating issues with local Western partners.

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