



The Role of Guanxi in Chinese Entrepreneurship

A qualitative study on how Chinese entrepreneurs make use of guanxi networks during the development of micro firms

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Abstract

Guanxi plays an important role in Chinese entrepreneurial networking activities, especially for micro entrepreneurial firms in China. Due to limited information and resources available to micro firms, micro firms are more dependent on entrepreneurs' guanxi networks to get access to the necessary resources. Previous literatures have particularly discussed the impacts of guanxi networks for foreigners successfully doing business in China. Nevertheless, there are scant literatures that study on the role of the guanxi in Chinese entrepreneurship.

The purpose of this study is to provide a better understanding of the role of guanxi in Chinese entrepreneurship. This study employs the relevant guanxi concepts, Western social capital theory, and network-based entrepreneurship as the main conceptual framework to examine how Chinese entrepreneurs utilize their guanxi networks during the development of micro firms. Furthermore, this study is based on ten case studies in China. Empirical Data are collected from semi-structured interviews with ten Chinese entrepreneurs in micro firms.

The results show that guanxi networks are highly important for Chinese entrepreneurs to develop their business. Firstly, Chinese entrepreneurs make use of different guanxi governance mechanisms--qinqing, renqing and jiaoqing to acquire different information and resources for the development of their firms. The obtained information and resources constitute the social capital, which can be used to complement insufficient capital within the firms. Secondly, Chinese entrepreneurs intentionally enlarge their guanxi network size to obtain more resources. Moreover, Chinese entrepreneurs benefit from strong guanxi ties and closure network structures to obtain the cohesive social capital. While Chinese entrepreneurs gain greater benefits from weak guanxi ties and spare network structures for acquiring additional information, resources and business opportunities. Thirdly, guanxi-networking activities are different from Western social networking activities, as guanxi-networking activities put more emphasize on keeping harmony and mutual reciprocity. Furthermore, Chinese entrepreneurs are proactive to build and maintain guanxi networks through various approaches for their business development. Lastly, even though guanxi networks play important roles in the development of micro entrepreneurial firms, they cannot be sustainable competitive advantage in the long term. Indeed, the core competences such as high quality of products and services, advanced technologies and marketing channels could be sustainable competitive advantages for the entrepreneurial firms in today's increasingly fierce competitive market.

Key words: guanxi, guanxi network, entrepreneurship, network-based entrepreneurship, social capital theory, resource-based view, sustainable competitive advantage

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Chapter 1 Introduction

This research mainly focuses on the role of guanxi networks in Chinese entrepreneurship. Chapter 1 provides an overview for the chosen topic. It begins with presenting the background of relevant researches on guanxi networks and entrepreneurship in recent decades. Then it displays a problem discussion, together with five sub-research questions. Afterwards, the chapter briefly states the purpose of the thesis. Finally, it presents an outline of the whole thesis in the end of this chapter.

1.1 Research background

China is one of the biggest emerging economic countries in the world (Luo & Tao, 2010, p. 262). Since the implementation of Chinese economic reform policies in 1978, there have been an increasing number of new enterprises among different industries in China. Moreover, entrepreneurship is a significant incentive for economic growth and market competitiveness in the emerging economies since the past several decades (Luo & Tao, 2010, p.265), as entrepreneurial firms can create wealth and economy to the country (Zhang, Cooper, Deng, Parker, & Ruefli, 2010).

Meanwhile, with the long historical development and its Confucian cultural root, China has evolved into a guanxi-based society and in which entrepreneurs could be connected through different personal networks (Standifird & Marshall, 2000). Besides being equipped with the required entrepreneurial competences, such as knowledge, skills, and experience, Chinese entrepreneurs also focus on the utility of their guanxi networks in order to obtain the necessary resources for the development of their entrepreneurial firms. (Lee & Anderson, 2007, p. 40).

There is an old saying in China: “Who you know is more important than what you know.” Yeung & Tung (1996) explain that “ ‘Who you know’ means personal connections with appropriate authorities or individuals, and these connections are called as guanxi in China.” (p. 54). Guanxi is a Chinese term that is generally described as personal “network” or “relationship”. Guanxi can be regarded as connection, exchange of resources between two individuals within guanxi networks (Fan, 2002). According to a recent report from the World China Direct Selling Research Center (WCDSRC), guanxi networks are crucial for Chinese entrepreneurs to operate their business smoothly in China (WCDSRC, 2011). The World China Direct Selling Research Center states that entrepreneurs should expand their guanxi networks, as the guanxi networks can affect social capital. Subsequently the social capital can affect entrepreneurial firms’ development platform, and ultimately the platform could influence firms’ success (WCDSRC, 2011, p. 30).

In Western literatures, it is generally supported that the creation of potential networks and

strengthening of the existing networks can encourage entrepreneurship and the generation of social capital to entrepreneurs (Rodríguez, Garrido, Gómez, and Navarro, 2010, p. 578). Guanxi could bring valuable benefits to entrepreneurial firms in China, “*Building guanxi networks means building social networks*” (Chen, 2009, p. 269). As a kind of institutional structure that is deeply embedded in Confucian culture, guanxi networks still keep working in China (Granovetter, 1985). It is stated that guanxi could offer transition cost advantages for business in China (Standifird & Marshall, 2000), besides smoothing transaction (Ambler, 1994), guanxi networks can secure information and resources (Davies, Leung, Luk and Wang, 1995). It is also supported by Chen (2009) that guanxi is embedded within interdependent networks that provides distinctive resources, various information and emotional supports so as to better improve entrepreneurial firms’ performance.

In other words, Chinese entrepreneurs’ guanxi networks and their networking activities play key roles during the entrepreneurial process. Through guanxi networks and networking activities, Chinese entrepreneurs can obtain tangible and intangible resources. Therefore, the obtained resources and supports can further facilitate entrepreneurial firms’ development and growth in the long term. More importantly, if guanxi is valuable, rare, and imitable, guanxi could provide sustainable competitive advantages for entrepreneurial firms in China (Tsang, 1998, p. 64).

Especially, operating micro entrepreneurial firms in China is more complicated and risky (Lee & Humphreys, 2007, P. 40). Previous research has shown that entrepreneurial firms that are new or small or lack of technological skills are more likely to take advantage of guanxi networks (Park & Luo, 2001). In the same vein, Yeung & Tung (1996) assert that guanxi networks are beneficial in the entrepreneurial process, and smaller firms are more likely to put greater attention on guanxi networks than larger firms are. In addition, Moensted (2007) argues that new and small entrepreneurial firms should build networks themselves through networking activities in order to operate the business smoothly.

During the recent two decades, studies of guanxi networks and Chinese entrepreneurship have aroused growing interests of scholars, since the scholars have acknowledged the value of guanxi networks to Chinese entrepreneurs. Furthermore, the dynamic guanxi networks and their unique effects on the development of entrepreneurial firms lead to specific studies in the context of Chinese Confucian culture. In addition, it is noticeable that guanxi networks are highly dynamic and diversified during the entrepreneurial process (Luo & Tao, 2010; Guo & Miller, 2010; Hu & Stanton, 2011). The key point of utilizing guanxi networks during the entrepreneurial firms’ development is to integrate dynamic governance mechanisms of guanxi networks. Particularly, recognizing the role of guanxi networks in Chinese entrepreneurship is an interesting and meaningful subject to look into. Therefore, to obtain a better understanding of the role of guanxi in Chinese entrepreneurship, this study will review the relevant literatures and explore how Chinese entrepreneurs utilize guanxi networks during the development of their firms.

1.2. Problem statement

In the recent decades, guanxi networks have been increasingly aroused Western and Asian entrepreneurial researchers' interests. Existing studies of Chinese entrepreneurship have shown that guanxi networks play important roles during the entrepreneurial process (Yeung & Tung, 1996; Park & Luo, 2001; Lee & Anderson, 2007; Chen, 2011; Guo & Miller, 2010). In the start-up phases of entrepreneurial firms, Chen (2011) claims that guanxi networks can assist entrepreneurs to reduce relevant set-up costs. In the same vein, Guo & Miller (2010) propose that strong guanxi ties can provide financial capital, useful advices and feedback during the creation of entrepreneurial firms. Also, Yeung & Tung (1996) assert that guanxi networks are more beneficial in the venture creation phase, and small firms are more likely to put greater attention on guanxi networks than large firms are. Obviously, guanxi networks can assist Chinese entrepreneurs to motivate entrepreneurship, generate entrepreneurial ideas, and establish firms in the venture creation phase. In fact, in the following development phase, entrepreneurial firms have greater demand for guanxi networks to support and promote their business growth, particularly in the context that is lack of political and institutional support and required resources (Lee & Humphreys, 2007). Nevertheless, most of the existing literatures mainly study the impacts and utility of guanxi networks during the initial entrepreneurial process. Therefore, there is an emerging need to study guanxi networks in the development phase of entrepreneurial firms.

Actually, guanxi networks are especially more important for small and micro entrepreneurial firms in China. some of the prior studies are based on the quantitative research to investigate the use of networks and small and medium enterprises (SMEs)' performances, and the results consistently prove that there is a positive relationship between the right use of networks and SMEs' performance (Ostgaard & Birley, 1996; Riccaboni & Pammolli, 2002; Manolova, Manev, & Gyoshev, 2010). While, Park & Luo (2001) highlight entrepreneurial firms that are new or small or lack of technological skills are more likely to take advantage of guanxi networks. Therefore, the entrepreneurial firms can overcome disadvantages and constraints as well as make access to necessary information and resources to a certain extent. In the same vein, Moensted (2007) asserts that new and small entrepreneurial firms should build networks themselves through networking activities in order to operate the business smoothly. Nevertheless, there are a few studies focus on the development of micro firms in the context of China. In sum, the above arguments motivate this study to focus on the micro firms in China and explore how Chinese entrepreneurs utilize guanxi networks for the development of firms.

Furthermore, in Western literatures of entrepreneurship researches, a great many discussions prove that social networks are important tools for entrepreneurial firms to get access to various resources that including financial, physical, technology and human capital. Western scholars have drawn great attention on the research of entrepreneurs' network analysis (Granovetter, 1973; 1985; Coleman, 1988; Burt, 1992; 2000). Aldrich & Zimmer (1986) firstly propose the network-based entrepreneurship. They assert that entrepreneurs are embedded in the social network, and the entrepreneurs' network is crucial for the development of entrepreneurial firms. Moreover, Hakansson & Snehota (2006) claim that entrepreneurship is a form of networking activities, consequently entrepreneurial firms can

obtain the necessary resources through mixed network ties. Afterwards, through reviewing the contemporary theoretical and empirical work of network-based research in entrepreneurship, Hoang & Antoncic (2003) propose three essential elements of networks in entrepreneurship, including network content, governance mechanisms, and social structure. And these three components of networks interactively influence entrepreneurial outcomes during the entrepreneurial process. In addition, in numerous western literatures of network analysis, network structure can be measured by a variety of variables, such as network configurations (Coleman, 1988; Burt, 1992), network size (Burt 1982), the strength of network ties (Granovetter, 1973; 1985). In spite of the existing western literatures, few studies focus on the Chinese guanxi networks analysis, much less is study on the utility of the structure, mechanisms and content of guanxi networks by Chinese entrepreneurs. Thus it is necessary to understand the concepts of guanxi networks and analyze the major components of guanxi networks for Chinese entrepreneurship in the Chinese Confucian context rather than in the Western context.

Additionally, nowadays there are some controversial debates on the relevant issues of guanxi network. The first issue concerns sustainable competitive advantages. Tsang (1998) argues that precious guanxi can bring competitive advantages to firms in China. And Yeung & Tung (1996) has proved that guanxi is the most important key success factor for successfully doing long-term business in China. However, Fan (2002) argues that guanxi networks cannot bring sustainable competitive advantages to entrepreneurial firms as guanxi is vulnerable and sometimes it is expensive to be cultivated. Furthermore, Fan (2002) argues that prior literatures usually overstate the benefits of guanxi network. Fan (2002) only confirms that the most important benefits from guanxi are the acquisitions of information concerning business opportunities, market trends and institutional policies, although sometimes it is an ethical issue for the one who releases the confidential information (p. 554). In addition, Fan (2002) asserts that guanxi network can also enhance firms' operational efficiency through reduction of transition costs in the market (p. 554).

The second issue concerns the diminishing importance of guanxi in entrepreneurship. Some scholars insist that the effects of guanxi have been decreased due to Chinese economic reform, globalization and modern information technology. Guanxi is not the sole factor for business success in China (Lee & Anderson, 2007; Fan, 2002 ; Wilson & Brennan, 2010). While other scholars insist that guanxi still plays an extremely important role in business under the Chinese Confucian culture (Yeung & Tung, 1996 ; Chen Y. , 2011). Therefore, it is critical to further investigate how guanxi networks can be used to be competitive advantages and what the tendency of the importance of guanxi network in Chinese modern entrepreneurship.

Overall, previous empirical findings have shown that the social networks are important for entrepreneurship. Firstly, during the process of the start up of entrepreneurial firms, entrepreneurs can obtain entrepreneurship motivation, discover opportunities, acquire, mobilize and deploy resources, and gain legitimacy through diversified social network ties (Elfring & Hulsink, 2003). However, scant academic studies focus on the analysis of guanxi networks in Chinese entrepreneurship (Lee & Anderson, 2007). Furthermore, the previous studies fail to adequately identify and acknowledge the structure, governance mechanisms, and network content in Chinese entrepreneurs' guanxi networks (Siu & Bao,

2008). Particularly there is little study on how Chinese entrepreneurs make use of guanxi networks during the development of entrepreneurial firms (Guo & Miller, 2010). Secondly, most of the academic studies mainly investigate the guanxi networks in Small and Medium Enterprises(SMEs), they overlook micor firms in China. So there is a lack of studies that focus on micro firms (firms that employ less than 10 people), as a guanxi network is more crucial for micro firms (Park & Luo, 2001; Lee & Anderson, 2007). Thirdly, most prior studies focus on the study of networks analysis through quantitative methods, only a small number of studies use qualitative methods to investigate the dynamic guanxi network in entrepreneurship (Siu & Bao, 2008). Finally, there is an emerging need to investigate in what way guanxi networks can be sustainable competitive advantages (Tsang, 1998; Fan, 2002) and what the tendency of the importance of guanxi networks is for the Chinese entrepreneurial firms (Fan, 2002). Therefore, there is an obvious empirical gap between previous research and unsolved issues in terms of how Chinese entrepreneurs utilize guanxi networks during the development of micro firms. The increased interest on these issues spurs me to study this subject.

To fill the empirical research gap, this paper will study the role of guanxi in Chinese entrepreneurship to explore how Chinese entrepreneurs utilize guanxi network during the development of micro firms. Furthermore, due to few academic studies on the role of guanxi networks in Chinese entrepreneurship in the theoretical context, this study will construct a comprehensive theoretical framework of guanxi networks based on the Western network-based approach to entrepreneurship with Chinese guanxi concepts. Finally, this study will generate a new theory, which will increase the qualitative knowledge about the role of guanxi in Chinese entrepreneurship.

1.3. Research questions

This study specifically explores the role of guanxi during the development of micro entrepreneurial firms in China. In order to gain a better and richer understanding of the guanxi network in Chinese entrepreneurship, the main research question has been divided into five sub-questions in this study, and they are as follows:

- Why do Chinese entrepreneurs utilize guanxi networks during the development of entrepreneurial firms?
- How do Chinese entrepreneurs utilize guanxi networks during the development of entrepreneurial firms?
- In what ways do Chinese entrepreneurs build and maintain guanxi ties during the development of entrepreneurial firms?
- How can guanxi networks used to be sustainable competitive advantage for entrepreneurial firms in China?
- What is the tendency of the importance of guanxi networks for entrepreneurial firms in China?

1.4. Purpose

As a Chinese student studying in the Master program of Entrepreneurship in Umeå University, I feel interested to study the Chinese guanxi networks and networking activities in the entrepreneurship as my final thesis project.

The main purpose of this thesis is to obtain a better understanding of the role of guanxi networks in Chinese entrepreneurship. Moreover, it is worthwhile to do the study to uncover why and how Chinese entrepreneurs utilize guanxi networks and in what ways Chinese entrepreneurs build and maintain guanxi ties during the development of micro entrepreneurial firms. Furthermore, the study address the unsolved debates to investigate how guanxi networks can used to be sustainable competitive advantages and what the tendency of the importance of guanxi networks is for entrepreneurial firms in China.

Through exploration of the role of guanxi in Chinese entrepreneurship, this study will make valuable contributions to the earlier Western and Chinese network-based entrepreneurial researches. It will provide a complete picture of the role of guanxi in Chinese entrepreneurship based on the entrepreneurial network analysis. Moreover, this study is of interest to the people who wish to start up their entrepreneurial firms or already operate their entrepreneurial firms in China. This study will help them to obtain better understanding of the role of guanxi networks during the development of micro firms in practice. Additionally, the empirical study combined with the conceptual framework may explain the above research questions and shed insights on future research in this field.

1.5. Definitions of the main concepts

This section presents some related definitions of concepts to help the readers to get better understanding of the study. Further explanations of related concepts and theories are in the Chapter 3 Literature review.

Guanxi: noun, [*mass noun*], literally means “relationship” or “connection”. “*Guanxi is the system of social networks and influential relationships which facilitate business and any other dealings*” (Oxford Dictionary, 2008).

Guanxi Quan (circle): It refers to the layers of individual’s guanxi webs or guanxi networks (Guo & Miller, 2010, p. 274)

Xinyong: Literally, it refers to “credit” or “trust” to the Western vision. Further, it inclines to show the individual’s credit in the capability of returning favors to others in Chinese business relationships (Wang, 2007, p. 82).

Qing: A Chinese term, that refers to the feelings and affections (Fu et al., 2006).

Ganqing: A Chinese term, that generally refers to one's affections with other individuals. It means the feeling and emotional attachment among members within guanxi networks. (Wang, 2007, p. 82).

Qinqing: A Chinese term, that refers to one's strong emotions and affections with family members (Fan 2002).

Renqing: It means "individual's emotional responses to different situations of daily life that are guided by Chinese social norms for getting along with other people" (Guo, 2001, p. 70). Renqing emphasizes more on individuals should show empathy to others in need during the social exchange process, and they should repay the favors (Guo, 2001, p. 70).

Jiaoqing: A Chinese term that refers to one's obligations with other individuals, it is related to the lowest affection and trust with others (Guo & Miller, 2010).

Face: It refers to individual's public image that recognized by others in the society (Tsang, 1998, p. 86).

Qinren: A Chinese term, that refers to members of one's own family (Fan, 2002).

Shouren: A Chinese term that refers to familiar persons, insiders or outsiders based on social interactions (Fan, 2002).

Shengren: A Chinese term, that refers to strangers (Fan, 2002).

Micro firms: Micro firms are the firms that employ less than 10 persons within the organization.

1.6. Disposition of the thesis

After the introductory chapter, the following chapters are as follows:

Chapter 2 Literature Review: This chapter combines the existing Western theories of networks and network-based entrepreneurship with the prior literature on guanxi in order to develop a comprehensive conceptual framework for the research.

Chapter 3 Research Methodology: This chapter focuses on the theoretical considerations, including ontological and epistemological considerations, research philosophy and research approach as to guide the practical research direction. Finally, it presents the sample selection for the interviews and the interview guide.

Chapter 4 Empirical Findings: This chapter displays the collected information from conducted semi-structured interviews.

Chapter 5 Analysis and Discussion: This chapter presents the integrated analysis through

previous theories and collected data.

Chapter 6 Conclusion: This chapter mainly focuses on the conclusion of the empirical findings and analyses, as well as the answers to the research questions.

Chapter 7 Closing Chapter: This chapter discusses reliability, validity, and ethical considerations. Finally, it presents the limitations of the study and provides suggestions for future research.

Chapter 2 Literature Review

This chapter mainly makes a review based on the relevant Western and Chinese academic literatures. Firstly, this chapter introduces the concept of guanxi, practical principles, and categories of guanxi networks. Then, it discusses Western theories such as network-based entrepreneurship, social capital and resource-based views in the following sections. Lastly, it develops a comprehensive conceptual framework of guanxi network based on the existing literature review.

2.1 Chinese network--guanxi

The first section of this chapter is to review the relevant concept of guanxi, and present the existence of guanxi networks in the Chinese Confucian cultural root. After that, it compares the differences between the concepts of guanxi with Western relationship. Then it will categorize different kinds of guanxi networks based on various criteria in order to have an overview of guanxi networks. Finally, it discusses the dynamic development of guanxi networks through networking activities.

2.1.1 Concept of guanxi

Guanxi is a Chinese term that made up of two Chinese characters: guan (关) and xi (系). Chinese literally, guan means “door” or “pass”; xi means “chain” or “link”. Guanxi refers to the relationship between two individuals. However, guanxi hides the unique and special meanings in China, and it is not so easy to explain the concept with a single translation of the characters. Because the definitions of guanxi are different according to different perspectives and levels (Chen & Chen, 2004, p. 306), the concept of guanxi could be understood based on both of Western and Chinese academic literature review.

In previous Western academic literatures, Jacobs (1979) defines guanxi as “connectedness or particularistic ties” (p. 238). Alston (1989) defines guanxi is a special relationship between two individuals that have together. Abramson & Ai (1997) state there are two kinds of definitions of guanxi in business. The first definition of guanxi is “a web of personal connections, relationships, and obligations that business persons can use to obtain resources or advantages through a continual cooperation”(p. 769). The second definition of guanxi is referred to the exchange of favors between relationships in China (p. 769). Further, Buttery & Wong (1999) perceive guanxi is a dynamci relationship through changing status from outsider to insider(p. 152).

In the previous Asian literatures, Chinese scholars define guanxi under more consideration of cultural roots and characteristics of guanxi in China. Fan (2002) uncovers that guanxi is complex and it has multiple implicit meanings. Firstly, guanxi refers to the relationship between two people that share the similar status or attributes. There are relationships through blood, your family; relationship through nature, your alumni, or colleagues; and relationship through acquired, like acquaintances. Secondly, guanxi refers to continuous connection between two individuals, and guanxi is always dynamic, live, and working. Thus, one should not treat guanxi at discretion, unless you intend to abandon that guanxi tie in the end. Thirdly, guanxi refers to the exchange between two individuals for specific aims. This exchange may be not transparent or formal, even it could be contingent. What is more important, Fan (2002) insists that the exchange may not be reciprocal due to purpose of that guanxi. Fourthly, Fan (2002) considers guanxi as a resource, and more specifically guanxi can be social capital for the business development. Fifthly, Fan (2002) illustrates a new definition of guanxi, and the author considers guanxi as a dynamic multi-path process of social interactions among independent individuals for a specific purpose. Moreover, this process may keep involving more individuals to solve a unique problem, and the process may stop at the end if involvers have solved or given up that problem. Furthermore, Chen & Chen (2004) define guanxi as the informal and particularistic connection through long-term mutual commitment, loyalty and obligation between two persons, and this connection is guided by Chinese social norms (p. 306). Afterwards, Ai (2006) concludes that guanxi is a “*human factor and social dimension*” in China (p. 105).

In conclusion, based on the above literature review of the relevant concepts of guanxi, the concept of guanxi in this study is summarized as the interpersonal relationship between independent individuals through long-term commitment and trust that is followed by implicit social norms for a specific purpose. Further, the development of guanxi networks is a dynamic and specific networking process among different guanxi ties. Additionally, guanxi networks mean the aggregation or accumulation of an individual’s different guanxi ties.

2.1.2 Guanxi within Chinese culture

China has been a Confucian cultural society since Han Dynasty (BC 206-AD 220) (Dunning & Kim, 2007, p. 330). And the concept of guanxi originally derives from Confucian philosophy. Confucianism emphasizes the structure of guanxi networks is hierarchical, and people should behave in line with established social rules and values (Chen & Chen, 2004). Under the Confucian cultural guidance, Chinese people’s behaviours, lifestyles and attitudes are mainly towards collectivism within the social community. And also, individuals’ networks are more intricate, as the social structure of rewards and mechanisms of punishment are more informal compared to that in the Western countries (Dunning & Kim, 2007, p. 330).

Chen & Chen (2004) uncover three significant meanings that pertains to guanxi under the ancient Confucian culture in China. The first one is that the structure of guanxi exists in relation to each other. The second one is that each individual has to do things according to

social orders and norms so as to enjoy his/her own unique rights and obligations, and the rights and obligations are different in line with the positions within the guanxi networks in the society. The last one is that individuals' guanxi networking activities are guided by the implicit moral principles.

The Confucian social theory insists that the families are the fundamental guanxi ties that related to an individual, and the family guanxi ties are based on unconditional fealty and without reciprocity (Guo & Miller, 2010), thereby family guanxi tie are the basic foundation of social unit in Chinese society. While family guanxi ties are not enough for an individual to live in the society, he/she needs to formulate more guanxi ties. And Hwang & Staley (2005) claim that during the networking process, guanxi evolves from family guanxi ties to friends, alumni, colleagues, other individuals and etc. In other words, besides inherent kinship ties, individuals naturally or contingently search other guanxi ties to extend his/her own guanxi networks. In this way, guanxi ties can be seen as the mechanisms that facilitate to establish and maintain connections among independent individuals (Guo & Miller, 2010).

“Face” is very an important element in the Confucian culture, and Chinese people pay great attention on the face during guanxi networking activities. “*Face refers to individual's public image that recognized by others in the society*” (Tsang, 1998, p. 86). Furthermore, Lin (2010) defines face as “*positive social value that one could successfully receive from other people through the specific social interactions*” (p. 442). In addition, individuals within the Confucian cultural society are highly encouraged to do the right things to earn the face and pursue harmonious status and balanced guanxi networks. Otherwise, one may lose face due to the shame of immoral behaviors in the public (Hwang, et al., 2008, p. 238). Therefore, it is can be easily understood that the face closely relates to one's social reputation in the society.

As Chinese cultural root bases on Confucian, the most important feature of guanxi network is building harmonious relationships with each other. Dunning & Kim (2007) point out that collectivism and harmony play important roles within the Chinese traditional social norms. Confucianism inspires people to be the righteous person in the society, thereby people should pay back the same value or even add the value of the favor they have received before (Hwang et al., 2008). Thus, in this sense guanxi is established and maintained through reciprocity with distant relations, and during the networking process individual could earn the face so as to continually and harmoniously get along with each other. What is more important, it can be argued that collaboration and compromise are the most important ways to avoid conflicts and solve disagreements in order to maintain harmonious relationships with each other.

Park & Luo (2001) reveal four main principles of guanxi networks (p. 457). Primarily, guanxi is transferable for individuals in guanxi networks. Unrelated persons can relate with other persons through third parties in the guanxi networks. Additionally, Tsang (1998) views individual guanxi networks can transfers to firms' networks as firms' assets. Secondly, guanxi is reciprocal when people want to develop and maintain guanxi networks with someone; he/she has an obligation to repay the favors that they have received before. Otherwise, people will perceive him/her as an untrustworthy person. However, the

reciprocal obligations are not equal according to different social status and ranks; usually the stronger party does not necessarily to repay the same value of reciprocity. Thirdly, guanxi is intangible within guanxi networks. The duration of guanxi mainly depends on involving parties' trust and commitment to each other. Additionally, even though guanxi is intangible, people have to cultivate guanxi and obey their commitments. Otherwise, they will lose face and reputation. Lastly, the purpose of guanxi is more utilitarian than affection. In sum, it can be argued that guanxi networks mainly rely on the exchange of mutual interests' rather than feelings and affections. Therefore, people are more proactive to seek guanxi ties for instrumental and utilitarian use.

However, there is a disagreement of whether guanxi is transferable or not. Park & Luo (2001) and Tsang (1998) assert that guanxi is transferable, while Yeung & Tung (1996) claim that guanxi is not transferable, because guanxi network is just personal assets and cannot transfer to the firm level. In summary, it is argued that whether guanxi networks can be transferable mainly depends on the nature and the purpose of that guanxi ties with other involving parties as Fan (2002) asserts before.

2.1.3 Compare Chinese guanxi with Western relationship

In order to gain a better understanding of the concept of Chinese guanxi and Western relationship, it is necessary to review their similarities and differences in this section.

Fan (2002) claims that guanxi is a special type of relationship, but the relationship does not always create or active guanxi, as guanxi has to be cultivated through guanxi networking activities (p. 546). The relationship can exist naturally, which can be a guanxi base to develop guanxi but it does not guarantee the actual occurrence of development of guanxi in practice. Further, Fan (2002) points out that building and maintaining guanxi is usually through communication for a specific purpose. For instance, A and B have studied in the same university before, they do have a relationship as they are alumni, however they have not got in touch with each other for many years, thereby they have no guanxi actually. What is more important, no matter a relationship between individuals is strong or weak, could it last all the time. Whereas, the development of guanxi is a dynamic process that may has the beginning and the end (Fan, 2002).

There are some similar concepts within guanxi and relationship. Abramson & Ai (1997) consider guanxi and relationship share four main traits in terms of their interrelated constructs, which cover trust, cooperation, collaboration, as well as the vital connections within the networking activities (p. 769). And Wang (2007) agrees that guanxi and relationship have shared a set of basic traits, including cooperations, mutual affection as well as long-run orientation (p. 82).

Nevertheless, there are some obvious differences between the conceptualization of guanxi and relationship. Primarily, Wang (2007) figured out the mechanisms of guanxi and relationship are totally different. In general, relationship is usually guided by social legality and regulations in Western cultures, while guanxi is usually followed by implicit social

norms and morality in Chinese Confucian culture (Wang, 2007, p. 82). It is agreed by some academic scholars that qing is the most common mechanism of guanxi, and in most cases individuals build and maintain guanxi networks through renqing and jiaoqing (Guo, 2001; Chen & Chen, 2004; Fu, Tsui, & Dess, 2006; Wang, 2007; Guo & Miller 2010). Consequently on the basis of renqing and jiaoqing, guanxi is developed through reciprocal obligations, trust and commitment among individuals in the long term (Wang, 2007, p. 82).

2.1.4 Categories of guanxi networks

Having deeply reviewing the latest mainstream of categorizations of guanxi networks, I found that there are varieties of categories of guanxi networks in accordance with different perspectives.

According to the different social identities, Jacobs (1982) firstly classifies three types of guanxi in China, including family ties, familiar persons and strangers. Family ties refer to kinship, familiar persons refer to people who share with specific similar attributes and strangers refer to people that do not have common attributes.

Afterwards, in line with the natures, contents and purposes of guanxi, Hwang (1987) classifies three types of guanxi: socio-affective, instrumental and mixed guanxi. This classifying approach analyzes the guanxi networks deeper than the former one. For example, family and kinship connections can be regarded as socio-affective guanxi that mainly covers the exchanging of feelings and emotional needs. And the exchange of resources and materials in the open market between a seller and a buyer can be regarded as the instrumental use of guanxi. Lastly the mixed guanxi ties usually emphasize the pursuits of feelings and resources.

Based on previous literature reviews, Fan (2002) considers the differences of nature, cultural root, base, core values, motivation, function, exchange, condition, relation, quality, downside and time. Thereby Fan (2002) summarizes three kinds of guanxi: family guanxi, helper guanxi and business guanxi. Moreover, it is important to know the influencing factors, which can better facilitate the understanding of the dynamic guanxi network. See Table 1 below.

Table 1 Category of guanxi typologies

Type	Family guanxi	Helper guanxi	Business guanxi
Definition	Special relationship, the expressive tie	Process of exchange favours	Process of finding business solutions through personal connections
Nature	Emotional, and instrumental	Instrumental/utilitarian	Purely utilitarian
Cultural/Social Root	Chinese cultural values (Fan, 2000b)	Cultural values and contemporary socio-economic factors	Current political and economic structures, eg. weak legal system
Base	Mostly blood base, some social base	Social base	Mainly through Intermediary
Core Values	Qinqing/affection, obligations, empathy	Renqing, face, trust?credibility	Renqing, face, power/influence
Motivation/Purpose	Mutually dependent, emotion-driven	'To get things done' utility-driven	To acquire scarce resources or get special treatment
Function	Ends and means	Means	Means
Exchange	Love/affection,	Favour	'Money + power deal'
Condition	Normative obligation. Reciprocity not necessary, can be altruistic	Reciprocity expected but the weaker party benefits more, incremental calculation	Strictly reciprocal, 'gain and loss' bargaining
Relation	'Zijiaren' (member of one's own family) one of us	'Shouren' (familiar person), insider or outsider	'Shengren' (stranger) outsider, a mixture of private and business relations
Quality/Closeness	Strong and stable	Medium, normally unstable	Varies (depends on the existence of other bases)
Downside	Nepotism	Burden of renqing (human debts)	Corruption, social loss
Time	Long term or permanent	Varies or one-off	Temporary

Sources: Fan, 2002, P. 552.

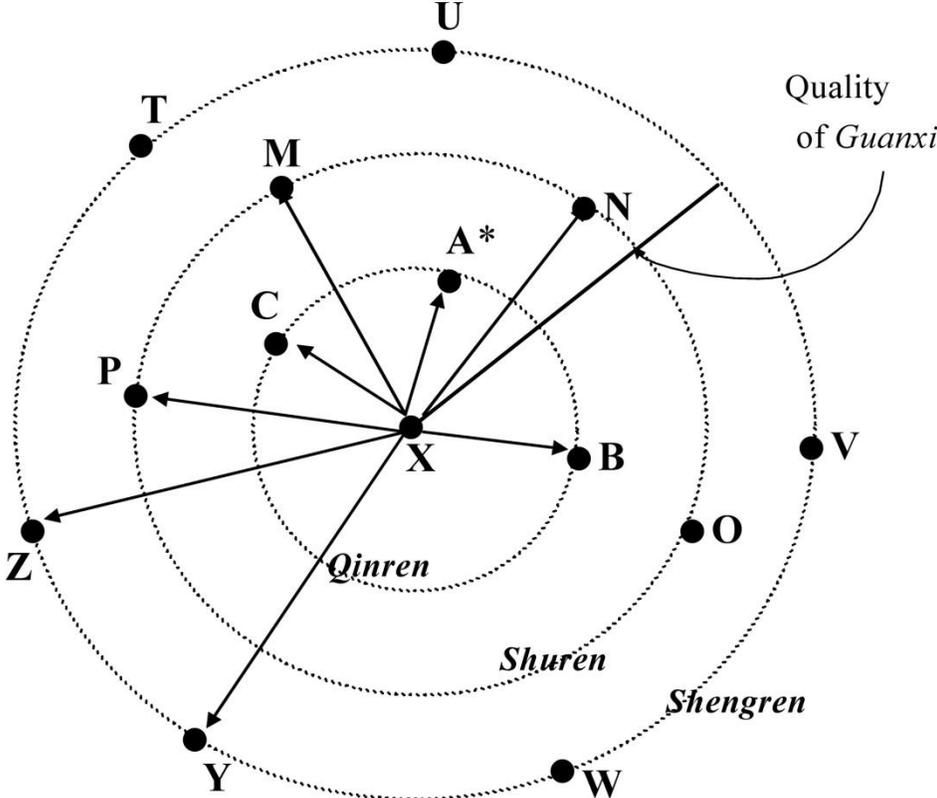
According to Table 1, it is easy to conclude some key findings from Fan (2002). Firstly, family guanxi ties are the basic and most important guanxi ties within one's guanxi networks. Meanwhile family guanxi ties are the strongest and closest compared to the strength of other guanxi ties. Further, qinqing is the core value of family guanxi ties, it can be considered as the mechanism of family guanxi ties. Secondly, helper guanxi ties are based on social interactions through a certain degree of reciprocal networking activities with familiar persons. Helper guanxi ties are medium strong and unstable ties, and the mechanism of helper guanxi ties is renqing. Thirdly, business guanxi ties are utilitarian that based on the purpose of obtaining scarce resources or special treatments through strict

mutual reciprocity. In addition, the strength of business guanxi ties varies according to existent of other bases between individuals. Fan (2002) argues that the mechanism of business guanxi is renqing.

Nevertheless, based on empirical findings in Chinese entrepreneurial firms, Chen and Chen (2004) and Guo & Miller (2010) argue that the mechanism of business guanxi ties is jiaoqing. Jiaoqing refers to one's obligations with acquaintances, and it relates to the lowest trust and commitment with unfamiliar persons (Guo & Miller, 2010). Moreover, Guo & Miller (2010) find that jiaoqing business guanxi ties are always established and maintained with previously unknown persons under jiaoqing mechanism in order to facilitate business cooperations in the future. In this study, I agree the proposition of Chen and Chen (2004) and Guo & Miller (2010) that jiaoqing is the main mechanism of business guanxi ties. Their arguments are more reasonable and consistent in practice. It can be argued that Fan (2002) fails to adequately identify the differences of renqing based on helper guanxi ties and jiaoqing based on business guanxi ties, since the levels of purposes, expectations and trust are totally different between renqing and jiaoqing.

In terms of dynamic guanxi ties, Chen & Chen (2004) classify the quality of guanxi networks by illustrating three encircled circles, and discover that each kind of guanxi ties can move inwards to become stronger and closer or go outwards to become weaker and distant (p. 313). Based on Chen and Chen (2004)'s illustration, Fu et al (2006) adapt the guanxi network diagram, see Figure 1 below.

Figure 1 Person X's guanxi network



Source: Fu et al., 2006, p. 285.

From Figure 1, it is can be seen that the focal person X have different types of guanxi quality, and other alphabets represent independent individuals around X. Obviously, A, B and C are X's qinren (family base) and formulate a small core guanxi circle. Afterwards, O, N, M and P are X's Shuren (familiar persons base) and formulate a medium guanxi circle. Ultimately, U, V, W, Z, Y and T are X's Shengren (unfamiliar persons base) and formulate a large guanxi circle in the outmost periphery.

Thereafter, Fu et al (2006) take a dynamic point of view to define guanxi types, including shengren, shuren, and qinren. Fu et al (2006) not only consider the levels of trust and expectations, but also the degree of strength and the reciprocity of each guanxi tie, see Table 2 below.

Table 2 Definition of three types of dynamic guanxi

Type	Definition	Bases	Examples of the particular type	Difference with other two forms	Examples of dynamics
<i>Shengren</i>	People you don't know or with whom you have a yet-to-discover tie;	None or undiscovered	Strangers, people you have not interacted with; <i>Luren</i> – People you walk by on the street;	– Weak tie – Low trust level – Low expectations	<i>Shengren</i> will become <i>shuren</i> when: – they find themselves connected by a third party; – there is a disclosure of common social identities or interests; – there are unexpected happenings and events that immediately elevate the relationship, etc.
<i>Shuren</i>	People you have met or been introduced to by a third party or by a tie that has been identified and known to both;	Common social identities	<i>Tongxiang</i> – from same hometown; <i>Tongshi</i> –colleagues; <i>Tongxue</i> –schoolmates; <i>Laoyou</i> (having been jailed in the same prison)	– Both affective & instrumental – High reciprocity – Higher level of trust; – Higher level of expectations	<i>Shuren</i> will become <i>qinren</i> when: – the parties discover a common social identity or common interests; – two people get married; etc. <i>Shuren</i> can also turn back to <i>shengren</i> when: – one side fails to maintain the other's face; – one disappoints the other, etc.
<i>Qinren</i>	People with whom you have a bond by blood or connected by immediate and distant family or marriage;	Kinship	– Siblings; – Parents-children; – Distant family members; – People connected by marriage; – Sworn brother; – Adopted parents, etc.	– Inherited obligations – Highest level of trustworthiness & dependency – Less degree of reciprocity – Higher level of self-sacrifice	<i>Qinren</i> can also become <i>shuren</i> or <i>shengren</i> when: – family members disappointed with each other; – children refuse to take care of their parents; – parents disowned their children, or – married couple get divorced, etc.

Source: Fu et al., 2006, p. 284.

“Qing” refers to the degree of the mutual feeling and affection attached to one and another individual in the society (Chen & Chen, 2004). There are different kinds of qing under

Chinese Confucian culture, mainly including qinqing, renqing, jiaoqing (Fu et al., 2006; Chen & Chen 2004). Generally speaking, qinqing is the affection from family-based guanxi ties, that is the most reliable and important. And renqing is the affection with familiar persons through exchanging favors and social obligations. Lastly, jiaoqing is the weakest guanxi tie with unfamiliar persons through social interactions and economic deals to fulfill the pragmatic demand (Chen & Chen, 2004, p. 314).

Based on the discussion of categories of guanxi networks in the existing literatures, I summarize the categories of guanxi networks through combining the above findings from Fan (2002), Chen and Chen (2004), Guo & Miller (2010) and Fu et al. (2006), since their classifications are more complete and integrated. According to the different levels of trust, I adapt the mechanisms of guanxi networks in the Table 3 below.

Firstly, qinren means family guanxi ties, including family members and relatives. The mechanism of family guanxi ties is qinqing. Meanwhile the exchange of family guanxi ties are mainly love and affections, and the trust is the highest and the degree of reciprocity is the least among all the guanxi ties. Furthermore, the nature of family guanxi ties is emotional and instrumental purpose. Additionally, family guanxi ties usually posit in one's core circle of guanxi networks and formulate a small size of guanxi networks. Therefore, the strength of family guanxi ties is the strongest and the most stable.

Secondly, shuren implies helper guanxi ties, including familiar persons posit in the intermediary circle of guanxi networks. The mechanism of helper guanxi ties is renqing. The exchange of helper guanxi ties are affections and favors. Meanwhile the level of trust is medium and the degree of reciprocity is high, and the size of helper guanxi ties is medium. Additionally, the purposes of helper guanxi ties are mixed of instrumental and utilitarian use. Thus, the strength of helper guanxi ties is medium strong and stable.

Lastly, shengren implies business guanxi ties, including unfamiliar persons in the periphery circle of guanxi networks. The size of business guanxi ties is large as people are proactive to build and cultivate different guanxi ties for business purpose. The mechanism of business guanxi ties is jiaoqing through the exchange of favors and powers. Furthermore, the level of trust is the lowest as the nature of business guanxi ties is purely utilitarian use. Thus, the strength of business guanxi ties is weak and unstable compared to the other guanxi ties.

In sum, guanxi is developed and cultivated under different mechanisms so as to acquire benefits or interests for each other within the guanxi networks. The classification of guanxi ties below can enhance the understanding of the different concepts of mechanisms in the dynamic guanxi networks. Furthermore, it can assist the following development of the conceptual framework by the end of this chapter.

Table 3 Types of guanxi within the guanxi circle network

Types of guanxi (ren/ ties)	Mechanism (Qing/affections)	Strength	Size	Position	Nature	Exchange
Qinren /Family guanxi (family members and relatives)	Qinqing	Strong& stable	Small	Core circle	Emotional & instrumental	High trust level, Love, affections, low reciprocity
Shuren/ helper guanxi (familiar persons)	Renqing	Medium strong & stable	Medium	Intermediary circle	Mixed instrumental & utilitarian	Medium trust level, affections, favors, high reciprocity
Shengren / business guanxi (unfamiliar persons)	Jiaoqing	Weak& unstable	Large	Periphery circle	Utilitarian	Low trust level, favors, powers

2.1.5 Develop guanxi networks through guanxi networking activities

Networking refers to the relationships that are developed by network ties for fulfilling the specific purposes (O'Donnell, 2004). It is also can be understood that networking is the actions that used by entrepreneurs to establish and maintain connections with others for the development of entrepreneurial firms (Chell & Baines, 2000). It can be argued that networking plays an essential role in the entrepreneurial process as networking contributes the development and growth of entrepreneurial firms. For instance, Hakansson & Snehota (2006) regard entrepreneurship as a form of networking activities, and thereby entrepreneurial firms can get access to the necessary resources through mixed network ties. Furthermore, Zhao & Aram (1995) highlight that networking is significantly related to Chinese Confucian culture and traditions, since guanxi networks facilitate obtaining scarce resources in the market (p. 354). Thereby, how to build and maintain guanxi networks through networking activities is a crucial issue for entrepreneurs in China.

Through a specifically designed survey to 1,050 Chinese individuals, Hwang, et al., (2009) have revealed and ranked critical networking techniques of establishing and maintaining guanxi networks in China.

Techniques of establishing guanxi networks rank as follows (Hwang, et al., 2009, p. 240):
Firstly, strengthening interactions with family members, relatives and familiar friends
Secondly, introduction of new network ties from family members, relatives, and familiar friends
Thirdly, participating in social associations and clubs and parties
Fourthly, grasping the opportunities to be acquainted with new network ties in the daily life
Fifthly, strengthening interactions with schoolfellows, colleagues and business guanxi ties
Sixthly, introduction of new network ties from schoolfellows, colleagues, and business guanxi ties.

Techniques of maintaining guanxi network rank as follows (Hwang, et al., 2009, p. 240):
Firstly, giving favors and gifts to satisfy people's demands
Secondly, treating good meals with people
Thirdly, sending greeting and respect through chat, telephone and cards
Fourthly, participating in social associations and clubs and parties
Fifthly, grasping the opportunities to visit people in the daily life
Sixthly, treating people out with tea, coffee and other leisure activities

Taking account of the development of guanxi networks, Wang & Tam (2000) propose a comprehensive guanxi networks model for business executives to develop guanxi networks in China (p.59). The model mainly includes the process of perceptual positioning, routing strategies and guanxi implementation. In this model, Wang & Tam (2000) highlight the importance of harmony and trust during the development of guanxi networks. In order to use guanxi networks effectively, it is necessary to behave as the following approaches: initially be patient to take long time to contact the right person, avoiding conflicts through renqing(giving favors), compromise for mutual benefits, centrality through self protection, convergence through empathy, creating harmony without resistant actions (p. 62).

To conclude, the guanxi networks model that proposed by Wang & Tam (2000) considers the attributes of guanxi networks and practical routing strategies in the Confucian cultural context. The above approaches for building and maintaining guanxi networks among individuals are very common in the China. However, it is argued that Wang & Tam (2000) and Hwang et al (2009) have not considered the dynamic evolving process of guanxi networks. It is necessary to investigate how Chinese entrepreneurs build and maintain different guanxi ties during the development of entrepreneurial firms, and there may be some differences in techniques.

2.2 Network approach to entrepreneurship

In this section, firstly it discusses the importance of guanxi networks for entrepreneurial firms. Then, the study employs some relevant Western theories, including network-based entrepreneurship, social capital, and resource-based view to analyze the entrepreneurs' guanxi networks. By the end of this section, it displays and explains a comprehensive theoretical framework of guanxi network for the development of entrepreneurial firms.

2.2.1 Importance of guanxi network for entrepreneurial firms

Having reviewed the concepts of Chinese guanxi compared to the Western relationship, classifying dynamic guanxi networks according to different variables and understanding guanxi networking activities, now it is necessary to know the importance of guanxi networks and how guanxi networks benefit entrepreneurial firms.

Previous researches uncover that guanxi networks have impact on business costs and profits (Hwan & Staley, 2005); business operations (Lee & Humphreys, 2007; Park & Luo, 2001; Hwang et al., 2008), market benefits (Davies et al., 1995; Park & Luo, 2001) during the development of entrepreneurial firms in China (Guo & Miller, 2010).

Hwan & Staley (2005) state that guanxi could reduce business costs, avoid business debates, obtain loans from governments, acquire resources, and win projects. Thereby entrepreneurial firms could save more budgets and make better use of financial resources.

Lee & Humphreys (2007) have a unique point of view, they define guanxi networks as the corporate culture, and thereby entrepreneurial business partners can acquire mutual interests through long-term reciprocity (p. 451). Furthermore, Lee & Humphreys (2007), Park & Luo (2001) and Siu & Bao (2008) consistently insist that guanxi networks are enterprises' assets as guanxi network can facilitate business operations and solve specific problems that may be beyond the organization's capacity (p. 451).

Moreover, Hwang et al., (2008) propose that guanxi networks can influence on business's contracts and transactions with business partners in some ways. In the same vein, Park & Luo (2001) propose that entrepreneurs can use guanxi networks to link business partners through acquisition of additional information and resources. In addition, guanxi is crucial to improve firm's business performance through obtaining competitive market positions and market expansion (Park & Luo, 2001, p. 457).

Through empirical findings and analyses, Davies et al., (1995) identify and rank three categories of benefits of guanxi network for entrepreneurial firms. The first category of the benefit is the source of information, including information about market trends, business opportunities and threats, government policies and regulations. The second category comes from the source of resources. Guanxi networks can facilitate and secure access to tangible resources such as labors, land, production materials, and intangible resources such as approvals from governments. The final category mainly concerns additional areas: building firms' reputation, gaining legitimacy to facilitate transportation and transactions in the market. Here it concludes that the former two benefits from guanxi networks are the sources of social capital for entrepreneurial firms. Moreover, the last category of benefits of guanxi networks cover reputations and legitimacy. In the following parts, this study will especially discuss social capital theory to emphasize the utilization of guanxi networks can make access to social capital for entrepreneurial firms.

It is noticeable that guanxi networks are more important for small and micro entrepreneurial firms compare state-owned firms in China. Park & Luo (2001) highlight

those entrepreneurial firms that are new, small, lack of technological skills or located in less developed regions are more likely to take advantage of guanxi network, in order to overcome disadvantages and constraints to obtain valuable information and resources. In the same vein, Moensted (2007) insists that new and small entrepreneurial firms should build networks themselves through networking activities, as they usually do not use management (p. 20). Moreover, it is argued that there is no strict requirement for internal or external networks use, the combination of both types through the generations of trust among individuals can better facilitate the development of firms.

The argument here is highly related to this study, as the study mainly concerns the role of guanxi in Chinese entrepreneurship. Therefore, it is vital to know the importance of guanxi networks for the development of micro entrepreneurial firms. In summary, guanxi networks mainly provide sources of information and resources to offset insufficiency and solve problems during the development of entrepreneurial firms, especially in small and micro firms in China.

2.2.2 Network-based entrepreneurship

Entrepreneurship refers as an evolving process in which individuals pursue opportunities to obtain resources for the venture creation and development (Stevenson & Jarillo, 1990). And an entrepreneur is defined by Greve & Salaff (2003) as “*the one, who launches, develops, manages, and takes the risks of an economic venture*” (p. 1). During the entrepreneurial process, entrepreneurs seek business opportunities; obtain information and resources; market and produce goods or services; create their own ventures and respond to the society (Guo & Miller, 2010, p. 269). Moreover, Hakansson & Snehota (2006) consider entrepreneurship as a form of networking activities, so entrepreneurial firms can access to necessary resources through mixed network ties. And these necessary resources obtained from entrepreneurs’ strong and weak ties are considered as social capital to facilitate the development of entrepreneurial firms (Rodríguez, Garrido, Gómez, and Navarro, 2010). In recent decades, there is slightly increasing numbers of Chinese scholars study the entrepreneurs’ dynamic guanxi networks by following Western network-based approach (Zhao & Aram, 1995; Siu & Bao, 2008; Guo & Miller, 2010). Through reviewing literatures of networks perspective, it is apparent that entrepreneurial firms are dependent business entities. The successful development of the entrepreneurial firms not only relies on entrepreneurs’ competences and resources endowment but also relies on entrepreneurs’ networks and networking activities. Indeed, entrepreneurs have to make use of their networks in order to facilitate and support the development of enterprises in the long term.

More recently, existing studies of Chinese entrepreneurship have shown that guanxi networks play important roles during the entrepreneurial process (Yeung & Tung, 1996; Park & Luo, 2001; Lee & Anderson, 2007; Chen, 2011; Guo & Miller, 2010). Guanxi networks could assist Chinese entrepreneurs to reduce relevant start-up costs, provide financial capital, acquire useful advices and feedback during the creation of entrepreneurial firms. In fact, during the development of entrepreneurial firms, Chinese entrepreneurs intensively need more guanxi networks to support and promote their business in the context

that is lack of political and legal support and required resources (Lee & Humphreys, 2007). Further, Guanxi networks are especially more important for small and micro entrepreneurial firms in China, Park & Luo (2001) highlight that entrepreneurial firms that are new or small or lack of technological skills are more likely to take advantage of guanxi networks, in order to overcome disadvantages and constraints as well as make access to necessary information and resources. In the same vein, Moensted (2007) asserts that new and small entrepreneurial firms should build networks themselves through networking activities. This study mainly focuses on exploring the role of guanxi network in Chinese entrepreneurship and investigates how they make use of guanxi network during the development of micro firms. Due to scant academic studies on the role of guanxi network in Chinese entrepreneurship, I will employ some Western theories with Chinese guanxi concepts to develop a theoretical framework for the study.

In Western literatures of entrepreneurship research, Aldrich & Zimmer (1986) firstly propose the network-based entrepreneurship. The authors assert that entrepreneurs are embedded in the social networks and the entrepreneurs' networks is crucial for the development of entrepreneurial firms. Based on previous entrepreneurship studies, Hoang & Antoncic (2003) conclude three elements of an entrepreneurial network: network content, governance mechanisms, and social structure. And these three components of the networks interactively influence on entrepreneurs' networking activities during the development of entrepreneurial firms.

Firstly, the network content is related to both tangible and intangible resources that derived from entrepreneurs' networks, for instance, the accessibility of financial capital, information, advices and emotional supports (Hoang & Antoncic, 2003, p.169). Therefore, guanxi networks can be considered as the medias, through which the entrepreneurs obtain different resources for the development of entrepreneurial firms.

Secondly, network governance mechanisms are applied to undergird and support network content exchange (Hoang & Antoncic, 2003, p.170). Network governance mechanisms are related to the "*implicit and open-ended contracts*" with involving actors under social norms (Hoang & Antoncic, 2003, p.170). It is argued that trust is the key constitution of entrepreneurs' network exchange, as the levels of trust have impacts on the "*richness and depth of network exchange*" (Hoang & Antoncic, 2003, p.170). Through studying previous academic literatures on guanxi networks analysis, the former section of this study has adequately identified the Chinese guanxi networks governances. In short, qinqing, renqing and jiaoqing are the main network mechanisms under different levels of trust and exchanges.

Thirdly, network structure refers to "*the pattern of direct and indirect ties between actors*", and different entrepreneurs' positions within the network structure consequently affect the entrepreneurs' resource flows (Hoang & Antoncic, 2003, p.170). In numerous Western network analysis literatures, network structure is measured by a variety of variables, such as network configurations, network size, the strength of network ties. In the following parts of this section, the study will mainly focus on reviewing relevant literatures on the analysis of dynamic entrepreneurs' networks in terms of the dominant variables of the network structure.

2.2.3 Social capital

In order to obtain a better understanding of the importance of guanxi networks for the development of entrepreneurial firms, it is necessary to review relevant literatures on social capital theory as social capital is highly connected with the networks. The development of entrepreneurial firms not only relies on the firms' resource endowment, but also relies on entrepreneurs' network ties with others (Liao & Welsch, 2003, p. 153). There is a strong association between social capital theory and network theory, because entrepreneurial firms can obtain flows of benefits from network ties through exchange of resources and information (Rodríguez et al., 2010).

The social capital refers to the resources that obtained from network ties (Liao & Welsch, 2003, p. 1). It can be referred to the value of the social networks that link similar individuals and bridge different individuals through reciprocity and trust (Dekker & Uslaner, 2001). In more details, social capital is defined as "*the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships posed by an individual or social unit*" (Nahapiet & Ghoshal, 1998, p. 243).

The social capital theory strongly supports that network ties can offer sources of both tangible and intangible resources from their surrounding environment (Liao & Welsch, 2003, p. 153). For example, financial capitals, raw materials, facilities could be tangible resources, and information, knowledge, and skills are intangible resources (Liao & Welsch, 2003, p. 153). Furthermore, Adler & Kwon (2002) claim that social capital is appropriable, substitutable and convertible. It is appropriate to select and make use of different network ties for specific purposes such as seeking advice from friends, and also social capital can be converted and substituted for other forms of capital such as financial and human capital (Burt 1992, p. 9).

What is more, Fan (2002) proposes that the use of guanxi network is a kind of investment in social capital. Because social capital permits cooperation and collaboration through norms of obligation, reciprocity and trust in guanxi networks. And also social capital assists entrepreneurs to achieve the targets in the condition of absent resources within organizations (Dinda, 2008, p. 2021). It is noticeable that the entrepreneurs' networks are valuable instruments to gain the necessary social capital from surrounding environment, and the networks just like vehicles that drive the development of entrepreneurial firms (Liao & Welsch, 2003, p. 153). Especially when there is a lack of formal institutional support, entrepreneurs are more likely to use guanxi networks to achieve the specific resources for the purpose of supporting and promoting further development of their entrepreneurial firms (Chen & Wu, 2011, p. 582). Also, Park & Luo (2001) suggest that guanxi networks can be used to seek social capital for entrepreneurial firms through interpersonal exchanges and mutual benefits among involving individuals (p. 457). Last but not the least, Putnam (2004) agrees that the progress of developing social capital in China is closely related to the guanxi network.

The arguments above are in line with the views raised by Szeto & Wright (2006), guanxi networks have been considered as effective instruments to obtain social capital so as to

better facilitate the development of entrepreneurial firms in China where is absent of adequate infrastructures. In summary, through the exchange of information and resources in the guanxi networks, entrepreneurs can obtain the demanded social capital, and make good use of the acquired social capital for the development of entrepreneurial firms. According to the view of Hoang & Antoncic (2003), this study classifies the social capital as the network content for the development of entrepreneurial firms.

2.2.4 Network analysis

A considerable number of the previous literatures have discussed the accessibility of entrepreneurs to social capital is highly related to the entrepreneurs' network ties in their surrounding environments. As social capital owns various features, Nahapiet & Ghoshal (1998) initially propose three main clusters of networks, including the structural, the relational and the cognitive dimensions of social capital. Moreover, these three dimensions of social capital are highly interrelated with each other rather than mutually exclusive (p. 243). Thereafter, Adler & Kwon (2002) view relational and cognitive cluster together as the content of networks through the establishment of trust and shared norms within the social networks. It is argued by Adler & Kwon (2002) that the sources of social capital mainly rely on the structure and content of network ties (p. 23). The proposition of network analysis raised by Adler & Kwon (2002) is more concise than the prior one, and it is more relevant with the network analysis in this study. And the proposition of Adler & Kwon (2002) is closely related to the argument of Hoang & Antoncic (2003) that network analysis mainly focuses on network content, social structure and network mechanisms. Thus, this study will employ Adler & Kwon's (2002) classification of sources of social capital in order to gain better understanding of guanxi network-based entrepreneurship.

The accessibility to social capital mainly depends on entrepreneurs' network size and the strength of network ties, entrepreneurs' network configurations with each other within the entrepreneurs' network. Previous studies manifest the size of (Burt, 1982; 2000; Zhao & Aram, 1995; Lechner, Dowling & Welp, 2006), strength of (Granovetter, 1973; Greve, 1995), configurations of (Coleman, 1998; Burt, 1982; 2000) and trust (Burt, 1992; Liao & Welsch, 2003; Adler & Kwon, 2002; Dinda, 2008) of entrepreneurs' networks have influences on the access to social capital.

Firstly, network size is defined as the degree that the entrepreneurs' networks can be contained (Burt, 1982), namely, network size is the diversity of different network ties within the focal network (Zhao & Aram, 1995). The larger size of the entrepreneurs' networks, the more possibilities for the entrepreneurial firms to get access to social capital (Burt, 1982). And Zhao & Aram (1995) propose that the size of the entrepreneurs' networks has impact on the new ventures' development. In the same vein, Lechner et al (2006) allege the increase of entrepreneurs' network size can drive the increase of social capital after the venture creation, and consequently affect the firms' subsequent development, such as realizing the demand target, increase of organizational profit. In short, the more network ties that entrepreneurs can own, the more accesses to acquire the necessary social capital for the entrepreneurial firms. For instance, entrepreneur who has more extensive network

ties could increase the possibility of acquirement of information and resources (Liao & Welsch, 2003, p. 154). Indeed, the size of the entrepreneurs' networks influence the creation of social capital, and consequently affects entrepreneurial opportunity recognition for the entrepreneurial firms (Granovetter 1985; Rodríguez et al., 2010). However, larger size network requires more time, energy and money to build and maintain network ties compared to those in the smaller size of the networks (Zhao & Aram, 1995).

Secondly, Granovetter (1973) defines "*the strength of a network tie is the combination of the amount of time, the emotional intensity, the intimacy, and the reciprocal services*" (p.1361). Strong ties are personal relationships with high frequency and strong emotional intensity within the network. Examples could be family members, relatives, close friends. Strong ties form a highly dense networks and actors inside share information to a large extent. However, the shared information may be overlapping and redundant sometimes. On the other hand, weak ties are those loose relationship with low frequent connections and low emotional intensity. Weak ties can be bridged through strong ties (Granovetter, 1973, p.1364). Granovetter (1973) put more emphasizes on the strength of weak ties, as the author argues that weak ties can bring novel information and opportunities that beyond the strong ties can provide.

Further, Greve (1995) insists that different network ties can bring different social capital and consequently lead to different impacts on the entrepreneurial process. Entrepreneurs who have more weak ties are more likely to explore and exploit valuable information and resources. Thus, they will have more possibilities to develop their entrepreneurial firms successfully in the long term. Meanwhile, entrepreneurs cannot only rely on a limited range of strong ties, they have to get access to more weak ties. Generally, it is more beneficial to take advantage of weak ties to get access to additional information which maybe expensive or unreached within strong ties (Granovetter, 1985; Davidsson & Honig, 2003). Granovetter (1985) argues that people take more advantage of weak ties as novel ideas and scarce information are usually derived from weak ties. In the same vein, Davidsson & Honig (2003) assert that new entrepreneurial firms more depend on weak ties. For instance, new members of a professional IT association can learn advanced technical skills from senior members. It is agreed by Cook & Whitmeyer (1992) that entrepreneurs who have extensive networks are more dependant on weak tie rather than strong ties so as to enjoy broader information and resource benefits. Additionally, building and maintaining the strength of network ties requires devotion of time, mutual intimacy, emotional intensity and reciprocity (Granovetter, 1985).

Thirdly, network configurations comprise a closure structure (Coleman, 1988) and a sparse network (Burt, 1992). Coleman (1988) is the pioneer who proposes the closure structure concept. Coleman (1988) explains that a closure structure is a condition in which actors are tightly connected with each other, and the insiders share effective norms and maintain high trustworthiness (p.105). For example, parents and their children can constitute a closure structure (p.106). Having a closure structure network, a focal actor can acquire collective or independent sanctions from other involving actors (p. 105). The inside actors could easily access to potential information, especially tacit knowledge from familiar persons. Moreover, it is argued that the insiders do not need to build trust with outside unfamiliar individuals. Thus, people can benefit trust advantages and strengthen social capital within the closure

network structure.

In contrast to Coleman's (1988) view of the closure structure, Burt (1992) argues that a sparse network is more beneficial for entrepreneurs. Burt (2000) believes that there is no worth for firms' development if entrepreneurs only connect the insider within the existing networks (p.370). Because the connection process with outsiders from the existing networks is more likely to create innovative and creative opportunities for entrepreneurs. The characteristics of the structure of the entrepreneurs' networks are relatively sparse, large, flat, low redundant and without hierarchy, so that entrepreneurs could occupy the central position and connect other network ties through structural holes (Burt, 2000, p. 407). The structure hole means the position between another individual in the existing networks is not directly related to each other (Burt, 2000, p.407). Having a sparse network with abundant structural holes and diverse network ties, entrepreneurs can broadly explore abundant information and resources, and enjoy control and efficiency benefits (Burt, 2000, p.408). Moreover, Burt (1992) asserts that the benefits of information contain access, timing and referrals. What is more important, Burt (2000) proposes that entrepreneurs who have stronger network ties to bridge the structure holes in their network will have more possibilities to successfully start up their entrepreneurial firms due to the acquirement of novel information and resources (Burt, 2000, p. 370). It can be argued that entrepreneurs who possess a greater amount of social capital will be more flexible to control the firms' development. In addition, they will have more possibilities to recover their firms that fall into difficult circumstances.

The arguments between Coleman (1988) and Burt (1992; 2000) respectively reflect their focuses on the internal or external structure of the network (Adler & Kwon's, 2002). The closure structure provides cohesive social capital and entrepreneurial firms can benefit from the trust advantage. On the other hand, a sparse network offers diversified resources so that entrepreneurial firms can benefit from cost-effective advantages. In summary, both of the closure structures and the sparse networks deliver unique benefits to the entrepreneurial firms. In addition, which kind of structures is more beneficial relies on the sources of social capital and the purposes of the entrepreneurs in the specific context.

Fourthly, not only can the structure of networks influence the creation of social capital, the trust embedded in the networks also has impact on the creation of social capital. Some scholars pay greater attention to the importance of trust that embedded in network ties to illustrate the creation process of social capital. Burt (1992) asserts building trust is relational content and which facilitates the acquirement of resources and knowledge. Thereafter, Adler & Kwon (2002) uncover that the accessibility of sources of social capital is motivated by shared normative reciprocity and trust (p. 25). Similarly, Dinda (2008) highlights that social capital is the accumulation of shared values and knowledge, trustfulness, and mutual understanding among involving parties (p. 2021). It can be understood that high level of trust can guarantee the actors' cooperations and facilitates the achievement of goals. What is more important, Liao & Welsch (2003) point out that building higher trust with network ties is more likely to be beneficial for entrepreneurs to obtain the necessary social capital. For instance, if two entrepreneurs have similar network configurations, but the entrepreneur who has higher level trust is more likely to access to valuable and scarce information and resources so as to generate more useful social capital

for the entrepreneurial firm (p. 154).

Through previous study of the guanxi concepts, the mechanisms of guanxi network ties are categorized in line with different levels of trust. The highest level of trust is qinqing, it is based on family members and kinships. The moderate level of trust is renqing, it is based on the familiar friends. And the lowest level of trust is jiaoqing, it is based on the unfamiliar persons. The natural attributes of guanxi mechanisms are consistent with the above discussion that trust is embedded in the networks. Therefore, this study will combine the guanxi mechanisms with the theory of trust embedded in the network to study how different guanxi mechanisms impact on the quality and amount of social capital for the development of entrepreneurial firms.

2.2.5 Guanxi networks VS. sustainable competitive advantage

Guanxi networks is useful for the entrepreneurial firms, The resourced-based view asserts that only a firm's resources are rare, valuable and imperfectly inimitable, can the very resources be considered as sustainable competitive advantages in long run (Barney, 1991)). Literatures that discuss whether the guanxi networks can be sustainable competitive advantages form two camps.

The first camp insists that guanxi networks can be sustainable competitive advantage for firms (Yeung & Tung, 1996; Park & Luo, 2001; Hwang et al., 2008; Fu et al, 2006).

Firstly, Yeung & Tung (1996) perceive the guanxi networks are the key success factors for long term business success in China (p.59). Later, Park & Luo (2001) state that the guanxi networks have less influence on firms that have already occupied superior resources and capabilities, while firms that are new or have less technological skills or poor managerial capabilities are more intended to depend on guanxi networks to pursue additional resources (p. 463). Under such situation, guanxi networks can be regarded as substitutes for firm's competitive advantages (p. 464). Accordingly, Hwang et al (2008) agree that guanxi networks can provide business specific competitive advantages. For example, guanxi could significantly influence business's contracts and transactions in China. In addition, Fu et al, (2006) suggest that firms' competitive advantages could be developed according to different guanxi types (p. 286). Especially the one who owns good guanxi networks, no matter within or within out the organizations, the right person could create and combine sustainable competitive advantages for the entrepreneurial firms during the development stage (p. 286).

The other camp denies that guanxi networks can be the sustainable competitive advantage for firms' business (Tsang, 1998; Lee & Paul 2000; Fan, 2002; Szeto & Wright, 2006).

Tsang (1998) suggests that individuals' guanxi networks are firm level's human resources. However, Tsang (1998) argues that guanxi ties are easily disrupted and hardly maintained due to the fragile nature of guanxi ties. Consider the three requirements for the sustainable competitive advantage, and Tsang (1998) concludes that guanxi networks cannot be the

sustainable competitive advantage for operating business in the Chinese context. Additionally, Tsang (1998) suggests that management should take more time to audit firm's guanxi networks with suppliers, customers, business partners, and stakeholders (p. 70). In short, even though guanxi cannot be sustainable competitive advantage to the firm, it is still important to deal with guanxi network as necessary. Furthermore, Fan (2002) indicates that guanxi networks have more influences on the creation of firms. While the critical factor that influences the firms' long-term development is not guanxi networks at all, but rather excellent products and market strategies (Fan, 2002). Only strategic assets could be firms' competitive advantage. Additionally, expenditures spent on guanxi networking activities cannot be ignored. Fan (2002) and Szeto & Wright (2006) and Lee & Paul (2000) consider the time, effort and routine expenses spent on favors and gifts to network ties during the networking activities may be an issue that constrains firms' development. What is worse, the costs spent on the developing guanxi networks may offset or even exceed firms' budgets, risks firms' profits, and constrains firms' healthy development. For the reasons above, guanxi networks cannot be the sustainable competitive advantage to the entrepreneurial firms.

At the same time, there is another controversy in this field, it concerns the diminishing importance of guanxi networks in entrepreneurship. Some scholars insist that the importance of guanxi networks has been decreased in business activities due to the implementation of Chinese economic reform, the prevalence of globalization and modern information technology. In the modern changeable business environment, guanxi is not the sole factor for businesses' success and thereby the importance of guanxi will continue to diminish in China (Lee & Anderson, 2007; Fan, 2002 ; Wilson & Brennan, 2010). While other scholars argue that guanxi still plays important role in business activities under the Chinese Confucian culture, as guanxi can complement the insufficiency of institutional support and scarce resources (Yeung & Tung, 1996 ; Chen Y, 2011). Therefore, this study will further investigate what the tendency of the importance of guanxi is in modern Chinese entrepreneurship.

To conclude, the controversial issues of whether guanxi networks can be sustainable competitive advantages and whether they are still important in business are going on. Therefore, this study will explore and analyze the empirical findings to validate how guanxi network can be used to be sustainable competitive advantages for entrepreneurial firms and what the tendency of the importance of guanxi networks is for Chinese entrepreneurial firms.

2.2.6 A theoretical framework

Overall, the above literatures review of entrepreneurs' network analysis sheds light for this study. The network-based entrepreneurship, social capital theory and resource-based view can facilitate the understanding of the role of guanxi networks in Chinese entrepreneurship. According to Hoang & Antoncic (2003), network approach to entrepreneurship mainly focuses on three components of networks, including the network content, governance mechanisms and network structure. In order to obtain a better understanding of the role of

guanxi in Chinese entrepreneurship, this study explores relevant components of Chinese entrepreneurs' guanxi networks: network content, mechanisms and structure together to frame a comprehensive conceptual framework.

This study mainly connects Chinese guanxi network concepts with the Western network-based entrepreneurship. The three distinctive constructs in the Table 4 are crucial to answer the main research question that how Chinese entrepreneurs utilize guanxi network during the development of micro firms. Because addressing the dynamic network analysis is important for the creation of entrepreneurial network theory (Hoang & Antoncic, 2003). The developed conceptual framework in this study mainly focuses on the relevant pioneers' concepts and theories in the field, since their arguments and propositions are classic and reasonable compared to the followers in this field. I develop a theoretical framework based on the above discussion of relevant Western pioneers' theories and perspectives.

Table 4 below illustrates the dynamic guanxi network components in the entrepreneurship, and the theoretical framework incorporates relevant Chinese guanxi concepts. Moreover, the theoretical framework can facilitate the further analysis of empirical findings in order to answer the main research question that how Chinese entrepreneurs utilize guanxi networks during the development of micro firms.

Firstly, in terms of network content, Hoang & Antoncic (2003) claim that the interpersonal and interorganizational relationships are the medias for the entrepreneurs to gain different resources. Accordingly, the obtained tangible and intangible resources for entrepreneurial firms can constitute the network content of social capital, and ultimately social capital can affect the development of entrepreneurial firms (Davies et al., 1995; Adler & Kwon, 2002). Meanwhile, the network content includes reputation and legitimacy for the entrepreneurial firms (Davies et al., 1995). In addition, if the exchange of network content is rare, valuable and inimitable, the very networks can be considered as the sustainable competitive advantage to the firms (Barney, 1991). In this part, the network content analysis mainly focuses on the beneficial resource exchanges for the development of micro entrepreneurial firms to uncover why Chinese entrepreneurs utilize guanxi networks during the development of micro firms and how guanxi networks can be used to be the sustainable competitive advantage for the entrepreneurial firms.

Secondly, Hoang & Antoncic (2003) claim that the mechanisms of networks are used to support the exchange of network content. In this study, qinqing, renqing and jiaoqing are summarized as the main mechanisms of network governance, as these three guanxi mechanisms differentiate the levels of trust with actors within the guanxi networks (Fan, 2002; Chen & Chen, 2004; Fu et al., 2006; Guo & Miller, 2010). Consequently, different mechanisms of guanxi networks may yield different qualities and amounts of network content exchanges. Based on the following empirical finding, I will analyze the influences of different mechanisms of guanxi networks so as to gain a richer understanding about how Chinese entrepreneurs utilize guanxi networks during the development of micro firms.

Thirdly, with regard to network structure, Hoang & Antoncic (2003) define it as the pattern of relationships that are derived from indirect and direct network ties. There are a variety of

factors can be used to measure the impacts of resource flows. In this study, I mainly consider entrepreneurs' network size (Burt, 1982); the strength of network ties (Granovetter, 1973); network configurations: a closure structure (Coleman, 1988) and a sparse network (Burt, 1992). In sum, the network-based research in entrepreneurship can assist me to generate a comprehensive model of the role in Chinese entrepreneurship by the end of the study and fulfill the purpose of the study in the field.

Table 4 A theoretical framework for analysis of guanxi network-based entrepreneurship

Components of guanxi network in entrepreneurship (Hoang & Antoncic, 2003)	Relevant concepts and theories
Network Content	Intangible resources & tangible resources Social capital (Davies et al., 1995; Adler & Kwon, 2002); Reputation and legitimacy (Davies et al., 1995) Sustainable competitive advantage (Barney, 1991)
Governance Mechanisms	Different levels of trust: Qinqing, renqing, jiaoqing (Fan, 2002; Chen & Chen, 2004; Fu et al., 2006; Guo & Miller, 2010)
Network Structure	Entrepreneurs' network size (Burt, 1982); The strength of network ties (Granovetter, 1973); Network configurations: a closure structure (Coleman, 1988) and a sparse network (Burt, 1992)

Chapter 3 Research Methodology

The chapter firstly concerns the preconception and choice of research topic, and then it presents research philosophy, research approach and research strategy as well as research purpose. After that, it discusses the practical data collection method, data analysis method in order to complete the research methodology for the study.

3.1 Preconception

Bryman & Bell (2007) state that a researcher's personal values such as feelings and beliefs of the researcher, and together with practical considerations could impacts on the conduct of research (p. 29). These factors of preconception could lead prejudice or bias for the research. Therefore, it is crucial to take account of the researcher's background and practical considerations for the research.

As a Chinese student enrolls in the Master program of Entrepreneurship in Umeå University, I have completed the core courses of entrepreneurship, the courses mainly including strategic foresight and innovation, entrepreneurship and business growth, managing networks and internationalization, and business development analysis. After that, I feel very interested in learning the influences of networks in the entrepreneurship.

Primarily, I am familiar with the Chinese term “guanxi” and able to explain its implicit meaning for the Westerners. Meanwhile I have studied the academic knowledge of Western social networks based entrepreneurship, and these factors could be my advantages for this study. Additionally, before conducting this study, I do not have a quite clear understanding between the concepts of Chinese guanxi and Western relationship in the entrepreneurship. Thereby it is necessary to read both Western and Asian literatures so as to better develop and support my study and limit the prejudice and bias of the study as far as possible. In short, in this study I will make use of my own academic knowledge as well as relevant literatures reviews to support the practical research.

3.2 Research topic

The selecting and clarifying of the research topic could reflect the author's academic background and specific interest in that field. In the very beginning of the study, I feel very interested to study the influences of networks on the entrepreneurial firms.

In the recent decades, guanxi networks have been increasingly aroused Western and Asian

entrepreneurial researchers' interests. The earlier pioneers in Western literatures that study the network-based research in entrepreneurship, such as Granovetter (1973; 1985), Coleman (1988), Burt (1992; 2000) and Hoang & Antoncic (2003) have deeply impressed me. As a Chinese student, I consider the Chinese term "guanxi" is unique social networks in China, and guanxi networks can affect the entrepreneurial process in the Chinese Confucian context.

Afterwards, increasing numbers of Chinese entrepreneurial researchers have initiated to make use of the relevant Western theories in the entrepreneurial network analysis literatures to explore the effects of Chinese guanxi networks in modern entrepreneurship. Thanks to the academic articles that are written by Chinese scholars Siu & Bao (2008) and Guo & Miller (2010), they give me great inspirations to explore the role of guanxi in Chinese entrepreneurship. Furthermore, previous Chinese studies have shown guanxi networks can promote the development of entrepreneurial firms for business purpose. In practice, Chinese entrepreneurs usually start micro firms due to limited resources in the beginning of entrepreneurial process. Additionally, micro firms are more dependent on guanxi networks compared to small and medium firms in the context of China.

In sum, based on the reviewing of the classic literatures of Western network-based approach in entrepreneurship and the latest studies of Chinese guanxi networks concepts, I am motivated to connect the Western entrepreneurial network theory with Chinese guanxi concepts to provide a unique and complete picture of guanxi networks in Chinese entrepreneurship. At the same time, I feel very cautious to learn the role of guanxi networks in Chinese entrepreneurship and explore how Chinese entrepreneurs utilize guanxi networks during the development of entrepreneurial firms. Therefore, I hope this study can make good contributions in academic and practical fields. I wish the results of this study could improve the understanding of guanxi networks and guanxi networking activities in Chinese entrepreneurship. This study is for people who feel interested in study of network-based entrepreneurship in the context of China. In addition, I wish this study could shed lights to Western and Asian scholars for future research in the field.

3.3 Research philosophy

The research philosophy usually covers crucial assumptions that formulate and clarify how we see, perceive and view the world. Moreover, these assumptions under the research philosophy support researchers to choose suitable research strategies, research methods for their specific research topics (Saunders, Lewis & Thornhill, 2009, p. 108). Actually, scholars such as Guba & Lincoln (1994) support that the question of research philosophy places in the first importance compared to questions of research methods (p. 104). Furthermore, it is very crucial to reflect how the researchers choose the research philosophy among the alternatives (Saunders et al., 2009, p. 108). Besides Saunders et al. (2009), other relevant research books will be my references, including Bryman & Bell (2007), Robson (2002), Easterby-Smith, Thorpe, Jackson & Lowe (2008) and Krishnaswami & Satyaprasad, (2010). In this study, I will mainly focus on Bryman & Bell (2007) and Saunders et al. (2009) as my research methodology guidance.

Generally, ontology and epistemology are the central statements for research philosophy. On the one hand, ontology focuses on the nature of social entities and reality (Bryman & Bell, 2007; Saunders et al., 2009). Ontology is related to *“the question of whether social entities can and should be considered objective entities that have a reality external to social actors, or whether they can and should be considered social constructions built up from the perceptions and actions of social actors”* (Bryman & Bell, 2007, p. 22). In other words, ontology explains what reality is. There are mainly two different approaches of ontology: objectivism and constructionism (Bryman & Bell, 2007, p. 22).

Objectivism is one kind of ontological position that demonstrates there is an *“existence of external social phenomena and their meanings for independent social actors”* (Bryman & Bell, 2007, p. 22). It reveals that the social phenomenon and the categories that we use in our daily life confront us as an external objective reality that is independent or separate to us, and we cannot reach or influence the object (Bryman & Bell, 2007, p. 22). It can be argued that organization and culture could be the external objects that regulate people’s daily life, but people cannot change and modify the rules and regulations of the external reality.

Constructionism is the other kind of ontological position. Social phenomena and their meanings are perpetually being changed and completed by the social actors (Bryman & Bell, 2007, p. 22-23). It reveals that the social phenomena and categories we use are constantly being created and revised through social interactions among us, rather than the definitive entity (Bryman & Bell, 2007, p. 22-23). For instance, knowledge of the social world is indeterminate, and constantly constructed and reconstructed through people’s interaction.

On the other hand, epistemology focuses on the issues of *“what is or should be regarded as acceptable knowledge within a discipline”* of a particular field of study (Bryman & Bell, 2007, p. 16). The most central issue of epistemology is that whether or not the social world can be analyzed as natural sciences in line with the same principles, methods as well as the ethos (Bryman & Bell, 2007, p.16). In other words, epistemology explains how to study the reality. There are mainly three kinds of approaches, namely positivism, realism and interpretivism (Bryman & Bell, 2007, p.16).

Positivism is defined by Bryman & Bell (2007, p. 16) as an approach that *“advocates the application of the methods of the natural sciences to the study of social reality and beyond”*. The philosophy of positivism focuses on authentic knowledge is derived from testing and confirmation of existing theories through developing hypotheses, and the hypotheses are generated from observations of social reality and beyond in a value-free way.

Realism is another philosophical position of epistemology. It shares two characteristics of positivism: *“a belief that the natural and the social sciences can and should apply the same kinds of approach to the collections of data and to explanation, and a commitment to the view that there is an external reality to which scientists direct their attention”* (Bryman & Bell, 2007, p. 18). The central point of realism is researchers should consider separate reality that beyond description and accurately explain the knowledge within the context.

Additionally, there are two categories of realism: empirical realism and critical realism Bryman & Bell (2007).

According to Bryman & Bell (2007), interpretivism is the opposite side of positivism (p. 19). The interpretivism focuses on the knowledge derived from researchers' understanding of differences between social actors and social reality in line with the scientific model. It is noticeable that interpretivism advocates researchers should take an empathetic way to study the research subjects and understand their surrounding world (Saunders et al., 2009, p. 116).

Consider the overall research philosophy above, I choose the constructivism for ontological consideration and interpretivism for epistemological consideration. This study is to explore the role of guanxi during the development of entrepreneurial firms. I think constructivism is more suitable under the formulation of a conceptual framework for this study to gain better understanding of guanxi networks for entrepreneurs in practice. Further, I will follow the prior research outcomes and adopt the interpretivism position to constitute a new theory for the study. Because my study concerns the why and how entrepreneurs utilize guanxi networks and explore in what ways that entrepreneurs build, maintain guanxi networks during the development of entrepreneurial firms. At the same time, the study will investigate how guanxi networks can be used to be sustainable competitive advantage for entrepreneurial firms in China and what the tendency of the importance of guanxi networks is for entrepreneurial firms in China.

I support that explanation and interpretation can be the suitable methods for this study. Also, Saunders et al (2009) highlight that interpretivism is suitable for business and management research, particular for research on organizational behaviors, human resource management as individuals are together under a series of particular situations at specific times (p. 116). The exploration of role of guanxi in Chinese entrepreneurship is a study of a social phenomenon. Through the study those participating entrepreneurs' experiences, behaviors and views under the particular circumstances will assist me have a better understanding of the role of guanxi in Chinese entrepreneurship. In short, according to the overall detailed explanation and discussion in this section, it is suitable to take constructivism and interpretivism perspectives together for the study purpose.

3.4 Research approach

There are mainly two research approaches, including the deductive approach and the inductive approach (Bryman & Bell, 2007). Before the selection of an appropriate research approach, it is necessary to understand their implicit meanings and differences between each other.

On the one hand, the purpose of the deductive approach is to test a theory. According to Saunders et al., (2009, p. 155-156), deductive approach entails a process that firstly deducing a hypothesis from the existing theory, expressing the hypothesis in measurable operational terms, testing the hypothesis, examining the specific outcome through

observation, and modifying the theory according to the findings if necessary. Furthermore, the deductive approach implies researchers should independently conduct observation, and the hypothesis should be translated into operational terms for sufficient sample size in order to be measured quantitatively (2009, p. 155-156). Nevertheless, this study is not intended to deduce hypothesis based on the literature reviews nor test hypothesis based on the empirical findings. As Bryman & Bell (2007) suggest that deductive approach implies the nature of the linear relationships between existing theory and empirical findings. Therefore, deductive approach is not appropriate for the process of this study.

On the other hand, the purpose of the inductive approach is to obtain better understand the nature of a problem through building a theory (Saunders et al., 2009, p. 157). According to Saunders et al (2009, p. 126), inductive approach entails a process of formulating a theory through collecting and analyzing of the interview data. Inductive approach put more focuses on the understanding of the research context and in which the specific events take place, thereby it is more appropriate to study a small number of samples with a qualitative research rather than conducting a quantitative research for a large number within the deductive approach (Saunders et al., 2009, p. 157). And it is argued by Saunders et al (2009, p. 126) that the inductive approach is more realistic compared to deductive approach, as the research subjects' behaviors are the consequence of the way in which they perceive and view.

The main aim of this study is to explore the role of guanxi in Chinese entrepreneurship. In order to gain a better understanding of the subject, I will firstly investigate why and how Chinese entrepreneurs utilize guanxi networks during the development of entrepreneurial firms. Afterwards, I will identify in what ways Chinese entrepreneurs build and maintain guanxi ties during the development of entrepreneurial firms. Thereafter, I will investigate how guanxi networks can used to be sustainable competitive advantage for entrepreneurial firms in China and what the tendency of the importance of guanxi networks is for entrepreneurial firms in China. Based on the developed conceptual framework, this study will develop a theory rather than testing a theory. Therefore, inductive approach is more appropriate for the purpose of this study.

Follow the research strategy guidance of Malhotra & Birks (2007), I will consider the following issues: the object of the research, the characteristics of the research and how the empirical results can be used (P. 70).

I will focus the research subjects on a small group of entrepreneurs who have already operated micro firms in China. In according to the formulated research questions, this study is intended to explore the the nature of a social problem, and interpret the research subjects' behaviors and views in order to generate a new perspective compared to previous studies. I select the inductive approach as my research guidenc, as the outcome of this study is to generate a new theory of the role of guanxi in Chinese entrepreneurship based on the collected empirical findings from interviews. It is confirmed by Bryman & Bell (2007) that the inductive approach is to generate a theory based on the empirical findings. Through exploration of how Chinese entrepreneurs utilize guanxi networks during development of micro firms, I can obtain a deeper understanding in this study. And also, I will employ the existing Western theories to improve my understanding of the research topic. Consequently,

the inductive approach can better facilitate my theory building, which is based on analysis of empirical findings in this study (Bryman & Bell, 2007). In addition, inductive approach can help me to constitute missing part of qualitative knowledge in the particular study of dynamic guanxi network-based entrepreneurship in China.

3.5 Research strategy

According to Bryman & Bell (2007), there are mainly two kinds of research strategies: quantitative research and qualitative research, and both of them are general orientations to implement business researches (p. 28). Bryman and Bell (2007) allege that distinguishing the differences of the above two research strategies in terms of research theories, epistemological orientation and ontological orientation could better assist researchers to consider practical methodological issues. Further, Bryman and Bell (2007) and Saunders et al (2009) draw attention to the comparing of data collection techniques and analysis procedures of the two strategies. Therefore, I can obtain a deeper understanding of the two research strategies in order to select the most suitable research strategy to guide my following study directions.

Bryman & Bell (1997) clearly illustrate that quantitative strategy is more appropriate for a deductive approach to test a theory under natural science model, in particular stand the positivism position of epistemological consideration and objectivism position of ontological consideration (p. 28). While quantitative strategy is, appropriate for an inductive approach to build a theory, in particular stand the interpretivism position of epistemological consideration and constructionism of ontological consideration (p. 29).

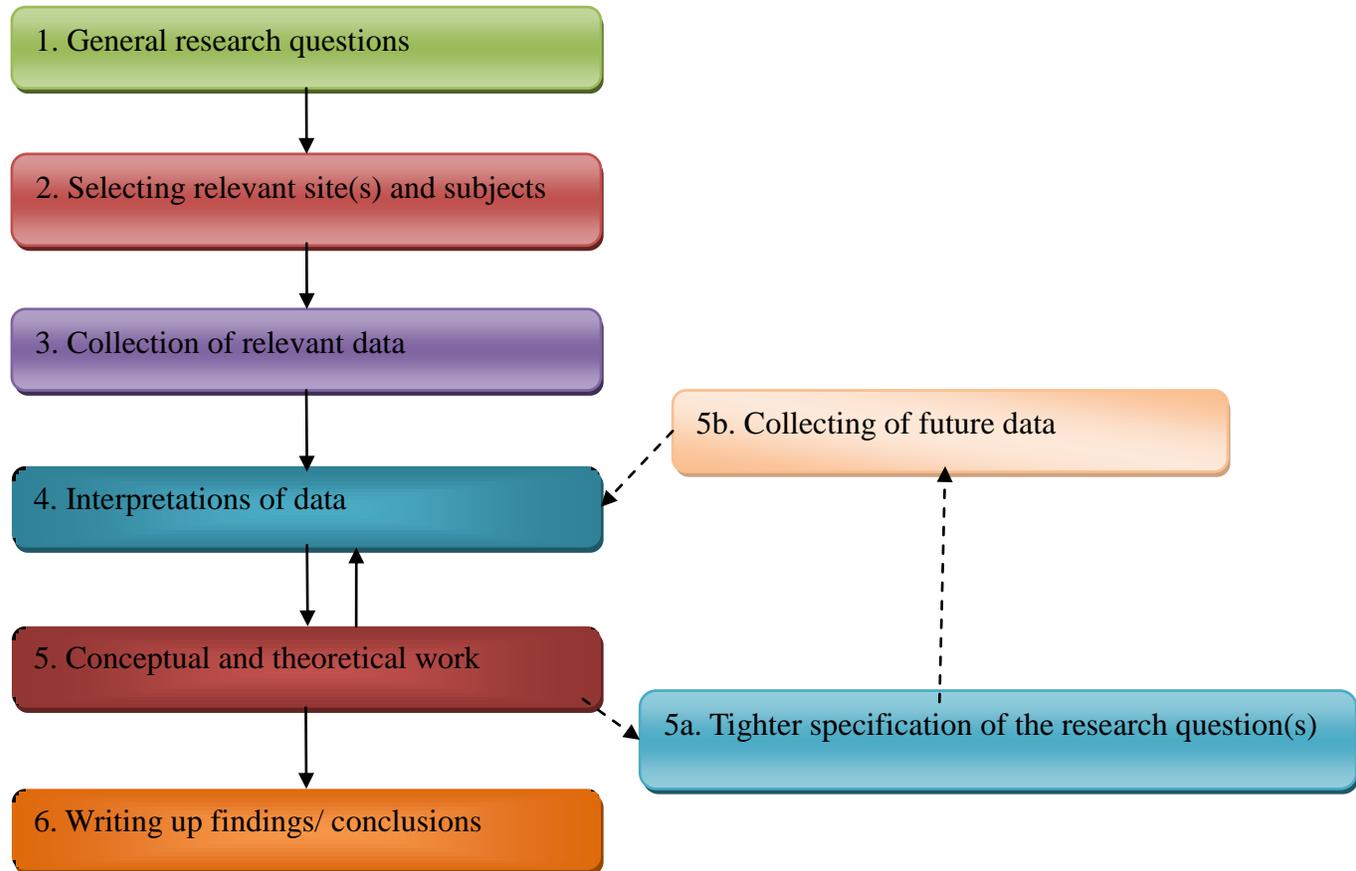
On the one side, *“quantitative is predominantly used as a synonym for any data collection techniques (such as questionnaires) or data collection techniques (such as graphs or statistics) that generates or uses numerical data”* (Saunders et al., 2009, p. 151). Moreover, Bryman & Bell (1997) allege quantitative research focuses more on quantification in data collection techniques and analysis procedures. In addition, it entails a deductive approach that studies the relationship between existing theories and hypothesis under the natural science model and social reality is perceived as an external objective reality (p. 28).

On the other side, *“qualitative is used predominantly as a synonym for any data collection techniques (such as an interview) or data analysis procedures (such as categorizing data) that generates or uses non-numeral data”* (Saunders et al., 2009, p.151). Bryman & Bell (1997) assert that qualitative research focuses on words instead of focusing on numbers in data collection techniques and procedure of analysis. In addition, it entails an inductive approach that studies the relationship between research and the potential theory without the guidance of the natural science model, and social reality is constantly revising through social interactions (p. 28).

In order to obtain a better understanding of how Chinese entrepreneurs utilize guanxi networks during the development of micro firms, it is more appropriate to select the qualitative method as the guidance of the study. The figure below briefly illustrated the

main steps in qualitative research are .

Figure 2 An outline of the main steps of qualitative research



Source: Bryman & Bell, 2007, p. 406

The in-depth study from the examined social phenomenon of dynamic guanxi networks could help me to acquire comprehensive knowledge to develop a conceptual theory, in particular guanxi network-based entrepreneurship field. Furthermore, qualitative approach is highly descriptive in words rather than numbers in quantitative approach, and generally, qualitative research emphasizes the problem “how” and “why”. Thereby it is more relevant with my concerns that why and how Chinese entrepreneurs utilize guanxi networks during the development of micro firms. Additionally, the qualitative research has some obvious advantages that allow economical and timely data collection method. More importantly, the richness of data through accurately gathering of data could assist me to have better understanding and explanation of the research questions for the study.

3.6 Research purpose

According to Saunders et al.(2009, p.139), there are mainly three kinds of research purpose namely exploratory, descriptive and explanatory.

Exploratory research is a useful research method “*to find out what is occurring; to seek new insights; to ask questions and to assess the phenomena in a new light*” (Robson, 2002, p. 59). Moreover, exploratory research can define and clarify the nature of a research problem although it cannot make access to a conclusive evidence. Through this type of research, the researchers usually try to find considerable numbers of the relevant literatures and most conduct focus group interviews to collect data for the research topic (Saunders et al., 2009, p.140).

Descriptive research is to describe “*an accurate profile of persons, events or situations*” (Robson, 2002, p. 59). It could portray characteristics of the social actors, social phenomena in the specific situations.

Explanatory research is to study the causal relationships between at least two variables (Saunders et al., 2009, p.140). It usually studies a situation or a problem through analysis of the degree of mutual impacts among independent variables, so as to provide the relevant relationships between variables (Saunders et al., 2009, p. 140).

According to the above discussion of the three alternatives of research purposes, in my view, exploratory research is particularly useful to assist me to clarify my understanding of the research problem of the role of guanxi in Chinese entrepreneurship. After the research of the relevant literatures on guanxi networks and the entrepreneurship, I find there is lack of study on this subject to conduct the research. And I progressively narrow down the focus of the research questions into some sub-questions: Why and how Chinese entrepreneurs utilize guanxi networks during the development of entrepreneurial firms? In what ways do Chinese entrepreneurs build and maintain guanxi networks during the development of entrepreneurial firms? How can guanxi networks be sustainable competitive advantages for entrepreneurial firms in China? What is the tendency of the importance of guanxi network for entrepreneurial firms in China?

What is more important, I have to find out as many relevant literatures and as much information as possible for the study in order to better clarify the understanding of the research subjects in the field of network-based research in entrepreneurship. What I am doing is like an explorer to identify and clarify the role of guanxi in Chinese entrepreneurship. Therefore, the exploration research has been carefully selected so as to reach my purpose of the research.

3.7 Research design

Generally, a research design constitutes a blueprint for the collection and analysis of data (Bryman & Bell, 2007, p. 40). The research design is the guidelines for researchers on how to allocate the given resources and information to select the most appropriate choice in the research methodology (Sachdeva, 2009, p. 84). I consider the research design as the general plan of how I am going to clarify and answer the research question based on the available resources and possible constraints.

A case study refers to “*a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence*” (Robson, 2002, p. 178). First of all, according to Saunders et al (2009, p. 146), case study strategy prefers to draw attention on the research question such as “what?”, “why” and “how?”. Consider my sub-research questions are mainly questions about “why”, “how” and “what”, these sub research questions are consistent with the view of Saunders et al (2009, p. 146). The conduct of the case study can help me to generate the answers to my research questions: “Why?”, “How?” and “What?” questions. Further, as my study is to obtain an in-depth understanding of the context of the research and the interactions of social actors, the case study is particularly suitable for the research purpose. Additionally, as the predominant research strategy and approach in this study are qualitative and inductive, the case study is related with the chosen researches. Thus, in this way I can intensively generate a new conceptual theory from the empirical findings.

Bryman & Bell (2007) also define the case study strategy as a “*detailed and intensive analysis of a single case*”, and further they state, “*The case is an object of interest in its right and the researcher is going to constitute an in-depth of elucidation of it*” (p. 62). The case study research generally deals with the research question that is complex in the specific nature, despite of some weakness of case study, such as the unscientific feeling of it; overly complex data are used to generate a theory. Indeed, case study has significant advantages for research. Primarily, my research topic is the role of guanxi in Chinese entrepreneurship. However, a few academic literatures study this topic. Therefore, with the implementation of case study, I can grasp the opportunity to generate a new theory through the process of collecting data and analysis of the role of guanxi in Chinese entrepreneurship. In addition, I agree the argument of Saunders et al (2009) that a good-conducted case study could allow the researcher to challenge the original theory through the data collection and analysis so as to make access to additional sources of further research questions (p. 147).

What is more important, the purpose of the research is to enhance a better understanding of how Chinese entrepreneurs utilize guanxi networks during the development of entrepreneurial firms. I will employ multiple case studies within different micro entrepreneurial firms. In short, case study can constitute apparent advantages to this study, and further strengthen the incremental theory generation in this relatively new research area.

3.8 Research method

The data can be conceived as past and present facts as well as raw materials, serving as the basic foundations for the researcher to be analyzed. (Krishnaswami & Satyaprasad, 2010, P. 89). And further, data is classified by Bryman & Bell (2007) into two distinguished dimensions, qualitative data and quantitative data, primary data and secondary data.

Bryman and Bell (2007, p.40) define a research method is a technique that used to collect data. As in the initial part, I take the constructivism and the interpretivism perspectives, and I perceive the external social reality is constantly being revised through social interactions. Moreover, I adopt a qualitative approach in order to extensively explore and gain a deeper understanding of the role of guanxi in Chinese entrepreneurship. Based on the qualitative approach, it can be argued that the interview is the most appropriate research method to collect qualitative and primary data for my study. It is important that the flexibility of the qualitative interview can make the researcher to adjust emphasizes critical issues during the course of the interviews to obtain new insights for the study. Further, the qualitative data analysis could facilitate the generation of a new theory that concerns the role of guanxi in Chinese entrepreneurship.

There are two major types of qualitative interviews, including unstructured interviews and semi-structured interviews (Bryman & Bell, 2007, p. 472). On the one hand, an unstructured interview bases on predetermined standardized questions enable the interviewee to respond freely, and the interviewer only records the worthy responses. On the other hand, a semi-structured interview is based on a list of non-standardized questions on a specific topic to be revealed, often considered as an interview guide, most of the questions will be asked, however the interviewee has a great deal of leeway in how to response to those questions (Bryman & Bell, 2007, p. 474). Consider the principles of the two types of qualitative interviews and together with my specific research questions, thus I will make use of semi-structured interviews to yield rich and detailed primary data, to ensure the further conceptual analysis of the reliable and valid information. The choice of research design in this study is further confirmed by Bryman & Bell (2007, p. 479), as they state that it is more appropriate for researchers to conduct semi-structured interviews to address more particular issues if researchers initiate the research with a specific focus instead of very wide ideas on the research topic. Moreover, the flexibility of the semi-structured interviews order could keep my research interest and encourage the interviewees' positivity to freely reflect their concerns and give me new insights into what they perceive as relevant and crucial for the study.

Besides collecting primary data from the semi-structured interview, I will also use secondary data for the research. The secondary data cover qualitative data and quantitative data (Saunders et al., 2009, p. 256). And secondary data are suitable for explanatory and descriptive research, particularly in business and management research secondary data are most utilized as part of a case study (Saunders et al., 2009, p. 258). Therefore, it is worthwhile to use secondary data for the research. Thanks to the the online indexes and catalogues hosted by Umeå University Library, which provides me with abundant academic sources of secondary data. Through the online database such as Business Source Premiere

(EBSCO), Wiley Online Library, Science Direct, Academic Complete and Google Scholar, I can easily make access to relevant journal articles and e-books. And also, relevant books from the school library provide me valuable clues for the study. What is the most importantly, based on the literature review of those relevant articles and books, I could make good use of the relevant concepts (Fan, 2002; Chen & Chen, 2004) and theories (Hoang & Antoncic, 2003). In other words, the secondary data assist me for the practical research design and data analysis, and ultimately facilitate answering the research question of how entrepreneurs utilize guanxi network during the development of entrepreneurial firms.

3.9 Data analysis method

In this research, data analysis follows the predominant research approach, design and method, typically inductive approach and multiple-case study and semi-structured interview through qualitative research. I will firstly study each individual case and its particular context, and then compare the similarities and differences of guanxi networks during the development of entrepreneurial firms among the participating cases. Thereafter, the developed conceptual framework will facilitate the analysis of empirical case studies.

Indeed, I will conduct the thematic analysis for the collected qualitative data from the interviewees. According to Hoang & Antoncic (2003), three crucial variables of network-based entrepreneurship are social structure, content, governance mechanisms. Thus, I will make use of these three dimensions of network to analyze the role of dynamic guanxi network during the development of entrepreneurial firms.

Further, within-case analysis I will employ the existing concept of guanxi networks and relevant Western theories to interpret the characteristics of dynamic guanxi networks related to the entrepreneurship. During the within-case studies, I will code the qualitative data regarding confidential considerations. Moreover, the prior literatures on the research of guanxi network guide the coding procedures (Siu & Bao, 2008). I will analyze the collected empirical findings through gradually data reduction and compression of the relevant concepts. As the study mainly focuses on the network dimensions, I will select and summarize similar patterns in the collected data. The data is qualified through assigning numerical findings to the data categories of guanxi networks in entrepreneurship (Siu & Bao, 2008). Finally, I will polish the theoretical model of guanxi network development to reconfirm the generation of the new theory based on the existing theories and studies of qualitative data.

3.10 Choice of research interviewees

As I conduct in-depth semi-structured interviews to explore the role of guanxi in Chinese entrepreneurship, I select totally ten entrepreneurs within different micro entrepreneurial firms as research samples.

The criteria of selecting interviewees are those Chinese entrepreneurs who have established their own micro entrepreneurial firms and their firms are continuously developing until now. Meanwhile, these entrepreneurs have utilized guanxi networks for their development of entrepreneurial firms. The participated entrepreneurs are from developed regions of China, as there is more political and institutional support, and more entrepreneurial activities in the developed regions such as Beijing, Shanghai, Suzhou and Shenzhen. In addition, there is no strict requirement for selecting the industries that the micro entrepreneurial firms are in, as I can obtain broader empirical findings from a diversity of industry backgrounds. Further, I select the interviewees through my personal guanxi networks. Some interviewees are established contacts through my family, friends, schoolmates and acquaintances, and others are from the Internet. In sum, the study of the ten cases is to explore the role of guanxi in Chinese entrepreneurship and further develop a theoretical model to constitute this study. The brief information and background of the interviewees is in Appendix 1.

3.11 Interview guide

An interview guide is the list of the questions on the chosen topic (Bryman & Bell, 2007, p. 474). The relevant literature reviews and developed a theoretical framework in the prior chapter together guide the questions in the semi-structured interviews. The questions are in the Appendix 2.

The interview guide assists me to collect reliable and valid empirical data for the study, in order to better analyze the empirical findings and smoothly generate theoretical model of the role of guanxi in Chinese entrepreneurship. The main aim of the study is to explore how Chinese entrepreneurs use guanxi network for their entrepreneurial firms. Moreover, the focus of the questions covers various components of guanxi networks in the development of entrepreneurial firms. These questions give a great deal of leeway to the participated interviewees so as they can freely express their ideas on relevant issues.

The purpose of Question 1-2 is to reveal the first sub-question that why Chinese entrepreneurs utilize guanxi networks during the development of entrepreneurial firms. Subsequently, the purpose of question 3-5 is to explore guanxi network content, which is related to the creation of social capital and acquirement of reputation and legitimacy (Davies et al., 1995; Adler & Kwon, 2002). Afterwards, question 6-7 consider the key governance mechanisms of guanxi networks. Namely qinqing, renqing and jiaoqing that are embedded in different levels of trust of guanxi ties. In short, the questions may reveal how Chinese entrepreneurs utilize different guanxi ties in terms of trustworthiness. Thereafter, question 8-12 will explore how Chinese entrepreneurs utilize different guanxi ties in terms of guanxi network structure. Based on the Western pioneers' network analysis, the formulation the research questions mainly focused on the analysis of Chinese entrepreneurs' network size (Burt, 1982); the strength of network ties (Granovetter, 1973); and the network configurations (Coleman, 1988 ; Burt, 1992). Then, question 13-14 is to investigate in what ways Chinese entrepreneurs build and maintain guanxi ties for the development of entrepreneurial firms. The qualitative data form question 13-14 may

uncover the answers for the third sub-question about Chinese entrepreneurs' guanxi networking activities for the study. Finally, question 15-16 is to reveal what the tendency of the importance of guanxi networks is and how guanxi networks can be used to be competitive advantage for the development of entrepreneurial firms (Barney, 1991).

In the beginning of the interview, I will assure the confidentiality to the interviewees before they answer the research questions. Then the interviewees are required to provide their geographical locations and relevant company business information. Subsequently, they will answer the research question. In addition, I conduct the ten semi-structured interviews by native language—Mandarin, so that interviewees can express their opinions openly and accurately. The time length of the interviews is last 40-80 minutes in each case. It is noticeable that in the practical semi-structured interviews, the interview guide acts as the guiding instruments for collecting empirical findings. Nevertheless, there is no strict manner to follow the whole interview guide, as the interviewees may raise some insightful points and comments.

Chapter 4 Empirical Findings

This chapter mainly presents the empirical findings from the conducted semi-structured interviews. The descriptions of the interview results are categorized according to the conceptual framework and the main research questions in this study. In addition, the key findings are summarized for each question and some significant raw data are cited to support the summaries of qualitative results in this chapter.

4.1 The Reasons for using guanxi networks: question 1-2

When asked that did you use guanxi networks for the development of your entrepreneurial firm, unsurprisingly, all of the interviewees admitted they certainly used guanxi network for their development of firms.

When asked why you utilized guanxi network during the development of entrepreneurial firms, there was a variety of answers from the ten interviewees. Nevertheless, all of the interviewees considered that guanxi networks played important roles and provided benefits for their development of entrepreneurial firms. It is noticeable that all of the interviewees thought guanxi network could bring information or knowledge or resource benefits for their business.

Firstly, all the interviewees considered that acquirement of necessary market information could help entrepreneurs quickly identify valuable business opportunities so that they could take action as soon as possible. These interviewees further proposed that in most cases, gaining useful information could help the entrepreneurs expand the business and reduce relevant business costs. As one entrepreneur explained:

Guanxi networks helps me to grasp the potential opportunities in the market. I could reduce the costs of raw materials, because one of my business partners ever told me that there would be a shortage of raw materials in the following months. Then I purchased double times of raw materials as my future stock. It is beneficial to make use of guanxi network for my business development as I could save costs to a certain extent.

Secondly, the acquirement of the necessary knowledge could help entrepreneurs to improve the efficiency of business operations and reduce relevant costs incurred during the development of entrepreneurial firms. Entrepreneurs could strengthen their entrepreneurial competencies through obtaining valuable knowledge and skills from guanxi ties. In addition, this kind of a resource could stimulate organizations' innovations for the products and services.

As one entrepreneur said:

I could learn up-to-date IT knowledge from my guanxi network ties. My close friend is a professional web designer. He always tells me the advanced technologies and teaches me how to apply them for my business marketing. Thereby, I could market my business in a very popular way, and it improves the efficiency of my business operations and reduces my marketing costs.

Thirdly, all the interviewees thought that the acquirement of the necessary resources could help the entrepreneurs overcome the insufficiency of resources within the firms and facilitate the business operations. Besides, they agreed that the accumulation of resources could accelerate the growth of micro entrepreneurial firms in the long term. As one interviewee replied:

Sources of resources are very critical for the micro firms in China, as small and micro firms are more rely on the available resources in the surrounding environment. No matter insufficiency of human capital or financial capital, I could make use of guanxi network to seek to complement resources to solve the insufficiency of that capital.

Fourthly, guanxi networks could bring the entrepreneurs reputations and legitimacy for their business. The entrepreneurs' guanxi network ties could build good reputations for the firms through word-of-mouth marketing. Besides, guanxi network ties could help entrepreneurs obtain legitimacy somehow, and thereby it shortens the business process of the firms. As one interviewee said:

I can get reputation benefit from guanxi networks. The number of my customers has increased owing to the word-of-mouth marketing from my friends and current customers.

Another added:

I can gain legitimacy benefits for my business. Once I had to apply a necessary commercial license from the local government, and it was not so easy to get the license. However, I turned to my friend, who was very familiar with one official in the local government so that I could obtain the license smoothly and quickly. It really helped me to operate my business successfully in the local city.

4.2 Network content: question 3-5

When asked what kind of content benefits the entrepreneurs could obtain from their guanxi network, accordingly, the entrepreneurs stated that different content benefits derived from different guanxi ties. The answers of the network content were similar with the purposes why they use guanxi networks for the development of firms. However, the results here are comprehensive in line with different guanxi ties.

Firstly, when asked what resources that the entrepreneurs could get from qinren guanxi ties such as family members and relatives for the development of the firms, the interviewees thought qinren guanxi ties could provide them emotional supports and advices. Meanwhile, they considered that qinren guanxi could provide financial capital for their development of business. Additionally, family members could help them to overcome the insufficiency of institutional support. If entrepreneurs' family members were acquainted with local officials, this guanxi ties could help them to gain legitimacy for smoothly running their business under government protection.

For instance, one entrepreneur clarified the importance of emotional supports from qinren guanxi ties:

I think my family members have strongly supported me to operate the entrepreneurial firms until now. They always encourage me to overcome the constraints when I fall into a dilemma. They help to build confidence to be a successful entrepreneur and they inspire me to go on my direction towards my entrepreneurial dream in the long term.

Moreover, interviewees thought qinren guanxi ties could provide financial support for expanding their business and solving problems of insufficiency of financial capital. One entrepreneur explained:

My family members and relatives are willing to provide financial support for the development of my firm. They always tell me if I have money problems, I should turn to them firstly. Because we have blood connections, they will never abandon me. More importantly, I do not have such burdens to repay the reciprocity.

Secondly, when asked what resources the entrepreneurs could get from their shuren guanxi ties, such as familiar persons and close friends, their answers were quite different. The interviewees thought shuren guanxi ties could provide them valuable information, tacit knowledge and critical feedbacks for their business. Beside, the interviewees indicated that they could gain legitimacy from familiar friends. Meanwhile, the interviewees asserted shuren guanxi ties could supply sources of financial capital. In addition, the interviewees consider shuren guanxi ties could offer facilities such as rented office, office supplies and raw materials that they needed for the development of firms. For instance, one interviewee said:

My shuren guanxi ties give me much assistance to my business running. The most important benefit is the market information and critical feedbacks for my business development. When I am in trouble, my familiar friends will come to me and help me to analyze the business situation and give me valuable feedbacks. If it is necessary, they will provide me with the resources that I demand. If they do not have such resources for me, they will turn to their friends to help me as far as possible.

Thirdly, when asked what resources that the entrepreneurs could get from their shengren guanxi ties, such as business guanxi ties and unfamiliar persons, the answers were relatively consistent. The entrepreneurs agreed that they mainly sought business

information, industrial knowledge and business skills from shengren guanxi ties. Moreover, most of the entrepreneurs would like to seek potential business opportunities within business guanxi ties to establish cooperation and collaboration for their business development. In addition, the entrepreneurs more preferred to market their business with business guanxi ties deliberately in order to gain a broader reputation for the firms. As one interviewee responded:

I prefer to search for potential business information from a diversity of business guanxi ties. Because I have gained redundant information from my surrounding environment, I need new information and fresh knowledge from unfamiliar contacts in the industry. For instance, as I joined in a local business association and one of the members introduced me a new business so I followed his advice and initiated the new business field. Now the new business has made some profits. Moreover, members of the local business association spread my business to their friends and business partners, and helped me to build a good reputation and connect peers in the local city.

4.3 Network governance mechanisms: question 6-7

In this section, the governance mechanisms of guanxi networks relate with different levels of trust based on the three kinds of guanxi ties. Entrepreneurs were required to answer how they perceived qinqing, renqing and jiaoqing, and how these three affections affect the quality and the amount of their content exchange with different guanxi ties.

When asked did you think different levels of trust within guanxi ties could affect the quality and amount of your content exchange for your business, the answers from all the interviewees were unanimous. All of the interviewees believed different levels of trust could affect their content exchanges. Namely various trust influence what kind of resources and how much resources that the entrepreneurs could obtain from guanxi network. Actually, Chinese entrepreneurs considered trust issues were very crucial for the development of entrepreneurial firms in the long term. There was no doubt that the participated interviewees were familiar with these Chinese terms: qinqing, renqing and jiaoqing, and they quite understood the distinctive implications of these three terms for their business development.

Primarily, the interviewees thought qinqing had the highest level of trust within family members and relatives. Meanwhile, the interviewees agreed that qinqing could provide the most reliable information and feedbacks, as the closeness of qinqing was the strongest and most stable in the long term, compared to the attributes of the other two governance mechanisms. The majority of the interviewees believed that qinqing could provide as much as information, advices, and emotional supports to them. Although the amount of information was usually redundant and less useful for the development of entrepreneurial firms, they still had to respect their family members and kinships. Additionally, all of the interviewees agreed that respect was the crucial merit under Chinese Confucian culture, and the younger generations should fully show respect to their senior generations rather than reciprocity or exchange of favors. One entrepreneur explained:

In my opinion, qinqing is the most important affection to my life. I respect and admire my parents. Indeed, they provide me infinite encouragement and mentally support for my life and work. Nevertheless, I have to admit that the quality of information they provide me is not so novel and useful some times and the amount of the information they offer to me are scant and redundant, compared to that of the other two affections.

Secondly, the interviewees considered that renqing had the second highest level of trust within familiar persons. They believed that renqing could provide relatively reliable and useful information and a broad range of knowledge for their development of the firms. Meanwhile, these interviewees thought the amount of information and knowledge provided by their familiar friends was more than that from their family guanxi ties. In addition, the interviewees considered that mutual trust and commitment between the two familiar persons were important to guarantee the quality and amount of the information and other resources. As one interviewee asserted:

With renqing, I can acquire relatively reliable information and feedbacks from my familiar friends and alumni. When I get the necessary information and suggestions from them, I will evaluate the credibility of the information even I may conduct a market research. Additionally, the amount of information and resources provided from renqing are moderate. In order to ensure the high quality and amount of resource exchanges under renqing, I have to cultivate renqing actively though exchanging favors and interests in the long term.

Thirdly, the interviewees perceived that jiaoqing had the lowest level of trust within unfamiliar persons. On the one hand, the interviewees stated that jiaoqing could supply lowest reliable business information. On the other hand, the interviewees asserted that the information was the most useful and fresh for the entrepreneurs. Moreover, jiaoqing could make the entrepreneurs access to scarce resources that they could not obtain from kinships or familiar persons. Meanwhile, the amount of the information was the largest compared to that from qinqing and renqing. Additionally, the interviewees agreed that jiaoqing had to be carefully cultivated through strict reciprocal due to the weak and the purely utilitarian purpose of jiaoqing. As one interviewee responded:

I obtain unfamiliar business guanxi ties through family members or familiar persons. I seek and cultivate jiaoqing with those unfamiliar persons in order to get the scarce resource and rich information to expand my business development in the long term.

Another interviewee added:

Jiaoqing is weak and temporary, so I do not rely on the quality of information that jiaoqing provides to me. However, it does not mean I will not use jiaoqing for my business. Owing to the availability of abundant information that derives from unfamiliar contacts, I have to evaluate the business opportunities with my close friends and business partners.

Consider the different level of trust within the guanxi ties, all the interviewees agreed that different guanxi mechanisms could bring different benefits for the business. In order to make use of guanxi mechanisms more effectively, entrepreneurs agreed that they have to

manage and cultivate different guanxi mechanisms according to the purposes and exchange content of the governance mechanisms.

4.3 Network structure: question 8-12

In line with the characteristics of network structure patterns, I categorized Questions 8-12 in this section. The interviewees followed the order of the following questions and freely expressed their opinions on the research questions. The key findings of different network patterns are summarized below.

4.3.1 The reliance on network size

Question 8 mainly concerns the entrepreneurs' reliance on the network size. The question is do you think the greater number of direct network ties you have, the more benefits you can gain for the development of your firm. Obviously, all the participated interviewees confirmed that the larger network size, the more benefits they could obtain.

When asked why they thought the larger network size is beneficial for their development of entrepreneurial firms. The interviewees thought the utilizable resources of the micro entrepreneurial firms are limited, thus they had to be more dependent on the different direct network ties within their personal guanxi network. Moreover, some interviewees admitted that the accessibility of various resources in the surrounding environment was not so easy, and they asserted their intentions to enlarge their guanxi network size through increasing the numbers of guanxi ties. Further, the interviewees believed that different backgrounds of their guanxi ties could increase the possibility of constituting and leveraging complementary resources for the firms. In sum, they agreed that building and cultivating greater amounts of guanxi ties could help them to acquire and accumulate abundant tangible and intangible resources for their business development, even though the process may take their time and energy. As an interviewee confirmed:

There is a Chinese old saying "the more guanxi ties you have, the more roads you could choose to go forwards". I agree that the more connections within the guanxi networks, the more opportunities provide for me. For example, I have five different business partners, and they offer me different channel accesses in the market, so that I can choose the most suitable access for my products and reduce transaction costs to a certain extent.

Another interviewee added:

Indeed larger guanxi network size brings a variety of benefits for my business. For instance, the more access to the useful information and skills for business operations, reduction of marketing and transaction costs et al. However, it may take me more time and energy to connect with more guanxi ties, sometimes I feel tired of doing so. However, I have to do so. Because here is China, all of us need guanxi ties to support our life and business.

Otherwise, you will be kicked out of the guanxi game.

4.3.2 The reliance on strength of network ties

Question 9-10 mainly focus on the degree of entrepreneurs' reliance on two different strengths of network ties for the development of entrepreneurial firms. The answers from the participated interviewees are sharply divergent.

When it comes to how much your firm's development relies on strong ties such as family members and close friends, the participated interviewees had different views.

On the one hand, two interviewees strongly confirmed that the development of their firms heavily depended on strong guanxi ties. They asserted that strong guanxi ties could bring reliable access to new customers and facilitate their business operation. Additionally, they did not need to build and cultivate trust with unfamiliar persons and strangers. As one interviewee replied:

The establishment of the entrepreneurial firm was through my family members and close friends, and they did provide me with financial capital and useful information. They helped me to seek customers and make marketing strategies for my firm. Until now, my business has developed very well with their assistance.

The one interviewees consistently viewed strong ties was the basis of the guanxi network, and it was not appropriate to ignore the importance of strong ties. As the interviewee said:

I think kinships and close friends are the most crucial guanxi ties for my business development. They will always support my business and me. Even though they do not have very novel ideas for my business, I do need them to support my business direction. As I highly trust them and appreciate their critical suggestions for my business.

On the other hand, the rest of the eight interviewees did not heavily rely on the strong guanxi ties for the business development. Owing to redundant information and scant access to new resources from strong guanxi ties, these interviewees did not focus much on the strong guanxi ties. As one interviewee expressed his view:

Strong guanxi ties only provide me emotional support and some advices for the business. However, actually my family members do not know what my business is, and what kind of resources I demand. Moreover, my friends are not familiar with my industry. Thus, I always find business partners and customers myself.

In contrary, when it comes to how much your firm's development relies on weak ties such as unfamiliar persons and business guanxi ties, the participated interviewees had opposite views compared to the former findings. Obviously, those who disagreed with the reliance on the strong guanxi ties supported their heavy reliance on weak guanxi ties. Eight interviewees insisted that weak guanxi ties could bring more advantages for their business

development. They believed weak guanxi ties usually offer novel opportunities as well as crucial information flows. These benefits could contribute for their business expansion, strategic adjustments in the market, and reduce relevant operation costs for the firms. As one interviewee replied:

I heavily rely on the business guanxi ties compared with using close friend's guanxi ties. Business ties provide me more accesses to novel information and opportunities that beyond the boundary of family guanxi ties. Though contact of business guanxi ties, I have more possibilities to cooperate and collaborate with potential business partners. Thereby I could stimulate my business expansion, reduce operational costs and build a good brand image in the local city.

Last but not the least, although all the participated interviewees had dissimilar opinions on the issue, they did recognize different benefits provided by the strong and weak guanxi ties for their business development.

4.3.3 The reliance on network configuration

There are mainly two different kinds of network configurations, one is a closure structure and the other one is a sparse network structure. The purpose of Questions 11-12 is to reveal how Chinese entrepreneurs perceive the different network configurations.

Question 11 mainly concerns how entrepreneurs perceive and rely on established direct business guanxi ties within the closure network structure. The findings showed that the interviewees perceived the established business guanxi ties were highly important for the development of the firms. The interviewees thought the established business guanxi ties provided main sources of market information, tacit skills and technologies for their firms. Moreover, their firms' predominant profits heavily depended on the current direct business ties. In details, the interviewees asserted that they could get business contracts with the established business guanxi ties easily and efficiently. Meanwhile, they could easily acquire crucial market-trend information and industrial business news from the established direct guanxi ties. In addition, they could enjoy a wider reputation in the market. Since their direct business guanxi ties were willing to recommend the interviewees' products and services to their families and friends, therefore, the firms could have more potential customers. As one interviewee stated:

Primarily I can sign my business contracts with the established business guanxi ties without too much thinking. Because we have already built and maintain relatively high trust with each other, I know what they demand, and they know what my firm can produce for them. Besides the benefit from high credibility, it is also time-efficient for me to get the available market information from them. I believe these direct business guanxi ties have made good contributions for my business development until now.

Question 12 relates to how entrepreneurs perceive the sparse network. Only connect with direct business guanxi ties is not sufficient for the business long-term development, all the

interviewees prefer to have more sparse guanxi networks. A sparse network fills with plentiful structural holes and indirect network ties. The shape of the sparse network is flat, large and without hierarchy. When the participated interviewees asked that did they actively connect potential indirect guanxi ties for business development, all the interviewees confirmed they did. The interviewees clarified that they proactively sought and connected indirect guanxi ties through their family, relatives, friends and direct business guanxi ties. The interviewees considered that potential indirect guaxni ties could bring them low redudant information flows and new resources for their business development. Moreover, the interviewees had the wish of having more indirect guanxi ties, so that they could explore diverse business opportunities to accelerate their business expansion and firms' growth. As one interviewee answered:

I think that sometimes guanxi is contingent in the daily life, so I have to be proactive to build indirect guanxi with strangers through familiar friends. Having more indirect guanxities bring more advantages for entrepreneurs. Take account of insufficient resources within the micro firm, I have to seek more business opportunities and resources to assist my business development. Luckily, I have benefited from indirect guanxi ties as some supply relatively cheaper raw materials to me. Thereby, I could save the budget and make the additional financial capital for marketing use.

According to the empirical findings, both of the closure structure and sparse network could bring various benefits to the interviewees. And all the interviewees enjoyed the unique benefits respectively brought from direct and indirect guanxi ties for their business development.

4.4 Ways of building and maintaining guanxi ties: question 13-14

The purposes of Question 13-14 is to uncover how Chinese entrepreneurs networking for their business development. Networking activities refer to the activities that entrepreneurs establish and maintain connections with others.

When asked in what ways entrepreneurs built guanxi networks for the development of their firms, the interviewees responded in various ways. Primarily, all the interviewees confirmed that they heavily relied on family members, relatives, familiar friends and familiar persons to introduce new guanxi ties. In this way, the interviewees thought they could have common topics to initiate the dialogues easily with the new guanxi ties as they shared some common backgrounds with the introducers. Moreover, the interviewees thought that they relied on business guanxi ties to introduce new guanxi ties for their firms' development. In this way, they were acquainted with new government officials, bank staff, suppliers and business associates. Further, some interviewees joined in the business associations and business conferences in order to be acquainted with professionals and business associates. Finally yet importantly, some interviewees said they used internet and web communication tools to connect new guanxi ties. As one interviewee said:

I met my current key client in a business conversation. He needed a large number of orders,

at that time, I had abundant product stock, and the product quality was satisfied with his requirements. We signed the orders immediately and successfully. Subsequently, I had increasingly numbers of orders from this client, and he became my key client. Until now, we have been cooperated smoothly.

Another added:

My father ever introduced new customers to me. Moreover, my schoolfellows brought new business guanxi ties to me when we had dinner together. Nevertheless, I think the current guanxi ties are not enough for me. I prefer to seek new connects on websites, such as online business communities, Taobao online trading platform. Additionally, QQ and Skype are also useful e-communication tools for me to connect unrelated guanxi ties.

When I asked in what ways the entrepreneurs maintained guanxi network for the development of their firms, I received a wide range of responses from the interviewees. On the one hand, all the interviewees agreed to keep frequent visits and communications; giving favors and norms of reciprocity; treating people dinner in restaurants; and inviting them KTV, tea and coffee and other entrainments in leisure times. In addition, the interviewees used the Internet and e-communication tools to maintain communications. As one interviewee answered:

I usually cultivate guanxi ties with meals and other entrainments activities. During the meals, we can speak of the business contracts and details. After the meals, I have nearly done the contracts with my business associates. Indeed, I prefer to discuss the business matters with people under a relaxed atmosphere. I think it is a very common way to cultivate guanxi ties in China.

Besides behavioral networking activities, on the other hand, majority of the interviewees also paid attention on psychological perspective on networking. All the interviewees acknowledged maintenance of harmony guanxi ties is the key theme in the networking. Some interviewees replied that showing sincerity, empathy and gratefulness was essential to coordinate with guanxi ties, and improvement of mutual trust is important as well. Some interviewees proposed that they avoided conflicts with others as far as possible, and repaid favors with higher-added values or made commitment to helping guanxi ties in the future. As one interviewee replied:

I communicate with business guanxi ties under strict mutual reciprocity and commitment. For instance, my business associate once helped me to grasp an important project, and I made some profits on this project later. Meanwhile, my business associate did not require me to repay material favors. I knew he wanted me to help him to win an order. Therefore, I made a commitment and supported him to get it. We did make use of each other and had a win-win situation.

4.5 Sustainable competitive advantages: question 15-16

Question 15 has similar implications with the question 1 and question 2. In the beginning of

the interviews, all the interviewees have answered they did use guanxi networks and the reasons why they utilize guanxi network for the development of firms. Here the purpose of question 15 is to ensure what the tendency of the importance of guanxi networks is for entrepreneurial firms in the interviewees' views. All the interviewees replied that they considered guanxi networks were highly important for their business. Moreover, the importance of guanxi networks was highly related to the benefits that guanxi network could bring to the firms in the current and future situations. Their answers were consistent with the previous answers of the question 1 and 2. As one interviewee commented:

Of course, guanxi network is very important for the micro entrepreneurial firms in China. The establishment of my company depended on my family members' financial support and close friends' assistance in the initial stage. In the development phase, my company is more dependent on the outsiders of my guanxi ties, and I have to be acquainted with increasingly numbers of unfamiliar persons and build business guanxi ties with them. Only in this way, can I acquire more opportunities to promote my business performance and acquire more information and resources to accelerate firm's growth. For me, it is inevitable to involve in the guanxi networking activities.

Question 16 concerns that how guanxi networks can be sustainable competitive advantage for the development of entrepreneurial firms. The interviewees denied guanxi network could be a sustainable competitive advantage for their firms' development. And the interviewees thought business guanxi ties were fragile, unstable and utilitarian use, only qinren guanxi ties were permanent, high intimacy and without material reciprocity. Furthermore, the interviewees proposed that advanced technology and skills, high quality of products and services, and effective marketing strategies could form competitive advantages. They thought only core competency within the firm could constitute sustainable competitive advantages in the long term. As one interviewee replied:

Guanxi networks are important for Chinese people to do business; however, guanxi is not the key successful factor for business. If you want to win the market, only with guanxi networks is not enough. Actually, advanced technology development and excellent products are the core competencies, just like the innovation of Apple products. Alternatively, if you could conduct effective marketing strategies to promote the not excellent products it is also conducive to the firm's development.

The empirical findings show that the interviewee believed that guanxi network could be a sustainable advantage for the firm under the condition that the entrepreneur had found out the key persons. The key person is the one who could provide you with scarce, crucial information and demanded resources for the firm's long-term development. At the same time, the key person only assisted your business rather than your competitors' business, so that only you could enjoy such benefits of guanxi ties. Unfortunately, the interviewees said probably it was too idealistic and perfect to be realized, as building guanxi ties were contingent sometimes. As the interviewee commented:

I know finding out the key person is very crucial for the business development, however is not so easy to find out the key person. Especially you just want the key person only serves your business, although it is more difficult. Business guanxi ties are not so stable and

intimacy. Mutual benefits are crucial for the business interest. The established guanxi ties may turn to others if they find others' conditions are better than yours is. Then you will lose the ties.

Chapter 5 Analysis and Discussion

This chapter mainly presents the integrated analysis through previous theories and collected data. The analysis of the collected data is logically followed the sub-research questions and the developed conceptual framework.

In order to analyze the collected empirical findings correctly, I will utilize the relevant concept and theories in the literature review. Based on the developed conceptual framework, I will emphasize more on the main research question: how Chinese entrepreneurs utilize guanxi network for the development of their entrepreneurial firms. Moreover, I will analyze the other sub-research questions through some relevant concepts and theories, and compare the results with other scholars' point of views to make a conclusion by the end.

5.1 Why do Chinese entrepreneurs utilize guanxi network during the development of entrepreneurial firms?

When it comes to the first two questions, the entrepreneurs were asked whether and why they made use of guanxi networks during the development of entrepreneurial firms, all the interviewees considered that guanxi networks played important roles and could provide various benefits for their development of entrepreneurial firms. It is noticeable that all of the interviewees think guanxi network ties could bring different benefits of information and knowledge and resources for their business. Firstly, the entrepreneurs responded that acquirement of the necessary market information could help them quickly identify valuable business opportunities and help them to expand business. Secondly, the interviewees answered that the acquirement of the necessary knowledge could help them to strengthen their entrepreneurial competencies, improve the efficiency of business operations and reduce operational costs. In addition, most of the interviewees thought that this kind of a resource could stimulate organizations' innovations for the products and services. Thirdly, all the interviewees thought that the acquirement of tangible resources could help them overcome the insufficiency of resources within the firms to facilitate the business operation and accelerate the growth of micro entrepreneurial firms. Fourthly, the interviewees proposed that guanxi network could bring reputations benefits for their business through word-of-mouth marketing. Besides, guanxi network ties could help entrepreneurs obtain legitimacy somehow, and hence it shortens the business process of the firms.

Previous literatures uncover that guanxi network has impact on business costs and profits (Hwan & Staley, 2005); business operations (Lee & Humphreys, 2007; Park & Luo, 2001; Hwang et al., 2008), market benefits (Davies et al., 1995; Park & Luo, 2001) during the development of entrepreneurial firms.

The empirical findings agreed with the view of Lee & Humphreys (2007) that guanxi networks are enterprises' assets as they could facilitate business operations and solve specific problems that may be beyond the organization's capacity. Moreover, entrepreneurs used guanxi networks to link business partners through acquisition of additional information and resources to obtain competitive market positions and market expansion (Park & Luo, 2001). Further, the finding agreed that guanxi networks influenced on business's contracts and transactions with business collaborates (Hwang et al., 2008). Through saving the budgets, entrepreneurial firms could make better use of financial resources.

When it comes to the question 3-question 5, entrepreneurs were asked what resources they could get from their qinren, shuren and shengren guanxi ties for the development of their firms. The interviewees responded that different guanxi ties could bring them different resources. Further, they could make use of guanxi network to seek to complement resources to solve the insufficiency of capital. Firstly, qinren guanxi ties such as family members and relatives mainly provide emotional supports and advices, financial capital and legitimate support for the development of the firms. Secondly, shuren guanxi ties, such as familiar persons and close friends, could provide them valuable information, tacit knowledge and critical feedbacks for their business. Moreover, shuren guanxi ties could offer legitimacy and financial support, and facilities that the entrepreneurs demand for the development to the firms. Thirdly, shengren guanxi ties, such as business guanxi ties and unfamiliar persons mainly provided them business information, industrial knowledge and business skills. Moreover, most of the entrepreneurs would like to seek potential business opportunities within business guanxi ties to establish cooperation and collaboration for their business development. In addition, the entrepreneurs could gain a good reputation from the business guanxi ties.

In sum, I categorize the empirical findings in the similar manner of Davies et al., (1995). The previous three resources could be the sources of social capital for entrepreneurial firms, and the final category is the reputation and legitimacy benefits. Through the analysis and categorize of the collected data, it is asserted that under mutual reciprocity, guanxi network ties could make access to the various network content exchange. The content exchange mainly including tangible resources and intangible resources, and these resources constitute the main sources of social capital for the business development. Moreover, the social capital is to offset insufficiency and solve problems during the development of micro entrepreneurial firms in China.

5.2 How do Chinese entrepreneurs utilize guanxi network during the development of entrepreneurial firms?

In Western literatures of entrepreneurship research, Aldrich & Zimmer (1986) firstly propose the network-based entrepreneurship, they assert that entrepreneurs are embedded in the social network and the entrepreneurs' network is crucial for the development of

entrepreneurial firms. Based on previous entrepreneurship studies, Hoang & Antoncic (2003) propose three elements of entrepreneurial network: network content, governance mechanisms, and social structure. After the previous analysis of the network content exchange, in this section I mainly focus on the governance mechanisms that are applied to undergird network content exchange and the network structure that affect the flow of resources. I will analyze how Chinese entrepreneurs make use of guanxi networks for the development of their entrepreneurial firms based on the collected findings from question 6-12 and the developed conceptual framework.

According to the level of trust and commitment, Chen and Chen (2004) and Fan (2002) identified three guanxi network mechanisms: qinqing, renqing and jiaoqing. The highest level of trust is qinqing, it is based on family members and kinships. The moderate level of trust is renqing, it is based on the familiar friends, schoolmates and colleagues. And the lowest level of trust is jiaoqing, it is based on the unfamiliar persons and business guanxi ties. These guanxi mechanisms are embedded in different guanxi network ties. Thereby, I analyze the guanxi mechanisms with the theory of trust embedded in the network to study how different guanxi mechanisms impact on the flows of social capital during the development of the entrepreneurial firms.

In terms of question 6-7, when the interviewees asked whether and how they thought different levels of trust within guanxi ties could affect the quality and amount of resources or not, and all the interviewees confirmed that different levels of trust that embedded in the guanxi ties could influence the flows of information and resources.

Firstly, the majority of the interviewees considered that qinqing could provide the most reliable information, support and feedbacks under high intimacy and less reciprocity. Nevertheless, the information was usually redundant and less useful for the development of entrepreneurial firms.

Secondly, the interviewees considered that renqing had the second highest level of trust and commitment within familiar persons. Eight interviewees replied that renqing could provide relatively reliable and useful information and knowledge for the development of their firms. In addition, there is increasingly amount of information flows from renqing mechanism.

Thirdly, the interviewees perceived that jiaoqing had the lowest level of trust within unfamiliar persons and business guanxi ties under strict norms of reciprocity. Majority of the interviewees considered that jiaoqing provided lowest reliable but novel and useful information, owing to the weak and purely utilitarian use of jiaoqing. Meanwhile, the amount of the information was the largest compared to that from qinqing and renqing.

The above findings are consistent with the view of Adler & Kwon (2002), that the accessibility of sources of social capital is motivated by shared normative reciprocity and trust (p. 25). The social capital obtained from different guanxi ties is the accumulation of shared values and knowledge, trustfulness, and mutual understanding. High level of trust guarantees the reliability of the information while low level of trust could bring a wide range of novel information to the entrepreneurs. As Liao & Welsch (2003) assert that higher trust within network ties is more beneficial for entrepreneurs to obtain necessary abundant

social capital. Consider the different level of trust within the guanxi ties, the results show how different guanxi mechanisms could bring different benefits for the business.

In terms of question 8-12, the empirical findings prove the statement of Hoang & Antoncic (2003), that different network structures have influence on flows of the information and resources. The accessibility to social capital mainly depends on entrepreneurs' network size (Burt, 1982) and the strength of network ties (Granovetter, 1973), entrepreneurs' network configurations (Colman, 1988; Burt, 1992).

Firstly, Burt (1982) define network size as the degree that entrepreneurs' network can be contained, he argues that the larger size of entrepreneurs' network, the more possibilities of access to social capital. Through the interviewees' answers, I found that all the interviewees were willing to enlarge their guanxi network size. Owing to the limited resources available to the micro entrepreneurial firms, the Chinese entrepreneurs intentionally enlarge their guanxi network size. The interviewees considered that the more amount of guanxi ties, the more information and resources they could obtain.

Secondly, Granovetter (1973) defines the strength of the network ties that strong ties are tight personal relationships with high frequency and strong emotional intensity and weak ties are those loose relationship with low frequent connections and low emotional intensity. Granovetter (1973; 1985) states that strong ties form a highly dense network and actors inside share information to a large extent, and disadvantage is the information could be redundant and less useful. While weak ties can bring novel information and abundant opportunities that beyond the strong ties can provide. Other scholars Greve (1995), Davidsson & Honig (2003) and Cook & Whitmeyer (1992) supported the argument of Granovetter (1973; 1985). They insist that entrepreneurs cannot only rely on a limited range of strong ties, but also access to more weak ties to explore and exploit additional information and resources.

According to the interviewees' responds, only two interviewees heavily relied on the strong guanxi ties such as family members and close friends. As they asserted that strong guanxi ties could bring reliable access to new customers and easily facilitate their business operations. Additionally, they did not need to build and cultivate trust with unfamiliar persons and strangers. On the other hand, eight interviewees emphasized more on the weak guanxi ties as weak guanxi ties could bring more strategic advantages for their business development. Through the empirical finding, I found that weak guanxi ties offered novel opportunities and crucial information flows to contribute to the entrepreneurs' business expansion, strategic adjustments, and reduction of relevant costs. The results show that Chinese entrepreneurs take greater advantage of weak ties for acquiring additional information.

Thirdly, there are mainly two different kinds of network configurations, one is a closure structure and the other one is a sparse network structure. The purpose of Questions 11-12 is to reveal how Chinese entrepreneurs rely on the different network configurations.

Coleman (1988) proposes a closure structure, actors inside are tightly connected with each other with shared norms of reciprocity and maintain high trustworthiness. Coleman (1988)

argues that having a closure structure network, insiders can acquire collective or independent sanctions by themselves. The main advantage is insiders can easily access to information, especially tacit knowledge from familiar persons without building trust. On the other hand, Burt (1992) argues that a sparse network with abundant structural holes is more beneficial for entrepreneurs. The significant advantage is that entrepreneurs could access to abundant new information and resources through bridging the structural holes.

According to the empirical findings from the Question 11-12, both of the closure structure and sparse network could bring unique benefits to the entrepreneurs. And all the interviewees enjoyed the unique benefits respectively brought from direct and indirect guanxi ties for their business development.

On the one hand, the findings of Question 11 showed that all the interviewees considered the established direct business guanxi ties were highly important as these ties provided the main sources of market information, tacit skills and technologies for their firms. Moreover, the interviewees' current profits heavily depended on the direct business ties. Due to the maintenance of trust under mutual reciprocity, entrepreneurs could conveniently enjoy reputation benefit with direct business guanxi ties. The established direct business guanxi ties could form a closure structure, and the closure structure could provide cohesive social capital and entrepreneurial firms can benefit from the trust advantage.

On the other hand, the results of Question 12 revealed that the Chinese entrepreneurs heavily relied on the sparse network. When the participated interviewees asked that did they actively connect potential indirect guanxi ties for business development, all the interviewees gave positive answers. The interviewees clarified that they proactively sought and connected indirect guanxi ties through their family, relatives, friends and direct business guanxi ties. Majority of the interviewees considered that potential indirect guanxi ties could bring them novel information flows and new resources for their business development. Moreover, they could explore diverse business opportunities to accelerate their business expansion and growth. A sparse network offers diversified resources so that entrepreneurial firms can benefit from cost-effective advantages to get access to additional information and resources.

In summary, both of the closure structure and the sparse network could deliver benefits to the entrepreneurial firms. In addition, which structure is more beneficial relies on the sources of social capital and the purposes of the entrepreneurs in the specific context. However, only connect with direct business guanxi ties is not sufficient for the business long-term development, the interviewees prefer to have a more sparse guanxi network.

5.3 Ways of building and maintaining guanxi ties

Networking activities refer to the activities that entrepreneurs establish and maintain connections with others. When the entrepreneurs were asked in what ways, they built guanxi network for the development of their firms, I find that majority of the interviewees

heavily rely on their direct guanxi ties, including family members, relatives, closed friends and established business guanxi ties to introduce indirect guanxi ties. This establishment of guanxi ties is in line with the views of Granovetter (1973) and Burt (1992), as weak ties can be bridged through strong ties (Granovetter, 1973) and indirect structural holes can be bridged through direct network ties (Burt,1992). Moreover, the interviewees also joined in the business associations and conferences and made use of the Internet to be acquainted with more business guanxi ties, such as government officials, bank staff, suppliers, business associates and customers.

When the entrepreneurs were asked in what ways they maintained guanxi networks for the development of their firms, I categorize two main classifications of methods for maintaining guanxi networks. The first category is according to the entrepreneurs' behaviors, keeping frequent visits and communications; giving favors and norms of reciprocity; treating people dinner in restaurants; and inviting them for entertainments; and Internet chatting. The second category is the entrepreneurs' psychological perspective. Through the empirical findings, all the interviewees acknowledged harmony is the most important principle to deal with and maintain guanxi ties. Harmony is the essential Confucian cultural root that everyone should show sincerity, empathy and gratefulness to others. Meanwhile, maintenance of guanxi is on the base of the mutual interest and commitment. In this way, entrepreneurs obey the implicit norms of reciprocity with different guanxi ties. They tried to avoid conflicts with each other, repaid material favors or made commitments for the future utilitarian purpose. The entrepreneurs emphasized the win-win situations to each other in the long term. If only the entrepreneurs contributed to that guanxi tie, they might think that guanxi tie was not useful to them and they would give up that guanxi tie's connection.

The above ways for building and maintaining guanxi networks is largely consistent with the findings of Wang & Tam (2000) and Hwang et al (2009). However, the main differences are the emergence of the new information technologies and dynamics development of guanxi network. It is time saving and convenient to make full use of the internet for Chinese entrepreneurs' business communication, compared to the traditional communication ways. Further, to improve the quality of their guanxi network, the entrepreneurs may terminate the non-useful guanxi ties. This is another networking activity to maintain the guanxi network as much as necessary.

5.4 How can guanxi networks used to be sustainable competitive advantages?

According to the resourced-based view asserts that only a firm's resources are rare, valuable and imperfectly imitable, the resources can be a sustainable competitive advantage for the firm (Park & Luo, 2001, p. 463). Literatures that discuss whether guanxi network can be a sustainable competitive advantage form two camps. The first camp insists that guanxi could be a sustainable competitive advantage for firms (Yeung & Tung,1996;

Park & Luo, 2001; Hwang et al., 2008; Fu et al, 2006). The other camp states that guanxi cannot be the sustainable competitive advantage for firms' business (Tsang, 1998; Lee & Paul 2000; Fan, 2002; Szeto & Wright, 2006).

The results of question 16 reveal that guanxi network cannot be a sustainable competitive advantage for the development of the firm in the long term. My findings are consistent with the views of (Tsang, 1998; Lee & Paul 2000; Fan, 2002; Szeto & Wright, 2006). Because the interviewees thought business guanxi ties were fragile, unstable and utilitarian uses, they might abandon the business guanxi ties when there was no use for them. Nevertheless, only qinren guanxi ties were permanent, high intimacy and without material reciprocity. Further, the one interviewee who proposed that guanxi could be sustainable competitive advantage but only based on the idealistic assumption that the key person who could provide rare, valuable and inimitable resources for the firm, can the proposition set up. However, guanxi network does not meet these three requirements of the sustainable competitive advantages. Guanxi networks are necessary for doing business in China. Nevertheless, only with guanxi network is not sufficient to operate the business (Fan, 2002). Entrepreneurs should focus more on the core competencies, and devote time and energy on the development of core competencies.

In conclusion, the empirical findings are consistent with the second camp' views. As Fan (2002) argues business guanxi ties are opportunistic and purely utilitarian, the level of trust and commitment is very low. Meanwhile, business guanxi ties are easily disrupted and abandoned and they cannot be sustained permanently (Tsang, 1998). Additionally, there is an old Chinese saying: No permanent friends, only permanent interests, this is the fact how business guanxi works in the very fiercely competitive market. Therefore, guanxi networks cannot be sustainable competitive advantage for the entrepreneurial firm in China.

5.5 What is the tendency of the importance of guanxi network?

Question 15 has similar implications with the question 1 and question 2. The three questions have considered the purpose of and importance of using guanxi network for the Chinese entrepreneurs.

The empirical finding shows that even though guanxi networks could not be sustainable competitive advantages to the firm, they were still important in doing business in China. All the interviewees considered guanxi networks were highly important for their business. Moreover, the importance of guanxi networks was highly related to the various benefits that guanxi network could bring to the firms in the short term or long term. Under Chinese Confucian culture, Chinese people are inevitable to involve in the guanxi networking activities. Even though different guanxi mechanisms have different levels of trust and commitment, and norms of reciprocity, different guanxi ties still need to be cultivated carefully. Chinese entrepreneurs inevitably involve in a wide range of networking activities with direct guanxi ties or indirect guanxi ties. Moreover, according to their specific business purpose, the entrepreneurs make full use of guanxi ties to achieve the supports, demanded resources and information. The interview results show that Chinese

entrepreneurs considered that the quality of products and services, marketing channels are more important than guanxi networks just as it is the truth in the business world.

What more importantly, in the empirical finding, interviewees acknowledged the influences of advanced information technologies, such as the Internet brought them new ways to communication with each other. In addition, the Internet brought fresh e-business opportunities for their business development. The Chinese entrepreneurs found and maintained business guanxi ties through the Internet, as this modern networking way is time and money efficiently.

In sum, the empirical findings are consistent with some scholars' views that the effects of guanxi has been decreased due to Chinese economic reform and modern information technology, guanxi is not the sole factor for business success in China (Lee & Anderson, 2007; Fan, 2002 ; Wilson & Brennan, 2010). However, guanxi network it is still important in Chinese modern entrepreneurship.

Chapter 6 Conclusion

This chapter mainly displays the answers to the research question through previously analysis of the empirical finding. Finally, it shows a new developed theory to illustrate the role of guanxi network in Chinese entrepreneurship

This study specifically explores the role of guanxi during the development of micro entrepreneurial firms. Through the empirical findings and analysis, the answers of research questions are as follows:

Why do Chinese entrepreneurs utilize guanxi networks during the development of entrepreneurial firms?

Through the analysis of the empirical findings, I found that under norms of mutual reciprocity, different guanxi ties could bring different content exchange of various resources and supports to the Chinese entrepreneurs. The content exchange mainly includes tangible resources and information, knowledge and skills, besides reputation and legitimate benefits. These resources constitute the main sources of social capital for these micro entrepreneurial firms. Moreover, the social capital could offset insufficient resources and improve business expansion and operations during the development of micro entrepreneurial firms in China.

How do Chinese entrepreneurs utilize guanxi networks during the development of entrepreneurial firms?

Chinese entrepreneurs make use of three different governance mechanisms: qinqing, renqing and jiaoqing to obtain various information and resources. Meanwhile, different levels of trust embedded in the guanxi ties respectively affect the quality and amount of the information and resources.

Further, Chinese entrepreneurs intentionally enlarge their guanxi network size to make access to more information and resources, due to the limited resources available to micro entrepreneurial firms.

Moreover, Chinese entrepreneurs enjoy more benefits from weak guanxi ties compared to that from strong guanxi ties. As weak ties could bring them additional information and opportunities to promote their business development in the long term.

Additionally, Chinese entrepreneurs benefit from both the closure structure and the sparse network. Within the closure structure, the entrepreneurs could obtain the cohesive social capital without building trust with indirect guanxi ties. Meanwhile, the Chinese entrepreneurs take more advantage of the sparse network through bridging structural holes

with direct guanxi ties. In this way, they could obtain abundant information and resources from outsiders.

In what ways do entrepreneurs build, maintain guanxi ties for the development of entrepreneurial firms?

Primarily, the entrepreneurs heavily rely on their direct guanxi ties, including family members, relatives, closed friends and established business guanxi ties to introduce and bridge indirect guanxi ties to them. Moreover, the interviewees also joined in the business associations and conversations in order to be acquainted with more business guanxi ties, such as government officials, bank staff, suppliers, business associates and customers. Additionally, the entrepreneurs made full use of the Internet to seek more guanxi ties for their business development.

Furthermore, there are two perspectives of methods for maintaining guanxi networks. Behaviorally, entrepreneurs maintain guanxi ties through keeping frequent visits and communications, exchanging favors and reciprocity, treating people dinner in restaurants; and inviting them for entrainments as well as Internet chatting. Psychologically, creation of the harmony is the most important principle to maintain any guanxi ties under Confucian cultural roots. Thereby, the entrepreneurs should show sincerity, empathy and gratefulness to others. Meanwhile, entrepreneurs obey the implicit norms of reciprocity with different guanxi ties on the base of the mutual interest and commitment. Additionally, to improve the quality of their guanxi network, the entrepreneurs may terminate the non-useful guanxi ties.

How can guanxi networks used to be sustainable competitive advantage for entrepreneurial firms in China?

Guanxi networks cannot be sustainable competitive advantages for the entrepreneurial firm in China. Not all firms' assets can form sustainable competitive advantages. Only the core competency that is rare, valuable and inimitable, can it be the sustainable competitive advantage. The interviewees paid more emphasize on the quality of products and services, marketing strategies and advanced technologies as the competitive advantages. However, guanxi network is not fully meet the criteria, as business guanxi network has low trust and commitment, it is purely utilitarian use and unstable in the long term. Thus, guanxi network cannot be a sustainable competitive advantage for the micro entrepreneurial firm in China.

What is the tendency of the importance of guanxi networks for entrepreneurial firms in China?

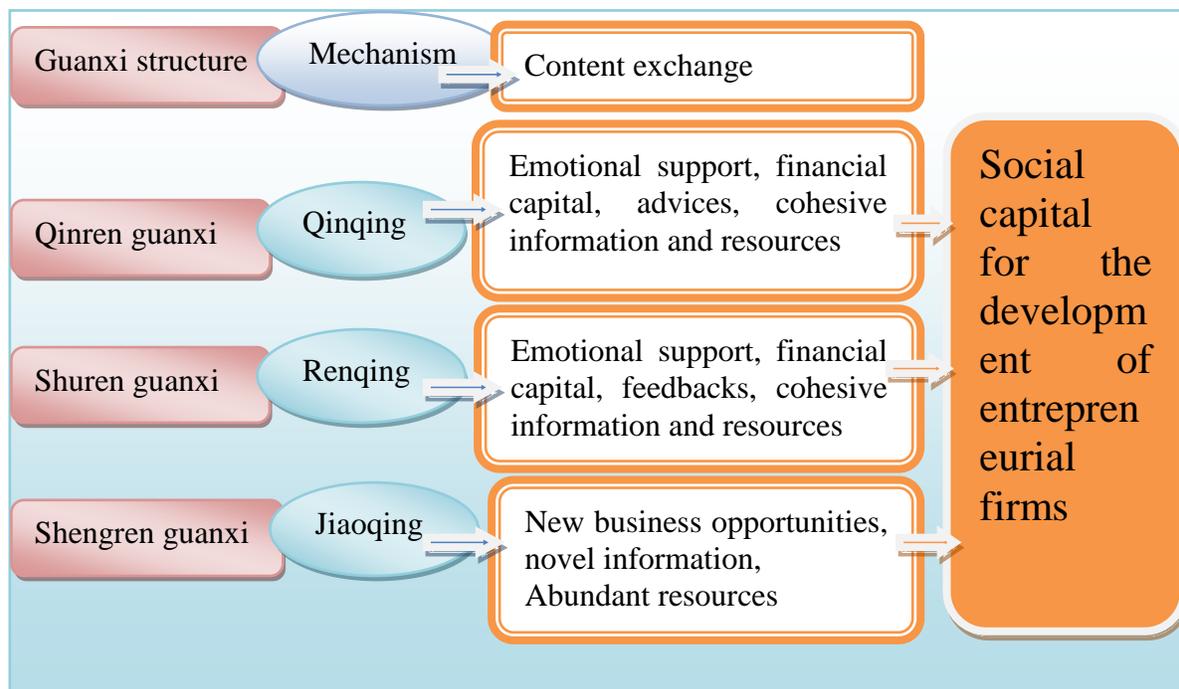
Since the influence of the Chinese market transposition, the rapid development of modern information technologies, as well as entrepreneurs' greater focus on the core competitive competency, the importance of guanxi networks has been slightly diminished rather than increased. Even though guanxi networks are still important in doing business in China, it is not sufficient to guarantee the long-term business success. Entrepreneurs have focused more on the modern information technologies and the core competitive competency in the long term. Thus, the importance of guanxi networks is gradually diminishing for entrepreneurial firms in China.

Through the analysis of the collected data, now it is easy develop a new theory based on the review of Hoang & Antoncic (2003), in order to demonstrate the role of guanxi in Chinese entrepreneurship. See Figure 3 below.

There are mainly three kinds of guanxi: qinren guanxi (family members and relatives), shuren guanxi (close friends, familiar persons) and shengren guanxi (business guanxi, unfamiliar persons). Respectively, the governance mechanism of qinren guanxi is qinqing (emotional and instrumental nature, strong ties, high level of trust, love affection, low reciprocity). The mechanism of shuren guanxi is renqing (mixed instrumental and utilitarian nature, medium strong ties, medium level trust, affections, and high reciprocity). Moreover, the mechanism of shengren guanxi is jiaoqing (purely utilitarian nature, weak ties, and low level of trust, strictly high reciprocity). Subsequently, qinqing mainly provides emotional support, financial capital, advices, cohesive information and resources to the entrepreneurs. Renqing mainly provides emotional support, financial capital, feedbacks, cohesive information and resources to the entrepreneurs. In addition, jiaoqing significantly provides new business opportunities, novel information and abundant resources to the entrepreneurs. Nevertheless, guanxi networks cannot be the sustainable competitive advantage for the long-term development of entrepreneurial firms owing to the attributes of fragility and transferability.

In sum, the content exchanges under the three mechanisms constitute a sum of social capital for the development of entrepreneurial firms. The entrepreneurial firms can take advantage of the acquired social capital for appropriable, substitutable and convertible use to offset insufficiency and disadvantages within the firms. In this way, the social capital facilitates the development of the entrepreneurial firms.

Figure 3 The model of the role of guanxi in Chinese entrepreneurship



Chapter 7 Closing Chapter

This chapter firstly presents the validity and reliability of the research, and then presents ethical considerations. Finally, it proposes the limitations and suggestions for future research in the end of this chapter.

7.1 Reliability and validity

Reliability and validity are the essential criteria for evaluating the findings of business and management research. Moreover, it is important for researchers to consider possible threats that may influence the reliability and validity in order to guarantee trustworthiness of the researches.

Reliability refers to “*the extent to which your data collection technique or analysis procedures will yield consistent findings.*” (Easterby-Smith et al., 2008, p. 109). Thus, reliability concerns the issues that whether the research findings are repeatable by alternative researchers. In terms of qualitative research, researchers should be aware of the influences of interviewer bias (Saunders et al., 2009, p. 326). In order to avoid interviewer bias, I conducted the semi-structured interviews with the same research technique and manner in each case. As the only one observer, I interviewed the chosen entrepreneurs myself. I complete all the interviews through telephone due to distance barrier. Moreover, all the interviewees were permitted to use their mother tongue-Chinese Mandarin, so that they can freely express their ideas on the research questions. Moreover, each interview was transcribed to make sure the collection of integrity of information for further data interpretation and analysis. In addition, the utilized interview guide is available in this study for observers. Thereby I could guarantee the collected data are dependable and reliable.

Validity concerns “*the integrity of the conclusions that are generated from a piece of research*” (Bryman & Bell, 2007, p. 41). The validity refers to whether the findings that are truly compared to what they really are, thus it also determines the degree of trustfulness of the research findings. There are two types of validity, including internal validity and external validity.

In relation to qualitative research, internal validity concerns the question of whether the researchers’ observations match the established theories (Bryman & Bell, 2007, p. 410). In my research, I designed the semi-structured interview according to the developed theoretical framework, and the subsequent observations matched the established theories. Besides, as a Chinese, the experience of local social life allows me to confirm a high degree of congruence between relevant concepts (Chinese terms) and observations. I recorded all the interviews and interpreted the findings from the participants’ viewpoint to guarantee the credibility of the findings. Therefore, the internal validity is strengthened in this study.

In relation to qualitative research, external validity concerns the issue about the extent of that findings can be generalized under various social environments (Bryman & Bell, 2007, p. 410). Thus, it is crucial to tell the differences between participated samples and target sample size in that certain circumstances. To guarantee the degree of transferability, I have clearly disclosed the research method is semi-structured interviews for ten entrepreneurs in micro firms as the samples, and the social circumstance is in diversified developed regions of China. Therefore, if observers choose different entrepreneurial firms and or in developing or less developed regions in China, there may not create the same results. Unless the observers follow the same criteria, utilize the same interview guide and interview the same entrepreneurs in the same regions, can the results be replicable. In short, I confirm the internal and external validity of research findings in this context.

7.2 Ethical considerations

Ethical considerations in business and management research deals with the issues of how should researchers treat people, with whom researchers conduct research, and what kind of activities that researchers should or should not participate in relations with them (Bryman & Bell, 2007, p. 127). The general ethical issues consider embarrassment, hurt and other disadvantages to interviewees (Saunders et al., 2009, p. 160). In order to yield valid data for the study, I address such ethical issues during the process of research data collection.

I appreciated and followed the basic ethical principles during the process of research data collection (Bryman & Bell, 2007, p. 132-142). Firstly, I avoided physically and psychologically harming to the integrity of the participants in the research. Moreover, I kept the participants' confidentiality and anonymity by ethical coding during the research. Secondly, I paid special attention to obtaining informed consent from the interviewees. In the beginning of the semi-structured interviews, they were fully informed about the research topic, purpose, questions and process for the study so that they could freely decide their involvements. Thirdly, I was aware of avoiding any invasions of participants' privacy in the research, and therefore I treated every interviewee sensitively and individually and respected their human rights. Lastly, I avoided any types of deception during the process of data collection to guarantee the generation of impartial results from the semi-structured interviews.

7.3 Limitations and future research suggestions

This study mainly focuses on how Chinese entrepreneurs utilize guanxi network during the development of entrepreneurial firms in China. Due to the limited time and resources, the study delimits to research Chinese entrepreneurs in micro firms. There are ten respondents participated in the semi-structured interviews. The chosen respondents must have engaged in guanxi networks and made use of guanxi networks during their firms' development phase. In addition, this study is geographically delimited as I only investigate the micro entrepreneurial firms in developed regions in China. There may has economic and cultural

differences in developing and less developed regions of China in terms of the research subject, thus these influential factors are excluded in this study.

This study provides in-depth description on how Chinese entrepreneurs utilize guanxi network in micro firms. Firstly, owing to the limited time and resources, I solely focus on ten micro entrepreneurial firms in their development phase. Firstly, as guanxi network is dynamic, there may be different impacts of guanxi networks during the different entrepreneurial process. Future research could explore the dynamic role of guanxi networks during the complete entrepreneurial process, from entrepreneurs' motivation, opportunity identification, resources acquisition and establishment of entrepreneurial firms to the latter development and growth of entrepreneurial firms. It is of interest to observe whether the content exchange, governance mechanisms and structure of guanxi networks will systematically change across the different entrepreneurial process.

Secondly, this study uses a qualitative method to explore the role of guanxi network in Chinese entrepreneurship. In order to have a comprehensive vision on this subject, further research could substitute this study by conducting quantitative methods. It is meaningful to investigate the effects of guanxi networks and measure the dynamic variables of guanxi networks during the development of entrepreneurial firms. For instance, what are the relationships between the performances of entrepreneurial firms and interacted variables of guanxi networks? Moreover, what is the relationship between the growth of entrepreneurial firms and interacted variables of guanxi networks?

Thirdly, in this study, I have not considered the effects of entrepreneurs' competencies on the networking activities. Accordingly, there may be different empirical results if the effects of entrepreneurs' competencies are included as variables in guanxi networks study. It would be interesting to investigate the effects of entrepreneurs' networking capabilities and skills on entrepreneurial network competence in future research. In addition, more studies are necessary to explore the influence of the variables of entrepreneurial networks on the entrepreneurs' competencies. In sum, it is hoped that this study will stimulate further discussion of the importance of networks research in modern Chinese entrepreneurship in academic and practical fields.

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Appendices

Appendix 1 Information of Interviewees

Interviewee	Years of the firm	NO. of employees	Company Information	Location	Introduction
A	3	5	Online Fashion Accessory Shop	Beijing	A thirty-three woman registers her online shop in a popular Chinese online trading platform: Taobao. The shop mainly sells modern fashion accessories to Chinese women.
B	2	8	Wedding Company	Shanghai	A thirty-five man creates this company to provide a series of wedding services for newly-married couples in China.
C	4	3	Creative Box Second-hand Store	Wuhan	A twenty-five young man creates the business to collect and resell second-hand goods. Due to the supply of various useful and inexpensive second-hand goods, the store is very popular among local young people.
D	3	8	Early Childhood Education Centre	Beijing	A thirty-five years old woman establishes the education centre for providing early childhood cultivation in the local district. The education services mainly cover nurturing children's art and music interests, intelligent exploitation and preschool education.

E	2	1	Hand Painting Studio	Guangzhou	A twenty-five years old young girl establishes her art studio after college graduation. The studio mainly provides customized hand painting shoes, hats, umbrellas, bags, and T-shirts.
F	3	3	Computer Accessories Company	Shenzhen	A twenty-eight years old young man set up the company with his brother. The company provides sales of computer accessories and maintenance services.
G	6	4	Children's Clothing Brand Franchise Chain	Hangzhou	A thirty-two years old woman establishes the franchise chain to sell Chinese brand-name children's clothing. The store's supply and marketing strategies, customer services fully comply with the requirements of the franchise chain.
H	5	6	Pharmaceutical Sales Company	Suzhou	A thirty years old man created this company for pharmaceutical sales. Before the creation of the company, he was a pharmaceutical sales representative in a state-owned pharmaceutical corporation in China.
I	3	2	Game Toy Shop	Wuhan	A twenty-five years old college student creates his first company in the local high street. He mainly provides Japanese game toy renting services and sales.

J	3	5	Online Shoes Company	Wenzhou	A twenty-seven years old boy registers his first company in the Taobao online trading platform due to lack of financial capital for store rent. His online e-business has expanded very quickly during the last three years.
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Appendix 2 Interview Questions

1. Do you use guanxi networks for the development of your firm?
2. Why do you make use of guanxi networks during the development of your firm?
3. What are the resources that you get from your qinren guanxi ties such as family members and relatives for the development of your firm?
4. What are the resources that you get from your shuren guanxi ties, such as familiar persons for the development of your firm?
5. What are the resources that you get from your shengren guanxi ties, such as unfamiliar persons in business for the development of your firm?
6. Do you think different levels of trust within guanxi ties may affect the quality and amount of your content exchange for your firm?
7. How do qinqing, renqing and jiaoqing respectively affect the quality and amount of content exchange, such as resource flows?
8. Do you think the greater number of direct network ties you have, the more benefits you can gain for the development of your firm? Please give the reasons that why you think so.
9. How much does your firm's development rely on strong ties, such as family members, close friends why?
10. How much does your firm's development rely on weak ties, such as business guanxi ties, unfamiliar persons, and why?
11. How do you perceive the established direct business guanxi ties to your firm's development, and why?
12. Do you proactively connect potential indirect guanxi ties to expand your guanxi network for the development of your firm, and why?
13. In what ways do you build guanxi ties for the development of your firm?
14. In what way do you maintain guanxi ties for the development of your firm?
15. What is the tendency of the importance of guanxi networks for the development of your firm?
16. How can guanxi networks used to be competitive advantages for the development of your firm?



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