

The Stakeholder View with Guanxi: A Case Study of Managers in Chinese Aquatic Product Industry

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Abstract

Guanxi, in China, is viewed as a cultural concept, which originates from Confucianism. This thesis applies a stakeholder-based view (SHV) of strategic management to a special Guanxi setting of China in order to contextualize the theory to be applied in Chinese settings. In exploring the experiences of developing Guanxi with critical stakeholders in the course of corporate operations within the three aquatic product enterprises in China, the result finds the role of catalyst of Guanxi in lubricating or smoothing corporate development based on SHV in strategic management.

Key words: the stakeholder view (SHV); Guanxi; aquatic product industry; China

1. Introduction

1. 1. Background

Chinese economy has gone from a plan-centered economy to a more market-oriented economy in the last 30 years ago since 1978. Now China has huge changes in economic growth and living standard of people. Since the economy opened in China, the increasingly global demand for aquatic products as main protein intake provides a sound opportunity for Chinese aquatic products industry to entry international market. Furthermore, the improved living standard in China also enhances the consumptions of aquatic products in domestic market. Even though the output of Chinese aquatic products has occupied the leading position in the world market, there are few studies of the role of strategic management in this industry.

Of the few existing studies of Chinese management most have used existing Western management theories to explain the Chinese business phenomena (Huang and Gardner 2007). In other words, research apply theories of western origin, rather than exploring Chinese management practices and behaviors in order to develop knowledge of how strategic management is performed in China. It therefore exists a need for more in-depth studies of Chinese management practices and behaviors in order to develop a more Asian oriented perspective.

In this thesis I will apply a stakeholder-based view (SHV) of strategic management to a special Guanxi setting of China. According to Huang and Gardner (2007), there is a subtle coincidence between the SHV theory and Guanxi practice in China. Although the SHV emphasizes the impact of relationships with corporate key stakeholders on the long-term organizational wealth, many have regarded Guanxi as unique business relationships which have been based on characteristic behavior of Chinese managers. Thus, the SHV perspective might be suitable for understanding and explaining strategic management in Chinese organizations. However, there are some cultural

differences between China and western countries. Therefore, the cultural factors should be considered when applying the SHV into Chinese settings.

For this reason, this study presents an integrative framework to better explain the utilization of Guanxi with corporate key stakeholders and apply this framework on a study of managers of three firms within the aquatic enterprise sector in China.

1. 2. Guanxi and the Stakeholder View (SHV)

Guanxi is an interactive and intricate relational network that connects mutual responsibilities, trusts, and understanding with relevant people within the social settings. Furthermore, Guanxi, in China, is viewed as a cultural concept, which originates from Confucianism. Wank (1996) refers to that Confucianism as a social philosophy emphasizes that the importance of interpersonal relationship and harmony, which are predetermined and/or voluntary, during the social life of human beings. Guanxi has been penetrated into every corners of Chinese society for centuries since the time of the Qin Dynasties. In China, the practice of Guanxi has become an ingrained cultural basis in Chinese society not only related to inter-persons but also related to inter-organizations. Many researchers have devoted their effort on the field of Guanxi, proved that Guanxi is a key factor and lifeblood for the corporation's success and wealth creation.

Post, Preston and Sachs develop a new stakeholder view (SHV) of strategic management in business organizations in 2002. Their contributions make a possibility of pushing strategic management in the corporate operation a step forward. According to Post, Preston and Sachs (2002a) organizations need to focus on the relationships with their critical stakeholders, including customers, suppliers, stockholders (shareholders), and political and social communities. The SHV argues that the sustainable wealth and hence long-term value of corporations are mainly based on

how to deal with the relationships with around stakeholders of firms (Post, Preston and Sachs 2002a). This view again stresses the important role played by Guanxi (relationships) in the process of creation of corporate long-term wealth. It is quite consistent with the practice of business management in Chinese cultural settings since the importance of Guanxi in the social life.

1. 3. Research problem

In this study, the research questions will be addressed by exploring how aquatic enterprises in China develop Guanxi with their critical stakeholders in order for corporate development in the course of corporate operations. This involves exploring: 1) the characteristics and particularities of Guanxi in China; 2) the elements of Guanxi principles in the process of Guanxi development; 3) how the company manages Guanxi with its stakeholders in the course of corporate operations; 4) the roles of Guanxi with stakeholders during operations of the firm.

1. 4. Objectives

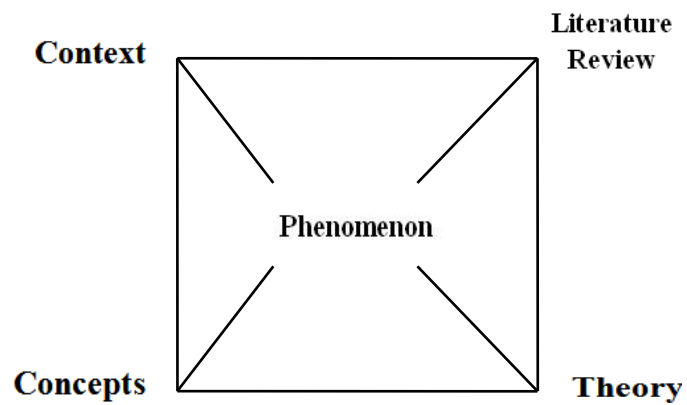
The objectives of this study can be shown by research square (as Figure 1) in the following text. The studied phenomenon is located in the middle of each square. The general research square as (a) in Figure 1 describes four key constructs when doing a research such as context of the study, origin of concepts chosen in the study, and review of previous theory as well as theory in terms of models and frameworks to be constructed. The key constructs in the general research square could be specified in my study as (b) in Figure 1.

The theoretical framework of this thesis is based on the SHV of strategic management in business organizations. This study integrates Guanxi as Chinese culture with SHV of strategic management during the operation of Chinese aquatic products industry.

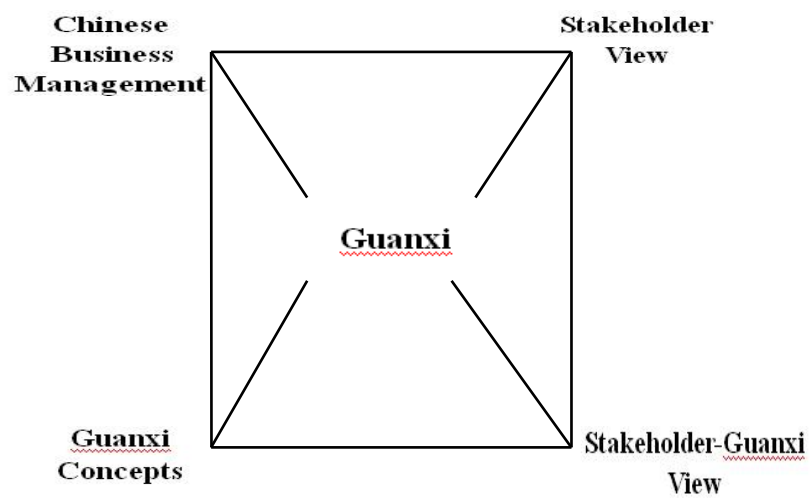
The result will provide a direction and guidance as an efficient practice of strategic management for Chinese aquatic products industry to maintain wealth creation and hence long-term values.

Figure 1: The research square

(a) General research



(b) Specific research



1. 5. Outline of the thesis

To make readers better understand the content of this thesis, this presents the structure of this study. This thesis totally includes 7 chapters, which are now introduced.

The first chapter has introduced the thesis referring to background, Guanxi and the Stakeholder View (SHV), research problem, objectives and the outline of the thesis.

The second chapter gives a review of the literature. This is a theoretical presentation containing the definition and classification of stakeholders, typology of stakeholder theory, and the stakeholder view (SHV). These reviews are the theoretical basis of the following work.

The third chapter is the conceptual framework of this thesis. It explores the characteristics and features of Guanxi in China, the elements of Guanxi principles, the management of Guanxi in Chinese contexts, and then the roles of Guanxi with corporate stakeholders. Finally, in this chapter, a conceptual model is presented.

The fourth chapter is the methodology of this study. In this chapter I explain the method employed in gathering the data and how the interview guide was developed.

The fifth chapter contains the empirical result and analysis of this study. The focus in this study is on that how Guanxi with corporate stakeholders is established and maintained for corporate development in Chinese aquatic product industry. The quotations from interviewees will be collected and analyzed for forming the subsequent discussions and conclusions.

The sixth chapter discusses of the data from studied companies. Firstly, the findings related to my research issued will be shown. Then the managerial implications from the empirical investigations are proposed. In addition, the contributions of this study

will be presented and the implications for future research are given.

The seventh chapter will draw a conclusion in response to this study.

2. Literature review

2. 1. Definition of stakeholder

Although the term “stakeholders” is popular widely in the management literature, its definition has been not given accurately. The Stakeholder term is composed of two words namely stake and holder, which literally translate that some people who might uncertainly share the benefits or risks of a corporation. To appreciate the concept of stakeholders, it helps to understand the idea of a stake. A stake is an interest or share in an undertaking. A stake is also a claim. A claim is an assertion to a title or a right to something (Carroll, 1993). Freeman (1984) first defines stakeholders as those who either voluntarily or involuntarily invest their entities and interests in the process of operations of a firm. Hill and Jones (1992: 133) identify that the term stakeholders refer to groups of constituents who have a legitimate claim on the firm, and this legitimacy is established through the existence of an exchange relationship, each of stakeholders can be seen as supplying the firm with critical resources (contributions) and in exchange each expects its interests to be satisfied (by inducements). Post, Preston, and Sachs (2002b) again identify three kinds of significant stakeholders to the success of a firm. First, they offer some resources to a firm since these inputs might be critical to the success of the enterprise; Secondly, they put some valuable things at risk during the corporate operation, these stakeholders’ welfare is closely relevant to the state of the firm’s operation; Lastly they could have sufficient power to impact on the performance of a corporation in the aspect of advantages or disadvantages. All these three types of stakeholders around a firm, to some degree, directly affect the corporate performance which can be seen as the indicator of the

success of a corporation. Admittedly, the final goal of any firms will be the economic benefits, namely profit maximization.

2. 2. Classification of stakeholders

Many scholars have devoted themselves into the research of typologies of organizational stakeholders according to different perspectives. As Sirgy (2002) refer to that, the stakeholders might be classified into three primary categories in terms of different roles played in the course of corporate operations, that is, internal, external, and distal. First, the internal stakeholders play a crucial role in managing the organization efficiently. The organization could be divided into different departments such as CEO, board of directors, strategic business units, R&D, engineering, production, logistics, sales, marketing, finance, human resources, public relations, accounting, and risk management. Secondly, the external stakeholders are customers, share/bondholders, distributors, suppliers, creditors, employees, local community, the mass media, and the environment, who exchange effectively the significant resource with the internal stakeholders. Thirdly, the distal stakeholders will make an impact on the external stakeholders, and then indirectly influence the success and growth of the corporation. Those distal stakeholders could include consumer and environmental advocacy groups, government agencies, labor unions, auditors, industry leaders, professional, and trade associations, and higher education.

2. 3. Typology of stakeholder theory

Donaldson and Preston (1995) refer to that Freeman is the first person who started research on corporations' stakeholders. After the publication of his book, *Strategic Management: A Stakeholder Approach* (1984), more and more scholars in the business field have devoted into the strategic management based on the stakeholder view of corporation. Donaldson and Preston (1995) conclude three kinds of

stakeholder theory according to the objectives and moral considerations of stakeholder management such as descriptive, instrumental and normative.

2. 3. 1. Descriptive

First of all, Donaldson and Preston (1995) explain that the descriptive theory is about describing what a company is. Its focus, to some degree, is more on surface phenomena of the firm such as what the feature of a corporation is or how the company behaves in the process of business operations. Many scholars have employed this theory to elaborate the strategic management of a firm. For examples, Clarkson (1991), Halal (1990), and Kreiner and Bhambri (1991) describe how the company is managed and operated in the course of corporate functioning. Wang and Dewhirst (1992) unravel that how the managers think about the benefits of corporate stakeholders. In addition, Huang and Gardner (2007) also state that the descriptive stakeholder theory try to show and understand the characteristics and behaviors of a company.

The features of descriptive stakeholder theory show and elaborate the states of a firm and its stakeholders in the course of business operations during the time period of past, present and future. The phenomena of new areas should be described in order to explore and create the further prediction (Donaldson and Preston 1995).

2. 3. 2. Instrumental

Next, Donaldson and Preston (1995) prove that the stakeholder theory could be regarded as an instrument for testing the linkages between stakeholder practicing management and the traditional achievement of corporate performance objectives such as profitability, stability, growth and perpetuation of the organization. Huang and Gardner (2007) also point out that the profit incentive and advantage over competitors

are mainly considered in relation to corporate performance. Moreover, Donaldson and Preston (1995) emphasize that the instrumental stakeholder theory is along with the descriptive stakeholder theory to examine the connections between stakeholder management and the conventional purpose of corporate performance. According to Donaldson and Preston (1995), a number of researchers have identified the connections between stakeholder management and the achievement of traditional corporate goals based on the methodologies of traditional statistics and direct observation and interviews.

Donaldson and Preston (1995) characterize the stakeholder theory as a tool to test the relationships between stakeholder management and corporate performance in the long term of business operations, since the achievement of corporate desired goals (profitability, growth and so on) is always not being separated from the support of its stakeholders.

2. 3. 3. Normative

Lastly, Donaldson and Preston (1995) posit that the normative stakeholder theory as identification of moral or philosophical guidelines is employed to explain the corporate functions in the process of the operation and management of firms. The normative stakeholder theory is seen as the fundamental basis of above two types of stakeholder theories (Donaldson and Preston, 1995). In spite of the descriptive and instrumental theories is considerably important in the strategic management of companies, the normative stakeholder theory is the precondition for supporting the first two theories.

Even if both normative and instrumental analyses are on the basis of prescriptive condition, they are decided by quite different foundation. The instrumental method mainly create a hypothesis which might describe as “in effect, if you want to achieve

(avoid) results X, Y, or Z, then adopt (don't adopt) principles and practices A, B, or C." On the other hand, the normative approach is known as a categorical reality which might explain as "in effect, do (don't do) this because it is the right (wrong) thing to do" (Donaldson and Preston, 1995: 72). That is, the instrumental method explains the casual connection between things. Nevertheless the normative method mainly emphasize on the perspective of morality and ethics of doing things, which distinguish the virtue from infamy of the fact.

2. 4. The stakeholder view

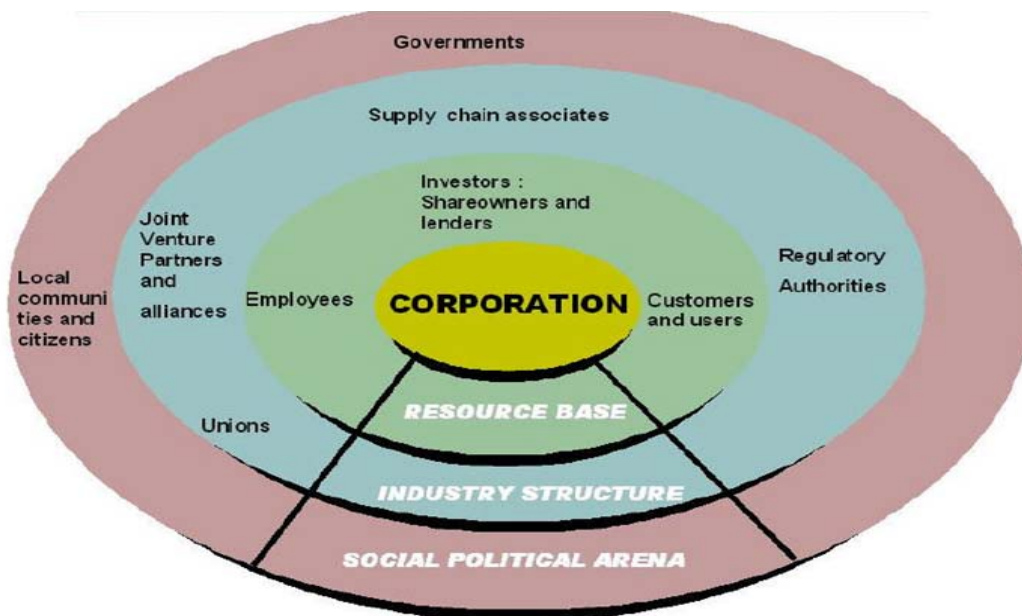
Based on this typology of stakeholder theory, a more recent development in literatures and writings of strategic management is the stakeholder-based view (SHV) of corporations proposed by Post, Preston and Sachs (2002a). Their contributions make a possibility of pushing strategic management in the corporate operation a step forward. They confirm that corporate managers and management scholars have realized the existence of interdependencies among the corporation and its key stakeholders such as employees, customers, investors, communities and constituencies (Post, Preston and Sachs 2002a). The firm's routine of business will be operated with the involvement of diverse stakeholders. Post, Preston, and Sachs (2002b) again state that managers need care and understand the primary stakeholders of a firm, since the insights and ideas from the key stakeholders are fairly helpful for the favorable development of the company.

Post, Preston and Sachs (2002a) construct a framework of the Stakeholder View (SHV) of corporations by converting the familiar stakeholder model of the firm (Figure 2) into a diagram showing the position of the various stakeholders in relation to the three dimensions of the strategic setting-resource base industry-market, and social-political arena (Figure 3). The stakeholders shown in the framework is just some examples to explain.

Figure 2: The Corporation and its stakeholders (Post, Preston and Sachs, 2002a)



Figure 3: The stakeholder view of the corporation (Post, Preston and Sachs, 2002a)



The stakeholder view of the firm emphasizes that stakeholder relationships is closely relevant to the capacity of wealth-creating. The understanding of a firm's stakeholder

relationship is the key to solving the primary strategic management problem, and the survival and success of an enterprise in a long term is closely and inseparably related to the mutual interactions with its stakeholders (Post, Preston and Sachs, 2002a). Therefore, a corporate relationship with its key stakeholders might be seen as the essential assets which the managers must establish, maintain and manage in order for the corporate performance and then organizational wealth. Post, Preston, and Sachs (2002b) again stress that the stakeholder view of the corporation is in relation to that the ability of the firm to create “sustainable wealth, hence long-term value” is under the condition of development and preservation the relationship with its key stakeholders.

Post, Preston, and Sachs (2002b) posit that a new direction for the corporations is to enhance wealth and preserve legitimacy in the process of firms’ functioning in the 21st century. The legitimacy refers to that the interests of critical stakeholders should not be damaged while corporation meets their own benefits. That is, the company must consider and concerns about interests and benefits of its key stakeholder to increase its own economic wealth in the course of business operations. As Post, Preston and Sachs (2002a) refer to that Michael Jensen, a well-known finance scholar reflects a widespread consensus in the remark that "a firm cannot maximize value if it ignores the interests of its stakeholders". This puts effort to emphasize the importance role played by a company’s stakeholders in the process of the corporate functioning.

3. Conceptual scheme

The research question of this thesis is to explore how Guanxi with corporate stakeholders develop in Chinese business settings. The practice of Guanxi, in China, has become an ingrained cultural basis in Chinese society not only related to inter-persons but also related to inter-organizations. Guanxi can be considered as a

key factor and lifeblood for the corporation's success and wealth creation (Luo and Chen, 1996). This chapter is divided into four sections to answer my research questions. First, the arguments will be given in order to emphasize the characteristics and features of Guanxi in China. Secondly, the elements of Guanxi principles will be explained. Thirdly, the management of Guanxi in Chinese contexts will be introduced. Fourthly, the roles of Guanxi with corporate stakeholders are also discussed and elaborated in the subsequent text. Finally, in this chapter, a conceptual model is presented.

3. 1. Guanxi in China

3. 1. 1. Definition of Guanxi

Since the 1990s, the researchers and academics has been increasing interest in studying the significance of relationships especially in Chinese context. Guanxi, as a Chinese term, is normally translated as "relationship" or "connection". In the Chinese language, Guanxi is a phrase which consists of two Chinese characters. The first word (guan) as a noun literally means "gate (a pass or barrier)". The second word (xi) as a verb means to "connect" or "link".

In the existing literatures of Guanxi, a number of researchers and scholars have given the definition for better understanding the meaning in Chinese society. Jacobs (1979) defines Guanxi as connectedness or particularistic ties. According to Pye (1982), Guanxi is considered as friendship with implications of reciprocal exchange of favors. Alston (1989) also explains that it is a special relationship based on personal affiliations between two persons. And As Osland (1990) refer to that it might be a special kind of relationship between two persons in the case of one who needs something and one who has the ability to give something.

Thus, Yeung and Tung (1996) conclude that Guanxi refers to build up a linkage between two individuals who could exchange mutual interests and benefits by

personal or social transactions to ensure the maintenance of such a personal relationship. Guanxi is like a bridge between two parties involved in the context of deals, which tightly link one person with another person to obtain a given goal by switching reciprocal favors. However, Park and Luo (2001) maintain that although Guanxi is at the personal level, it might be transform into organizational assets when personal relationships serve and use as the purpose of organizations.

3. 1. 2. Guanxi as a Chinese cultural phenomenon

Many researchers have been worked for conceptualizing culture. However, this problem seems to be difficult to solve since the agreement on the definition of culture never get by their attempts. Taylor (1881) is the person who first gives the definition of culture, he viewed culture as that “complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society”. Ajiferuke and Boddewyn (1970) add that culture could be seen as some beliefs and values which are normally shared in a specific community at a certain point in time. Nowadays, one of the most popular definitions of culture is made by Hofstede who (1984) explains that culture is “the collective programming of the mind which distinguishes the members of one group or category of people from another”. However, all these definitions of culture can be found some similarities. Liu and Mackinnon (2002) conclude that the definitions on culture can be characterized by three themes such as a psychological concept, a tool that forms a specific society and a framework to explain behavior.

Pye (1972) points out that the most influential thought in China is unquestionable Confucianism which shapes the basis of the Chinese cultural tradition and still provides the fundamental norms of Chinese interpersonal behavior. Confucianism is seen as the fundamentally behavioral or moral doctrine that is in the relation of human relationships, social structures, virtuous behavior and work ethics (Ying, 2000).

According to Ch'en (1986), five basic virtues from the teaching of Confucius have been extracted including humanity, righteousness, propriety, wisdom and faithfulness. Furthermore, Ying (2000) refers to five basic human relations and principles for each relation defined by Confucius as the following table:

Table 1: Five basic human relations and principles defined by Confucius (Ying, 2000)

Basic Human Relations	Principles
Sovereign and subject (or master and follower)	Loyalty and duty
Father and son	Love and obedience
Husband and wife	Obligation and submission
Elder and younger	Seniority and modeling subject
Friend and friend	Trust

There are three relations referring to family as father and son, husband and wife, and elder and younger. The rest of two relationships are about Sovereign and subject (or master and follower) and friend and friend. The principles of loyalty and trust could be well applied to the process of management and business.

Also, as Luo and Chen (1997) refer to that traditional Chinese society stems from clan-like network which is characterized by close family members as its core. Then, it extends to slightly distant, to more distant, finally involving people who are not blood relatives but who are in relation to members in one's family, such as classmates, fellow townsman, and friends. These links might be the base for Guanxi in the process of doing business in China.

Guanxi in China is like a magnet which attracts Chinese people together as a group (Lovett et al., 1999). Guanxi might be regarded as a unique Chinese social construct. Since Guanxi is a product of Confucian values and the contemporary political and

socio-economic systems (Fan, 2002). Michailova and Worm (2003) state that Guanxi as a special kind of social resource plays a key role in Chinese social system. Yeung and Tung (1996) conclude that firm maintains an extensive connections web would be of great importance in Confucian societies. “Who you know is more important than what you know.” “Who you known emphasize on personal connections known as Guanxi between persons. “What you know” could refer to business details, including the price and quality of the product or service.

3. 2. Guanxi Principles

The contents of Guanxi principles in China are concluded by this study (as presented in Figure 4). They contain six dimensions of element and will be discussed in the subsequent text.

3. 2. 1. Favor (Renqing)

Favor (renqing) is defined as humanized obligation (Chen, 1995). According to Wong (1998), favor (renqing) could translate into distinct interpretations, including social cost, quality and relationships. Fan (2002) concludes that a favor could be divided into intangible and tangible assistance as the source of resources. The former contains suggestion/information/knowledge/opportunity, and the latter consists of gifts/job/houses or other services and products.

Favor (renqing) might be considered as a bridge between two exchanged partners for establishing and maintaining the Guanxi. As Hwang (1987) refer to that the development of renqing is the basis of the establishment or use of Guanxi. Luo and Chen (1997) add that favor (renqing) as a form of social asset could serve as leverage during the interpersonal communications.

3. 2. 2. Reciprocity

Reciprocity embodies a kind of individual's emotional responses when receiving the benefits from others. Guanxi is on the basis of the reciprocal exchange of favors or interests between two partners to achieve a goal. That is, if one person receives a favor or assistance from others, he/she is obliged to pay back the favor (renqing) at any time in the future. A number of researchers in Guanxi field hold that the exchange of mutual favors and interests is emphasized between two involved partners in Guanxi practice (Chang & Holt, 1991; Luo, 1997; Wong, 1998; Yang, 1994). Child and Markoczy (1994) state that reciprocity is a crucial ingredient within the network of business relations and communications and people would be tightly bond together within and among organizations. Alston (1989) and Luo (1997) also agree that Guanxi in Chinese business refers to an unusual kind of relationships which could join the involved partners by reciprocal exchange of favors and mutual social obligations.

3. 2. 3. Face (mianzi)

Face is loosely defined as an individual's public image which is well recognized by others in the process of performing the specific social roles (Hu, 1944). According to Hwang (1987), the concept of face could be quantified and measured in the light of individual's Guanxi network. Simply put, face might be a guarantee for one's integrity and trustworthiness in order to enhance his/her reputation and honor (Chan, 2008). Ting (1988) regards that face-saving activity as a kind of custom which maintain an individual's role and social status in the Guanxi network. The face one has would be positively relative to the extensive and powerful Guanxi network. Furthermore, Tsang (1998) holds that the maintenance of face will be helpful for cultivating a dynamic Guanxi network.

Reddings and Ng (1982) also persist that face plays a very crucial role in the establishment and maintenance of Guanxi network. Luo and Chen (1997) state that

people in the Guanxi network should give a commitment to the person who gives you assistance by an unspoken rule of reciprocity and equity. One could ultimately destroy his/her reputation which leads to the loss of face (mianzi) by violating the unspoken rule and regulation between them. Lee, Pae and Wong (2001) also document that people, in the condition of Guanxi, who breach the social norm of reciprocity will damage one's reputation and finally lead to the loss of face (mianzi).

3. 2. 4. Trust

Many researchers have proved that trust is a very important factor in Western business relationships (Kriz and Fang, 2003). In the same way, in China, trust is also a salient ingredient of building up and maintaining Guanxi in the process of business. According to Ch'en (1986), five basic virtues from the teaching of Confucius have been extracted including humanity, righteousness, propriety, wisdom and faithfulness. Among them, the characters of righteousness and faithfulness are in accord with the definitions of trust. As defined by Moorman, Deshpande and Zaltman (1993: 82), "trust is defined as a willingness to rely on an exchange partner in whom one has confidence". This emphasizes the degree of faithfulness and trust from one to another. And also the definition of trust is given by Morgan and Hunt (1994: 23), "trustworthy party is reliable and has high integrity, which is associated with such as consistent, competent, honest, fair, responsible, helpful and benevolent qualities". Thus, this definition fit with the righteousness in Confucian teaching. As a consequence, trust in China has been developed from Confucianism and Chinese people pay much attention on the importance of trust.

Trust is described as a function of liking (Nicholson, Compeau & Sethi 2001) and confidence (Luhmann 1988). Ganesan (1994) regards trust as part of a belief system, it is one's willingness to exchange something with another involved partner in whom he/she has confidence. Kriz and Fang (2003) refer to that it is evident that Guanxi

could be a door or gate to capture opportunities but trust (xinren) determines what personality you have once you are in the Guanxi network.

3. 2. 5. Ganqing

Guanxi can be identified by the degree of closeness which is usually determined by ganqing between the parties involved. Ganqing as a Chinese phrase might be interpreted into the emotion or affection to the people with whom you have relationship. In Chinese context, ganqing is a type of invisible asset in the course of communication, which could measure the depth of closeness and the emotional commitment between two exchange persons. According to Tsang (1998), ganqing between persons can be built up by the experience of sharing and interaction through the process of living, working or studying together. Therefore, the cultivation of ganqing is not only among acquaintance but also among strangers (shengren), and the cultivation and nourishment of ganqing is a way to maintain and consolidate Guanxi between two parties.

3. 2. 6. Ethics

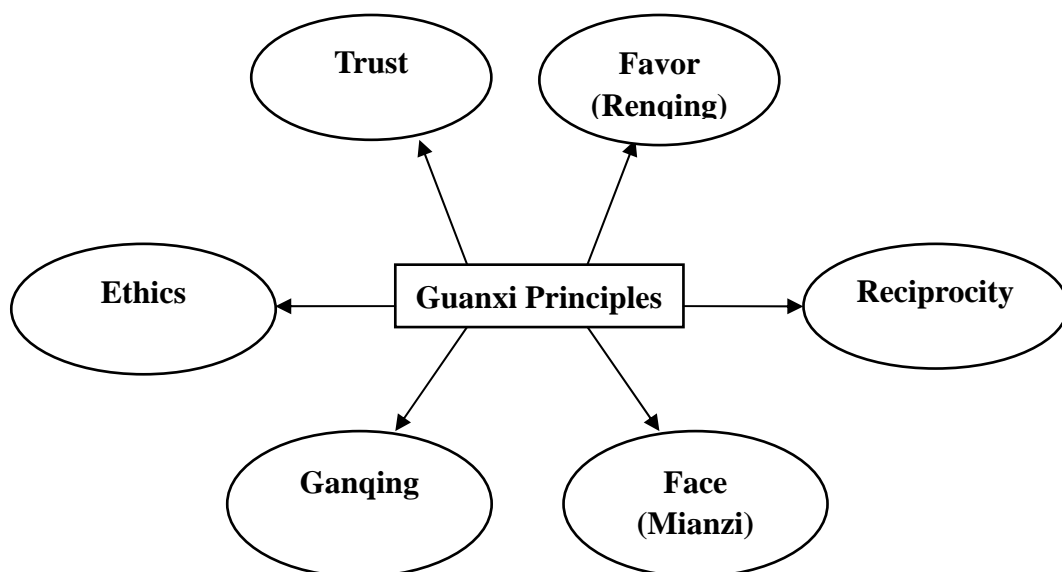
As the Chinese saying that nothings can be achieved without norms and standards. This saying means that everything must follow the specific rules and regulations to achieve desired purpose on the condition of without prejudice to the interests of others. Chinese social norms and ethics stem from the Confucian li, which is regarded as a measure of moral standard by adjusting people's speech and behavior in the social activities of personal interactions. As Chen and Chung (1994) stated that the Confucian li principle focuses on social obligations in social communication. One must abide by a proper way and a suitable propriety when doing thing with others.

Ethics, social norms and moralities deep-rooted with the people's minds, make people

voluntarily follow some certain rules or standards for a harmonious society. As Vanhonacker (2004) refers to that Guanxi served as a necessary social function complies by its own ethical norms and codes. Westerners might consider Guanxi as a shortcut by which Chinese get helps and assistances from others, which is immoral according to western ethics. However, in China, once one use Guanxi to obtain something, he/she will create an obligation to repay something in the future time. Yeung and Tung (1996) persist that as the Chinese saying that if someone pays you an honor of a linear foot, you should reciprocate by honoring the provider with ten linear feet. This saying calls attention to Chinese people that the cost of returning a favor or indebtedness is extremely high. If one receives a help or favor from the provider, he/she should be able to repay much more than the acquisition.

Yeung and Tung (1996) also advocate that Guanxi is different from money-based or commodified transactions, since the focus of Guanxi is on relation, but corruption is emphasized on transactions. In addition, the relational ethics and moralities can not be traded by money (Vanhonacker, 2004). This means that Guanxi is too invaluable to measure in the way of money. In other words, it is impossible to make Guanxi balance by using materials or money but according to the heart, conscience or morality.

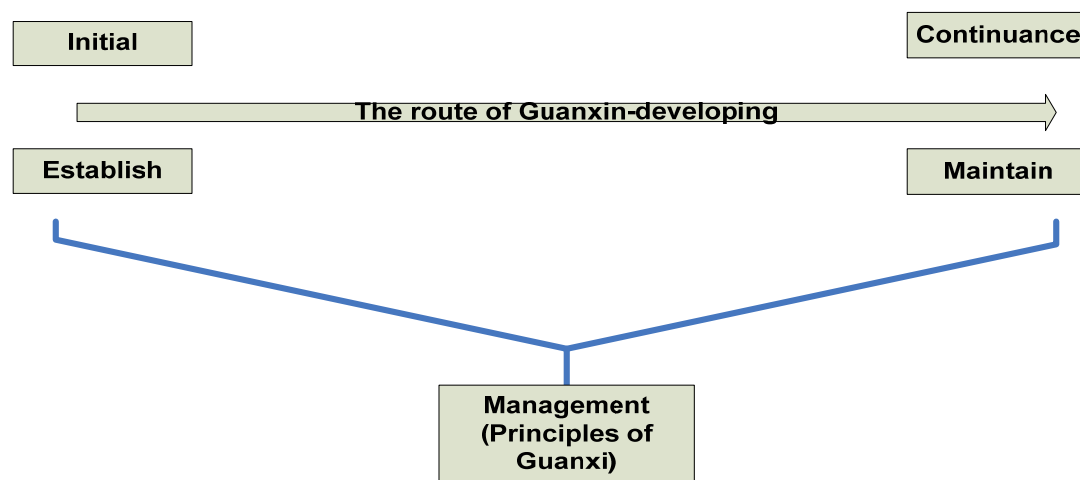
Figure 4: The Guanxi principles



3. 3. The management of Guanxi

The road map of developing Guanxi could be shown in the following text as Figure 5. This route explains that it is a dynamic process from the initial to the continuance of Guanxi. And this route from the establishment to the maintenance needs to be managed and restricted according to Guanxi principles in China.

Figure 5: The route of Guanxi development



3. 3. 1. Establishment

Establishing or building up Guanxi is the starting point in the process of Guanxi development. And Guanxi-building might be regarded as the conversion from unfamiliar to familiar for achieving a specific goal between two persons. As Yang (1994) holds that the establishment of Guanxi is considered as a transformation process between two involved parties to build up the basic familiarity, and hence the subsequent maintenance of relationships. He also explains that the gap between two unrelated or unfamiliar individuals, in this process, is bridged in order to become an acquaintance sharing common experience with him or her.

The basis or start to build up Guanxi might be considered as a favor-providing. That is to say, if one hopes to develop Guanxi with another for a given purpose, the benefit,

assistance or commitment will be the bridge connecting provider with recipient. As Ai (2006) states that an effective way to initiate Guanxi could be favor-giving or substantial assistance between two related parties. And also the offering of favor (renqing) or benefit shows courtesy and respect from the sender to the receiver, furthermore, it is in favor of conveying the willingness of initiating a Guanxi.

3. 3. 2. Maintenance

As the definition stated above, Guanxi is like a gate or pass which can open or close automatically. Therefore, the proper measures and ways are needed to assure the continuance of Guanxi as a passage at a later date. The solution of maintenance and continuity of Guanxi might be, in this study, the observance of Chinese Guanxi principles. The maintenance and nourishment of business Guanxi needs much effort devoted, and it is mutual benefits, exchange of favors, mutual trust, sharing future business opportunities, and keeping in touch (frequent contacts) with partners that provide the key (Ai, 2006: 108). Vanhonacker (2004) also describes that Guanxi network essentially contains reciprocity, obligation, and indebtedness between involved partners, in addition the aesthetic protocol which is along with the cultivation of Guanxi in China. Hereby, Guanxi principles are regarded as the basis of Guanxi management and exist in the ongoing relationship. Guanxi-maintaining is understood as a dynamic process which includes these elements of reciprocity, face (mianzi), trust, ganqing and ethics on the basis of favor exchange between two persons to ensure a stable relationship.

First, after getting a benefit or favor (renqing) from provider, Guanxi-maintaining will depend on that how the favor-recipient deals with Guanxi. That is, the key to keep Guanxi continue is whether the recipient will give a response and pay the favor off. As Ai (2006) refers to that returning favors is quite significant to preserve the Guanxi running. For that reason, when the obligation is created after the reception of favor

(renqing) from provider, the receiver is responsible for returning the renqing to the provider in a certain time of future. The indebtedness felt by recipient will be the major reason to keep contacts with the person providing favors or benefit in the future (Lovett et al., 1999). Hereby a unspoken rule of reciprocity exists, namely when a person provide one favor or benefit to another, the beneficiary must consider how and when the favor should be paid off.

Secondly, the face will also be preserved after the exchange of reciprocal favors. As the definition of face (mianzi), it represents as someone's public image (Tsang, 1998), social status (Lockett, 1988) and prestige and identification (Ang & Leong, 2000). Chinese fairly put emphasis on the importance of mianzi (Park & Luo, 2001). The most important is that face-loss will make one at risk of being marginalized by society, ultimately give rise to the loss of one's Guanxi network. Therefore, for avoiding the negative effect from damaging mianzi, one needs to protect face in order to keep Guanxi continue through fulfilling one's obligations or responsibility

Thirdly, the trust between two parties will be strengthened on the basis of non-losing one's face. And then, the Guanxi between the two will become stronger, since the trust produced decreases the gap of strangeness. Ai (2006) emphasizes that the initiation and establishment of Guanxi in China is not so different from making friends. And the cultivation of dependable and reliable between friends undoubtedly reinforces a friendship, and hence the maintenance of Guanxi.

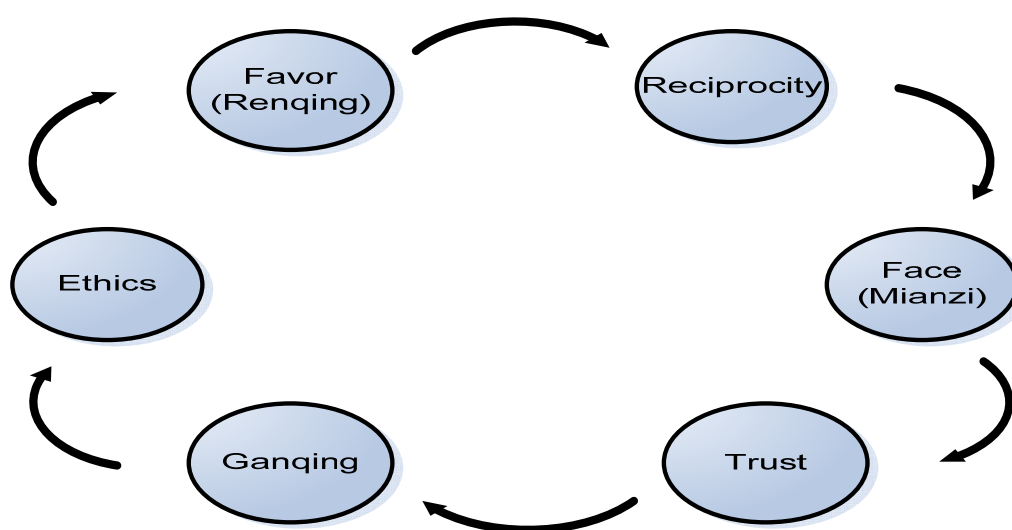
Fourthly, Ganqing can be explained as the emotion or affection to the people with whom you have relationship. When the trust is established in a Guanxi, the degree of closeness (means ganqing in Chinese) between two persons will become deepen. Thus, the deep feeling between the two parties involved will indefinitely improve and sustain Guanxi of each other in the future.

Lastly, all above steps for maintaining Guanxi will flow into an implied ethical

dimension in Chinese society. The track from reciprocity to ganqing-cultivating undoubtedly embodies an unspoken rule not because of legal limitation. As Chow and Ng (2004) refer to that in China favors are gave back not because of legal limitation, but due to the fear of losing one’s face or public image. According to Hong and Engstrom (2004), the traditions of esteem for age, authority, and social norms is originated from the Confucian concept of li, which is a tenet with the emphasis on etiquette and ritual in maintaining a person’s position in the social hierarchy. Furthermore, the practices of li put much effort on social responsibilities in personal communications by rules or norms, including propriety of conduct, propriety of speech, and propriety of example. And as the existence of moral standard in one’s mind in Chinese society, Guanxi could be consolidated and sustained by favor-reoffering after finishing a circle of Guanxi principles.

As argued above, these steps and measures are not mutually exclusive and independent, they should be considered as complementary and dependent between each other. Put differently, the circle of Guanxi principles should be a dynamic and continuous process for developing and maintaining Guanxi, anyone of those could not optional jump out and be separated from that process. The picture of the circle of Guanxi principles can be presented as follows in Figure 6.

Figure 6: The circle of Guanxi principles



3. 4. The roles of Guanxi with corporate stakeholders

Guanxi is a complicated and thorough relational network which is composed of implicit mutual responsibilities, guarantees, and understanding. And the building of relationship network has been vital to the success and survival of organizations around the world in recent years (Park and Luo 2001). According to Post, Preston and Sachs (2002a), the new Stakeholder View of the firm could be regarded as a foundation for analyzing and managing the diverse relationships with its key stakeholders. Accordingly, the knowledge and understanding of a company's relationships with its stakeholders is the centre of new strategic management of corporations. And the knowledge about key stakeholders of a firm might be considered as a principal source of corporate competitive advantage. The important role played in different stakeholder groups is not same in the process of corporate operations (Post, Preston and Sachs 2002a). Even if Guanxi in China can be found in every corner of daily social life, business firms have diverse needs and capacity to cultivate Guanxi with their stakeholders (Park and Luo, 2001). Post, Preston and Sachs (2002a) confirm that the firm creates value through relational, as well as transactional, interactions-both voluntary and involuntary-with stakeholders in its social and political environment, as well as those constituting its resource base and industry setting.

As Huang and Gardner (2007) refer to that the SHV both integrates the industry-structure view and Resource-based view into a broader analytical framework, which implies two basic assumptions. First, a firms' sustainable and long-term value is determined by three broad types of factors: industry structure, resource base, and social and political setting. These factors tie the external and internal environments of the firm, and human relationships together as a basis for research in the operations of the corporation. Second, within this broad constituency, the relationship with critical stakeholders will impact on corporate performance either positively or negatively. According to Post, Preston, and Sachs (2002a), the roles of various stakeholder

groups are shown in the following tables. These roles of diverse stakeholders played are in close relation to organizational success and wealth during the corporate operations.

3. 4. 1. Resource base

Park and Luo (2001) state that Guanxi network will be a reliable source of primary information contributed to the shaping of strategic decisions in Chinese transition economy. Thus, the development of corporate Guanxi with its stakeholders might be considered as a strategic mechanism in the course of management in order to conquer competitive and resource disadvantages by cooperating and exchanging favors with its stakeholders. Huang and Gardner (2007) emphasize that most anecdotal evidence, either from public media or the word of mouth conventional wisdom in China, suggests that cultivation of relationships with Chinese banks, other business entities and their employees, are important to support financing, timely information sharing and sourcing critical materials for business enterprises. Moreover, the knowledge about consumers' acceptance to different communication modes and other impacts not only promotes marketing efforts but also improves mutually beneficial products or services (Post, Preston and Sachs, 2002a). Hereby, Park and Luo (2001) underline that Guanxi, a key factor in firm performance in China, impact on the flow of resources and the interaction with the task environment in the process of corporate operations.

Table 2: The roles of stakeholders in resource base (Post, Preston and Sachs, 2002a)

Resource Base	Roles and Impacts	Corporation Aspects
Investor: shareowners and lenders	Sources of capital (debt/equity); capital cost and risk management	Ownership, credit and financing network; debt and equity markets
Employees	Development of human capital; team production; collaboration in the workplace	Recruitment and training; outsourcing; contract and temporary employment
Customers/users	Reputation and brand loyalty; repeat purchase; collaborative problem-solving; new products-services	Downstream links and distribution; advertising

3. 4. 2. Industry structure

Park and Luo (2001) stress that the reality of inter-organizational Guanxi is built on and developed through personal relationships of corporate managers. They maintain that although Guanxi is at the personal level, it might be transform into organizational assets when personal relationships serve and use as the purpose of organizations. And the utilization of Guanxi has become increasingly pervasive and intensive at the firm level with Chinese economic reform. Wank (1996) also confirms that strong relationships among key managers are the basis of a viable organizational level Guanxi.

Huang and Gardner (2007) state that in China, corporate favorable relationships with the regulatory authorities could promote organizational performance within the environment which it operates. Post, Preston and Sachs (2002a) confirm that the knowledge about and suppliers make the employees of firm accelerate the operating efficiency, develop corporate particular product or service, and produce barriers for competitors to entry or prevent obstacles for it to join. Furthermore, Miles and Snow (1984) once advocated that the collaborative relationship among the relevant organizations is in favor of enhancing the core competence and expanding the scope of the overall production function, which make each organization realize economies

of scope in term of a new configuration of value chain. Therefore, the cooperation among firms not only expands their market reach but also strengthens their market power compared with their competitors. Last but not least, Park and Luo (2001) explain that the conformation of organizational interactions through Guanxi in China is in order to tamper the weaknesses of institution and structure and other environmental influences.

Table 3: The roles of stakeholders in industry structure (Post, Preston and Sachs, 2002a)

Industry Structure	Roles and Impacts	Corporation Aspects
Supply chain associates	Network efficiencies; collaboration on cost reduction and technology	Physical, informational and financial links in the supply chain
Joint venture partners and alliances	Supplements firm's own capacity and resources; stabilizes firm market position	Collaborative ownership and management; information networks
Regulatory authorities	Create collaborative and /or conflicting incentives and behaviors among diverse elements of the enterprise network	Interacts with units of the firm in multiple levels and roles
Unions	Workforce stability and conflict resolution; coordinate and mediate inter-union conflict	Agreements with numerous labor organizations (domestic and international); wages, hours, working conditions; diverse goals, levels, capabilities

3. 4. 3. Social and political arena

Guanxi is a crucial cultural and social construct in Chinese system, and the utilization of Guanxi influences on the performance of a company (Park and Luo, 2001). As Huang and Gardner (2007) refer to those organizations in different counties behave differently since the political and legal systems, social norms and values vary from one country to another, and these are important elements which influence strategic decisions and corporate performance. Post, Preston and Sachs (2002a) claim that

relationships which relate to corporate resources and competitive advantage, add those effects of social and political environment on the firm, have to be developed, institutionalized and harmonized through appropriate policies and practices. They again stress that knowledge about social and political stakeholder group, voluntary or involuntary, assists the building of constructive relationships, predict and reduce the unfavorable impact on corporate developments, and protect the qualifications of its “license to operate” in the fluctuated settings. Huang and Gardner (2007) also point out that the social and political situations are quite crucial not only in the course of decision making but also for shaping corporate performance. Thus, the proper knowledge and adaptation of social and political arena is absolutely vital when doing business in China in order to gain an edge over competitors.

Table 4: The roles of stakeholders in social and political arena (Post, Preston and Sachs, 2002a)

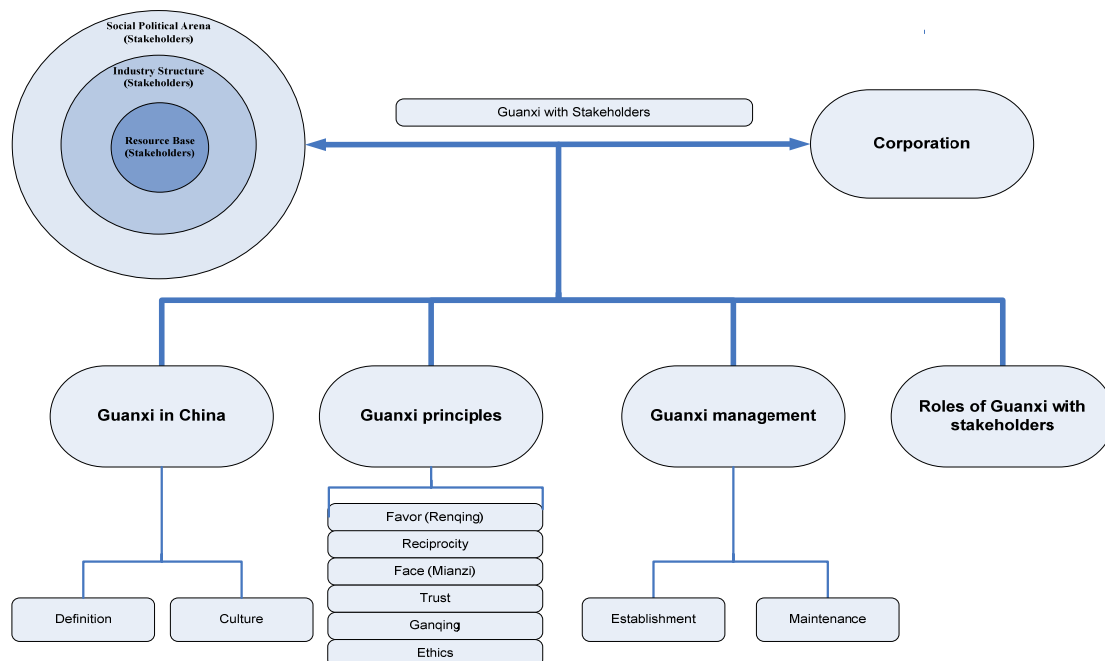
Social and Political Arena	Roles and Impacts	Corporation Aspects
Governments	Possibilities for adaptive integration and/or conflict	Operating within multiple jurisdictions; multiple issues of national sovereignty; cooperation with United Nations agencies
Communities/Citizens	Mutual support and/or inter-jurisdictional conflict; “license to operate” in local venues	Relationships with numerous and diverse constituencies
Private organizations (NGOs)	Multiple opportunities for collaboration and/or conflict; reputation; voluntary standards (ISO 9000; UN Global Compact)	Relationships with numerous and diverse constituencies

3. 5. The conceptual model

I have constructed an integrative model to explore the Guanxi development between a corporation and its stakeholders embedded in Chinese business settings. This model (Figure 7) is integrated by adjusting the Stakeholder view of the corporation (Figure 3)

into a new diagram reflecting the principles of Guanxi practice in China in relation to the three dimensions of the strategic circumstance-recourse base, industry structure, and social political arena. The stakeholders shown in the Figure 4 are just illustrative examples. This model is based on the arguments in the previous parts of this chapter. It is not a causal model for testing hypotheses, but a scheme to present the concepts of my research problems. Firstly, in the part of Guanxi in China, the definition and cultural phenomenon of Guanxi in the Chinese contexts have been introduced in order to show the characteristics and particularities of Guanxi relationships. Secondly, Guanxi principles explain the necessary elements when developing Guanxi with others in China. Thirdly, the management of Guanxi in China based on the characteristics and principles of Guanxi includes the process of establishment and maintenance of Guanxi. Lastly, the part, the roles of Guanxi with corporate stakeholders, proves the necessity of developing good Guanxi relationships with corporate stakeholders in the course of operations for corporate development.

Figure 7: The conceptual model



4. Methodology

In this chapter the method employed in this study will be described. Secondly, I explain the sources of data and the reason of selecting them. Thirdly, the interview guide is designed. The focus here is on how the key stakeholders are identified, and exploring their role played in the course of corporate operations and the Guanxi principles between company and stakeholders.

4. 1. The method

In this study, I integrate Guanxi as Chinese culture with SHV of strategic management. This is in order to refine existing theory by contextualizing its use in an Asian setting and seek to gain new knowledge of real strategic management practices in China. The development of theory is a central activity in organizational research (Eisenhardt, 1989). Glaser and Strauss (1967) proposed grounded theory as a practical method for conducting research that focuses on the interpretive process by analyzing the “the actual production of meanings and concepts used by social actors in real settings” (Gephart, 2004: 457). The new theory could be developed by paying careful attention to the contrast between “the daily realities of substantive areas” (Glaser & Strauss, 1967: 239) and the interpretations of those daily realities made by those who participate in them. Thus, theory building seems to require rich description and explanation of a specific phenomenon, the richness that comes from the process of interpretation by practitioners. The real benefits of this process create a logically convinced analysis that define key constructs, makes clear the relationships among them, and contextualizes the findings in a way that allows for future theory testing (Glaser and Strauss, 1967). According to Denzin and Lincoln (1994) the grounded theory perspective, as conceived of by Strauss and his associates, is the most widely used qualitative approach in the social sciences today.

Qualitative research might be seen as a most appropriate method, since this approach is more focus on describing and narrating the process of creating a kind of phenomenon. Miles and Huberman (1994) stress that the qualitative research bases on the fine grained, the process oriented, and the experiential, and provide a means for developing an understanding of complex phenomena from the perspectives of those who are experiencing it. Van Maanen (1979) states that qualitative research can be used to provide description, build theory, and theory testing through a set of data collection and analysis. Moreover, qualitative research for data collection and analysis is powerful and persuasive, especially when used to build new or refine existing theories (Shah and Corley, 2006). The method of qualitative research is in favor of the researcher to find new variables and relationships among them, and explain the influence of the social context after understanding the complex processes.

Several ways could be employed to collect data in qualitative research. The data in this study will be collected by in-depth interviews in three aquatic product companies in different cities in China. Interviewing presumes that one can understand how the world is known by asking informants to answer open-ended (but structured) questions about their experiences. In-depth interviews are frequently used to collect differing perspectives on a topic. While most data collection efforts call for strong similarities in the questions asked across informants (to aid in the constant comparison process), the nature of grounded theory calls for flexibility in questioning to allow each informant some control over deciding what aspects of the phenomenon are most important from their experiences (Shah and Corley, 2006: 1828). Accordingly, the questions asked during interviewing should be flexible enough in order to give interviewees sufficient space to narrate their personal experiences and interpret the phenomenon existed in the corporate settings.

Given the traits of exploratory studies, no particular hypotheses will be raised. I made a thoroughly qualitative investigation through in-depth interviews to describe and understand the phenomenon of Guanxi development with corporate stakeholders.

The purpose of the personal interview, in this study, is to find out from each respective manager or executive (interviewee) with regard to how they have used the Guanxi principles as a strategic management of Guanxi-building and Guanxi-preserving in their own companies, and learn from real managerial experience as expressed by managers themselves.

For this thesis, case studies will be used for responding to my research problems by the method of qualitative analysis. Post, Preston and Sachs (2002) have confirmed that the development of the relationships with corporate critical stakeholders is often evolutionary and path-dependent; this case-based research strategy could meet the in-depth and comprehensive understanding during the analysis of organizations. Eisenhardt (1989) states that the case study is a research strategy which focuses on understanding the dynamics present within single settings. According to Yin (1981), the case study as a research strategy is analogous to an experiment, a history, or a simulation which might be seen as the alternative research strategies. Yin (1981) explains that the case study, as a research strategy, attempts investigate a contemporary phenomenon in its real-life context, especially when the boundaries between phenomenon and context are not clearly evident. In this study I have employed case study as a research strategy to explore the style of Chinese business management in relation to Guanxi management with key stakeholders in the corporation. The reasons for choosing case studies to achieve my research objectives will be explained in the following sections.

The focus of case studies is on the reflections of rich, empirical and persuasive descriptions of a specific phenomenon from various data sources (Yin, 1994). Colquitt and Zapata-Phelan (2007:1282) refer to that theory building from cases involves using empirical evidence from one or more cases to create theoretical constructs and propositions. Also Eisenhardt and Graebner (2007) hold that case study as a theory-building approach which is deeply dived in rich empirical data, and the theory from cases might be accurate, interesting, and testable. Thus, case studies might be

regarded as the most appropriate tools when exploring the key variables and their relationships in the new era of management theory (Yin, 1994 and Eisenhardt, 1989). As Gibbert, Ruigrok, and Wicki (2008) refer to that case study is an ideal methodology which is used to create managerially relevant knowledge, since case study handles real management practice and is carried out by in close interaction with practitioners. I attempt to study the phenomenon of Guanxi development in a certain context of China rather than independent of the contexts. As a result, the employment of case studies will be a proper instrument in my study to explore Guanxi principles and the process of managing Guanxi in Chinese industry of aquatic product.

4. 2. Data sources

In this study, I will use three aquatic product companies in China as interviewees for the primary sources of data. They are respectively CNFC Overseas Fishery Co., Ltd (CNFC), Dalian Zhangzi Island Fishery Group Company (DZIFGC), and Tongwei Group (TG). The summary descriptive data are presented in Table 5. It is obvious that these three firms differ from each other in many aspects. However, the real reason for selecting them as my examples studied can be theoretical sampling. As Eisenhardt, (1989: 537) refers to that the sampling of cases from the chosen population is unusual when building theory from case studies. Such research relies on theoretical sampling (i.e., cases are chosen for theoretical, not statistical, reasons, Glaser & Strauss, 1967). Thus, the method of theoretical sampling is suitable for this study which is attempting to explore the Chinese management practice and behaviors to develop a new theory from a Chinese perspective. The goal of theoretical sampling is to choose cases which are likely to replicate or extend the emergent theory (Eisenhardt, 1989: 537). Each of firm chosen has particular experience in managing and maintaining Guanxi with its critical stakeholders over the past years. I do not mean that they are the perfect examples in exploring the development, maintenance and management of Guanxi with their critical stakeholders. However, they represent the typical characteristics of dealing with the Guanxi practices with the key stakeholders from the different

perspectives. Thus, I believe that the combined experience of these three firms in developing, maintaining and managing Guanxi with diverse stakeholders provides particular insights into the implications of the Stakeholder View in both theory and practice in Chinese context.

Table 5: Summary data of companies under study

Name of company	CNFC	DZIFGC	TG
Time of founding	1998	1958	1992
Ownership	State-owned	Collectively-owned	Privately-owned
Main business	overseas fishing; product processing; storage; trade of aquatic products; the import and export of the material used in fishing such as fishing boats and fishing machinery and fishing gears; external cooperation of economic technique and labor service;	Marine multiplication; Breeding of rare seafood; Processing of seafood; Domestic and foreign trade; Ocean transportation;	Aquatic feed; Fresh-water fish farming;
Total assets	About 1185 million (2009)	About 1908 million (2009)	About 5831 million (2009)
No. of employee	About 30 thousand	About 4 thousand	About 8 thousand
Market reach	Domestic and foreign	Domestic and foreign	Domestic and foreign

I selected the manager or executive in every company to be interviewees. The reason is that they have engaged and managed in the operating process of corporate business. Therefore, they can give the exact and detailed explanation about the development of the corporation in every aspect. This interview is carried out by asking questions related to the management of Guanxi practices in the interviewees have experienced.

In addition to my interview, I also have got some information about the development of Guanxi from annual reports and websites of the three corporations. During the process of data collecting, the primary goal is to search for the empirical experiences from those three companies to reply to my research issues.

4. 3. The interview guide

I used the pre-designed questions as a guide, but the interviewees could speak as freely as possible to get more powerful and persuasive data when they are interviewed. To answer my research issues I divide the interviewed questions into four parts as the following:

The first section (see 1 in the appendix) is about the characteristics and particularities of Guanxi in China. At first, at the beginning of this study, it is necessary to introduce the understanding and perception of Guanxi from these three managers. This is in favor of exploring the knowledge of Guanxi from them in Chinese business contexts. And then, the three managers are asked to explain the cultural contains of Guanxi in China. This will provide me with some perceptions of how Guanxi is affected by culture from three practice managers.

The second section (see 2 in the appendix) is about the elements of principles of Guanxi development with stakeholders in the course of corporate functions. This question is asked to obtain three managers' experiences and focus in dealing Guanxi with their stakeholders. From this question, I could identify and get the knowledge about the principles of Guanxi development in Chinese business contexts from three aquatic product companies.

The third section (see 3 in the appendix) is about the management of Guanxi with corporate stakeholders in three aquatic product companies. The questions are asked to understand how these three firms establish and maintain Guanxi with their stakeholders including Shareowners, Employees, Customers/users, Suppliers, Joint ventures, Regulatory authorities, Unions, Governments, and Communities/citizens and Private organizations (NGOs). These questions give me the chance to find out how their Guanxi with diverse stakeholders build up and sustain during the process of corporate operations in Chinese business contexts. This section is quite important for

this study, since this gives the explanations about how Guanxi in China establish and maintain in Chinese business contexts, and why Guanxi is so important for business development in China.

The fourth section (see 4 in the appendix) is about the exploration of roles of Guanxi with stakeholders. These questions are posed to explore, in three aquatic product corporations, what the roles of preserving a good Guanxi with their stakeholders including Shareowners, Employees, Customers/users, Suppliers, Joint ventures, Regulatory authorities, Unions, Governments, and Communities/citizens and Private organizations (NGOs) are. These questions give me the opportunity to evaluate the managers' perceptions to developing Guanxi with different stakeholders. This part is also very important for this thesis, because it could give a contribution to explaining the necessity of developing a favorable Guanxi with corporate stakeholders in the process of strategic management.

5. Data and analysis

5. 1. Guanxi in China

5. 1. 1. Definition of Guanxi

As stated in earlier chapter, researchers have provided the definition for better understanding the meaning of Guanxi in Chinese society. This study carries out in the aquatic product industry in China. To start this research, it is quite of necessity to induce the understanding and perception of Guanxi given by managers in three companies according to the interview. The quotes by three managers are as the following:

“According to my experience, Guanxi should be a connection between two partners

and refers to continuous exchange of favor for the further development.” (CNFC)

“As far as I understand, Guanxi expresses friendship between two parties on the basis of mutual interests and benefits.” (DZIFGC)

“I think Guanxi is a special linkage of certain needs between two involved partners, and mainly emphasizes on mutual favors during the process of dealing.” (TG)

All above definitions provided by three managers in the studied firms is quite similar to each other, since the focus is all on the importance of mutual benefits and advantages. Osland (1990) also explains that Guanxi is a particular tie which could be taken place between a person who needs a help and a person who is able to tender assistance. As Chan (2008) refers to that the Chinese term Guanxi is in order to make sure the flow of favors and interests within in the connection between two people. Thus, Guanxi, in generally, means a kind of special relationship and connection between two individuals based on the exchange of mutual favor in China. They are linked together by implicit mutual responsibility and assurance. Namely, when one is able to provide a favor, the other will pledge to fulfill his or her promise to turn a favor back.

5. 1. 2. Guanxi as a Chinese cultural phenomenon

It is not difficult to recognize that every country has its own particular culture which generally forms the values of understanding the real world and points out the way of people’s behavior. Culture can be characterized by three themes such as a psychological concept, a tool that forms a specific society and a framework to explain behavior (Liu and Mackinnon, 2002). In China, Confucianism is a social philosophy which deeply influences on Chinese culture and gives the guidance of how people behave in the social life. Confucius has codified social rules, values, and hieratical

structures of authority during the sixty century BC for guiding people's behavior. The practice of Guanxi is operated within Chinese society. Thus, Guanxi in effect in China is naturally impacted by the thought of Confucianism that cultivates Chinese culture. This position of Guanxi as a Chinese cultural phenomenon is also supported by three managers in different companies studied. The quotations will be shown in the following text:

"It is well known that Confucianism is most influential thoughts on Chinese culture in China. And Guanxi is undoubtedly impacted by cultural factor since it is nested in Chinese society within people living." (CNFC)

"Guanxi as a Chinese social construct ties up two parties together. And the code of conduct between people can be found in Confucian tenet." (DZIFGC)

"Guanxi is certainly considered as a Chinese cultural phenomenon since it functions in the settings of China. This will out of dispute can not escape from the background of Chinese culture." (TG)

This answer confirms that Guanxi is a Chinese cultural phenomenon beyond suspicion. All three managers, according to interview, give unanimous opinions with respect to this question. According to Luo and Chen (1996), Guanxi's root has been deeply embedded in the Chinese culture for a history of more than 2000 years. And Guanxi is like the delicately woven fibers penetrated in a number of aspects of the Chinese society and organizational activities for centuries (Park and Luo, 2001). Park and Luo (2001) also explain that the practice of Guanxi roots from Confucian which is the foundation of Chinese cultural aspects of collectivism embodied in the importance of networks of interpersonal connections. Butterfield (1983) refers to that western business literatures describe Guanxi as cultural factors impacting on doing business in China. It is unaffected that Chinese people will observe Confucian norms when doing things or dealing with interpersonal relationships.

5. 2. Guanxi Principles

The Guanxi principles have been explained in the last chapter. It is quite imperative to understand these elements of Guanxi principles to better develop Guanxi relationships in Chinese contexts. As a saying in China, “nothings can be achieved without norms and standards”. This indicates that everything will evolve with a specific discipline and principle in order to reach a given goal. Otherwise, any objectives can not been got due to the breach of rules. I have quoted the experiences from three managers about Guanxi principles in the process of developing Guanxi with their stakeholders in the following parts:

“As far as the experiences in our company, the Guanxi development should ensure the interests of both sides. Since the loss of interests of any party will reduce the status of the beneficiary who is considered immoral and lose the opportunity to communicate again.” (CNFC)

“Guanxi should occur on the basis of without harming the interests of any party to guarantee benefit-balancing each other. That is, when our stakeholders offer an advantage to us, and accordingly we should be responsible for making them get another advantage from us in a later time. Since this will be good for our continuous exchanges and communications.” (DZIFGC)

“Our firm always adheres to the principle of good faith in developing Guanxi with our stakeholders, since keeping faith not only respect our stakeholders but also safeguard our own reputation and prestige in the business contexts. And the most important is that complying with mutual commitment increases the confidence of our stakeholders to us.” (TG)

According to three firms’ experiences in developing Guanxi with their stakeholders, their Guanxi principles implicitly consist of advantage-giving, mutual benefits, social

status and prestige, assurance, attitudes toward long-term business relationships and mutual obligation. Therefore, these elements are in accord with the Guanxi principles such as Favor (Renqing), Reciprocity, Face (Mianzi), Trust, Ganqing, and Ethics as stated in the last chapter.

First, Favor refers to a form of resource which one is able to tender to another as a help or advantage in the process of Guanxi interactions. As Yeung and Tung (1996) stated that, favor (renqing) is sure to take place when Chinese people try to weave a guanxi relationship. Thus, renqing has become a prerequisite in order for developing and using a guanxi relationship for some certain benefits (Park and Luo, 2001). And also as Park and Luo (2001) explained that favor (renqing) is a kind Chinese philosophy in relation to Guanxi, it is regarded as a form of social capital which plays the role of leverage during the mutual exchanges of favors. That is, renqing could be a tool to adjust the balance of benefits between two related parties. If someone provides you with a favor or an interest, the renqing will create when you have no opportunity to pay back another favor to him or her in the future. Hereby, renqing, to a certain extent, symbolize a form of social obligations or debts on account of the interaction of Guanxi relationship.

Secondly, when one has done some meaningful or significant things to the other, and then the other will have a debt to the person (Hwang, 1987). As Wong (1998) refers to that, Westerners often use the Equity rule to allocate resources in the light of in proportion to people's dedications, however, in China people tend to assign interests or benefits based on the Need rule in order to satisfy recipients' legitimate needs. Therefore, in this case, renqing might be produced when distributing the resource to the person who demands. That means, when you receive interests from the provider, you will owe a favor (renqing) to him or her and have to repay another advantage to him or her later. Luo and Chen (1997) also refer to that, when enjoying the benefits from Guanxi connections, one also assumes a reciprocal obligation which must be repaid in the future.

Thirdly, As Luo and Chen (1997) refer to that person's face is a crucial ingredient in the development of Guanxi in China as the cultivation of a viable Guanxi connection requires some certain amount of prestige and reputation. Chinese people place much emphasis on the significance of face (*mianzi*), since they are very sensitive to the loss of face. As Park and Luo (2001) explained, the loss of face in Chinese society is fairly analogous with the physical mutilation of an eye, the nose, or the mouth. Admittedly, the attempts to save face will be quite common in Chinese society. Accordingly, the enjoyment of prestige without losing face is one of the Guanxi principles in the course of Guanxi activities.

Fourthly, trust is usually created when one loyally and honestly pay back the favors to the provider. Dwyer, Schurr and Oh (1987) state that trust is a very crucial concept when cooperation and planning between two partners existed in a relational contract. Although Guanxi connection is an efficient pathway to do business in Chinese markets, it is trust that determines whether Guanxi could serve for you (Kriz and Fang, 2003). Thus, it is extremely important to comply with commitment and cultivate mutual trust between corporation and its stakeholders in the development of China's commercial Guanxi.

The last but one, the frequent communication based on trust is directly proportional to the depth of *ganqing* (feeling). Namely, corporate continuous exchanges and communications with its stakeholders suggests that the deepening of the *ganqing* (feelings) between each other. According to Tsang (1998), some western businessmen consider that the most quickly way to get a business done with Chinese people is giving bribes including the gift-giving and wine-and-dine treatment. However, this is not a way to cultivation of long-term business relationships, since trust and *ganqing* between two partners in Guanxi can not be bought by money or be given by materials. That is, trust and *ganqing* is a form of mutual heart-commitment which can not be weighted by materials-giving. Accordingly, *ganqing* should be cultivated by mutual trust between corporate and its stakeholders.

Finally, ethics mean a collection of rules or norms with which one has to comply in order for getting long well with others in China. As the Chinese saying: Once words have left a man's mouth, he or she can not catch them even in a chariot. That means a promise can not be taken back once it is made. This adage could be used as a guarantee to restrict the behavior of the talker. Chinese people tend to evaluate others on the principle of the degree of making good on his or her promise. That is, if one could quickly response to others' help or favor, this person will be viewed as keeping his or her faith to others. According to Braendle, Gasser and Noll (2005), Guanxi developed with Chinese society and shaped an integral component of Chinese daily life, particularly business life. And it was taken as a kind of "unwritten law" in China. The behavior of non-repayment of favor and the loss of interests of any party is commonly considered as less ethical.

5. 3. The management of Guanxi with corporate stakeholders

As Post, Preston and Sachs (2002a) refer to that Freeman regarded the primary challenge within strategic management in recent years as a satisfactory balance of interests among the multiple stakeholders who have contributed to or held something risky during the operating period of a company. The stakeholder management is a pretty popular way in the strategic management of business in order to promote corporate performance nowadays. Post, Preston and Sachs (2002a) explain that "stakeholder management" is linked with the implementation of organizational measures and policies that take into account the interests and benefits of all relevant stakeholders. Thus, it is quite evident that the "stakeholder management" is close in relation to the management of Guanxi with stakeholders. The subsequent text explains that how corporations develop and manage Guanxi with their stakeholders in three aquatic product firms.

5. 3. 1. Establishment

In this part, the establishment of corporate Guanxi with stakeholders mainly focuses on what stakeholders have contributed to the firm in the process of corporate operations. That is, what stakeholders have offered or provided in order to ensure corporate existence and development. Three managers in different companies have given their descriptions according to different stakeholders' contributions in the development of their firms.

First of all, three managers explain the importance of stakeholders' contributions during the corporate operations as follows:

“Corporate development can not be separated from the contributions of all relevant stakeholders, since each contribution from them is fairly unique and vital to the existence and the success of our company.” (CNFC)

“All stakeholders have contributed diverse resources to corporate growth. Without these resources, corporate activities will cease.” (DZIFGC)

“A corporation is like an organizer who effectively arranges and allocates the position of all relevant stakeholders in order to make all corporate activities function properly. However, without these contributions from stakeholders, the sole organizers are unable to maintain corporate development.” (TG)

All three managers have explained that corporate development and success are determined by the contributions from various stakeholders. The firm as an organizer need effectively arrange and use the diverse resources provided by corporate stakeholders for corporate development and success. Thus, corporate stakeholders play important roles in the course of business operations.

Secondly, three managers respectively take the contributions from different stakeholders for examples in the process of corporate operations. These quotes have been shown in the following:

Resource Base

Shareowners

“Shareowners not only provide the capital which is crucial to corporate operations, but also propose constructive suggestions to corporate effective management.”
(DZIFGC)

Employees

“Employees are the main contributor to corporate productivity, since their abilities and skills to a large extent determine the performance of corporate production.”
(TG)

Customers/users

“The customers are considered as the investigator of our products and services, since the needs and opinions of consumers will often be provided in order to examine how the quality and functions are when our products or services are put into markets.” (DZIFGC)

Industry Structure

Suppliers

“The suppliers have assured the normal production activities during the function of our company by offering the essential raw materials of products.” (TG)

Joint ventures

“The cooperative partners not only promote the capacities of research and development of our corporation, (TG) but also supplement our own fishery resources by collaboration with foreign countries.” (CNFC)

Regulatory authorities

“The regulatory authorities have developed the relevant laws and regulations in order to ensure a good and fair operating environment for companies within the industrial structure.” (DZIFGC)

Unions

“Although the union is viewed as the protector of our employees by a series of security measures, in effect they supervise corporate behavior in guaranteeing the employees’ interests and benefits in order to accomplish the greatest contribution from employees to our firm.” (CNFC)

Social and Political Arena

Governments

“The governments provide trade protection for our company by issuing some trade agreements with other countries when doing business in the foreign markets, (CNFC), and also make the cooperation on scientific research with our company to offer technical support (DZIFGC), ensure an arena of fair competition to our firm by general policies making (TG).”

Communities/citizens and Private organizations (NGOs)

“Communities/citizens and Private organizations (NGOs) represent different benefit groups during our corporate operations in China. They mainly focus on a

safety and benign circumstance for the general public, and ensure the sustainable and harmony development of our company by their strict supervisions and the solution to conflicts and issues.” (DZIFGC)

All three managers have emphasized the importance of contributions or services from different stakeholders. It is vital to the existence and the success of a company due to the unique character of each contribution from diverse dimensions of stakeholder group. And also, these contributions from various stakeholders could be understood as the providing of help or convenience in order to build up a Guanxi relationship with the company. As stated in the last chapter, the provision of favor (renqing) or benefit shows the willingness to initiate a Guanxi relationship with others. As a consequence, the contribution or service of stakeholder is the prerequisite and foundation to establish a Guanxi with them.

5. 3. 2. Maintenance

The maintenance of Guanxi with corporate stakeholders is the continuous process of Guanxi-establishing. As stated in the above chapter, Guanxi is like a gate or pass which can open or close automatically. Therefore, it is necessary for a company to take some measures to ensure an enduring connection between corporation and its stakeholders. In this part, three managers in the studied aquatic product firms have explained the process of Guanxi-maintaining in their own corporations based on three dimensions of stakeholder groups.

Resource Base

Shareowners

“Shareowners are the main capital sources of our company, their focus during the corporate operations are on the dividends and share price appreciation of our

company. Thus, for the assurance of shareowner's financial benefits, we are obliged to show the financial report and accounts of our firm regularly and give them the greatest possible participation in the corporate management decision making. All of these behaviors are largely in order to make sure shareowners' positions in the course of cooperative management and promote the mutual exchange.” (DZIFGC)

Employees

“Since the employees are extremely focused on working conditions and the development of their capabilities, our company has put much effort to improve working conditions of staffs, and also provides the opportunities of training for enhancing the skills and abilities of employees. This is undoubtedly available to them a greater space to play their own ability and meet their job satisfactions.” (TG)

Customers/users

“Generally speaking, consumers are very concerned about the quality and cost-effective of the product. Our sea products have developed a strict quality guarantee system in order to meet the quality demand of users. In addition, the setting price of our products has been followed by market survey of consumer to fix a reasonable price. Since the final goal of our products is in order to serve all of customers according to listening to their valuable advices in the ongoing communications.” (DZIFGC)

Industry Structure

Suppliers

“After getting the essential raw materials from suppliers, the most important thing

is payment to them according to original terms and agreements. This might be a good way to keep stable and enduring Guanxi with our suppliers in the light of sticking to commitment to them.” (TG)

Joint ventures

“The cooperative partners have collaborative ownership and management to our common company. Thus, we should not neglect their status during the corporate operations and management, and actively cooperate with them and respect their decision making to create a good cooperative environment.” (CNFC)

Regulatory authorities

“The regulatory authorities are regarded as the mediators between two conflicted parties when contradictions existed. In the aspect of benefit-preserving of regulatory authorities, our company consciously committed to obey and comply with the laws and rules enacted by them in order to create a level playing field.” (DZIFGC)

Unions

“The interests between the union and our company appear to be contradictory. Since the purpose of unions is to protect staff from the company’s unequal treatment. However, companies should follow the instructions and recommendations of unions in order to ensure the interests of employees, and hence create the largest contribution to our company.” (CNFC)

Social and Political Arena

Governments

“The purpose of government behaviors is making balance for the interests of each

social group in order to create a fair and harmonious social environment. Therefore, our firm positive response from the Government's policy, consciously abide by the law, help solve employment issues and actively create revenue for the country. All of these actions are to safeguard the interests of the official.” (DZIFGC)

Communities/citizens and Private organizations (NGOs)

“These communities or NGOs usually represents the interests of specific groups by setting claims on our company in order to make environmentally-friendly (Environment Council) and healthy (ISO 9000) circumstance. For this ends, our corporation strongly support their demands and needs to avoid the occurrence of conflict with them and get the license and permission to operate.” (DZIFGC)

Above is the explanation about the process of maintenance of Guanxi with various stakeholders according to the dimensions of Resource Base, Industry Structure, and Social and Political Arena in three aquatic product firms. According to their experience, all stakeholders have directly or indirectly influenced corporate development.

To maintain Guanxi with corporate stakeholders, managers, at first, should know what their needs and concerns are from the company, and then try to satisfy and meet their rational demands and requirements after getting a benefit or convenience from the stakeholder. This refers to that a corporation accepts an obligation to return the benefits or interests to the stakeholders. The most important elements in Guanxi principles might be reciprocity, since it makes a possibility of the last and continuance of Guanxi between two partners. According to Alston (1989), the reciprocity in Guanxi relationship is considered as the criterion to evaluate whether an individual is trustworthy or not. That is, one might be regarded as the bad faith when he or she breaks the rules of reciprocity and escapes to return a favor after getting an assistance

or interest. As Yeung and Tung (1996) refer to that the mutual benefit from the transaction is the precondition in order to ensure the continuation of a relationship.

Secondly, Guanxi usually connects two partner together according to exchange of favors and mutual obligations (Alston, 1989 and Luo, 1997). Moreover, Dunfee and Warren (2001) also claim that the key of Guanxi is to create obligations for a continual exchange of favors. Managers are obliged to take into account the interests and needs of corporate stakeholders during the corporate operations. Since the repayment of an interest is in favor of protecting their selves reputation and prestige and clear stakeholders' status. As Yeung and Tung (1996) refer to that the preservation of face, to some degree, is in favor of sustaining and cultivating a dynamic Guanxi network.

Thirdly, the satisfactions and demands met by managers to all of corporate stakeholders strengthen the extent of trust each other. The trust here is in accord with the relational principle between friends in Chinese culture of Confucianism. Consequently, the trustworthy is a quite important factor in developing Guanxi from unknown to known in Chinese social activities including commercial intercourse.

Fourthly, the ganqing between corporation and its stakeholders could be cultivated based on mutual trust. Ganqing (emotion) is the positive link with the trustworthy degree. That is, when the trustworthy degree between corporation and stakeholders enhances, the ganqing between them will certainly become deep.

Finally, the Guanxi-maintaining with stakeholders in three companies is on the basis of concerning and satisfying stakeholders' needs voluntarily or consciously. And as Luo and Chen (1996) stated that the focus of Guanxi development is on strictly obeying the unspoken rules of reciprocity and equity by both partners. Otherwise, the loss of prestige or face and the harm of reputation will be undoubtedly the result of neglecting and offending these rules.

5. 4. The roles of Guanxi with corporate stakeholders

The development and success of a company is unable to achieve by itself, but influenced by the various stakeholder groups voluntary or involuntary in the process of corporate functions. It is fairly evident that the each stakeholder surrounding a firm will play diverse roles to corporate performance and development during the operations. For this end, their roles can not be neglected by corporations, and developing a good relationship has become a necessity. Three managers in different corporations discuss the roles to corporate operations and developments of preserving a good relation with corporate stakeholders with regard to diverse stakeholder groups of Resource Base, Industry Structure, and Social and Political Arena in the following texts.

5. 4. 1. Resource base

In this part, the stakeholder group of Resource Base includes three diverse stakeholders which are shareowner, employee and customer. Their effects on corporate operations have been explained by three managers in different studied firms.

Shareowners

“In my opinion, shareowner is the basis and core elements of the existence of a corporation, since corporate shareowners could provide necessary capital for assuring company’s normal operations. Nothing can start without capital.”
(CNFC)

“It seems to me that the shareowners not only offer capital for the development of company, but also participate in major decision-making in the course of corporate functions.” (DZIFGC)

“For me, shareowners as corporate investors have the right to attend board meetings and vote corporate managers. More importantly, they provide essential funds in order to improve the overall efficiency of the allocation of resources.”

(TG)

According to their quotes, the stable investments from shareowners became a precondition during the development of a firm, since the capital is the basis of corporate operations. Firstly, the funds from shareowners is in favor of expanding corporate scale of productions and sales, and realizing investment gains; Secondly, the free cash flows accelerate abilities of research and development, which will require a large amount of funds invested; Thirdly, the involvement of board meetings could improve the structure of corporate governance and realize the upgrading of the level of corporate governance. As a consequence, the shareowner' contributions consolidate and enhance the corporate competitive position in the market, boost the company's rapid development and settle a good foundation for the sustainable development of the company.

Employees

“Employees are the core during the process of corporate production, the skills and abilities of employees determine corporate productivity and promote corporate capacity of research and development.”(CNFC)

“Employees are the human capital of the corporations which is a key to the level of productivity and the product's innovation.”(DZIFGC)

“Employees are the source of a corporate wealth creation, since they not only control the quality of productions, but also promote effective management when actively involving in firm's meetings.” (TG)

Corporate employees create a source of wealth because a company is unable to accomplish the production without employees' efforts invested. First, the employees of a firm is the basic construct of the organization, and the able and efficient management team and various professional and technical personnel is be propitious to high productivity and innovative products. The initiatives are heavily related to employee skills and commitment which are the critical elements in the process of value creation (Youndt, AS Snell, Dean and Lepak, 1996). In addition, the immediate opinions feedback in involved meetings will help form effective measures of management in the course of company's operations and enhance the level of corporate management. Since workers' constructive and useful suggestions directly relate to production issues.

Customers/users

*“According to our corporate experience, customer is the real investigator and evaluator of products and services in terms of their personal experiences.”
(CNFC)*

*“As my point of view, the reputation and brand of a company could be expanded and disseminated by customer's loyalty to corporate products and services.”
(DZIFGC)*

“I think the feedback from customers play very crucial roles in the aspect of the creation of new products which appropriately meet the demands and interests of most users.” (TG)

These statements from three managers could be concluded as follows: First, customers might be viewed as collaborative problem-solver, because they will give timely feedback and propose constructive suggestions about the defect or flow when product and services thrown into markets. Secondly, customers should entitle to

explain the value-manifesting of corporate products and services since they are the user of products and the recipient of services. And customers' repeat purchase strongly proves their loyalty and adherence to company's products. This is, to some extent, in favor of the propaganda strength corporate products and services to their relatives, friends, colleges and so forth. Thus, corporate brand and reputation will be disseminated invisibly to the public. Thirdly, corporation will be motivated by customers in the light of their needs and preferences in order to design new products and services, and reposition markets.

5. 4. 2. Industry structure

In this part, the stakeholder group of Industry Structure includes four diverse stakeholders which are Supplier, Joint venture partners and alliances, Regulatory authorities and Unions. Their influences on corporate operations have been explained by three managers in different studied firms.

Suppliers

“Suppliers offer necessary raw materials and resources to the company in the process of production. The properties of raw materials determine the quality of corporate finished product. And the stable suppliers will help enhance corporate production effectively due to the insufficient of raw materials sometimes.” (TG)

At first, the preparation of raw materials is the starting point for production activities. As the Chinese saying that “The cleverest housewife can't cook a meal without rice.” This sentence means that any product could not be produced by producer without materials. As a result, raw materials are the basis of production process of a product. Supplier can not be neglected by a firm in the production unless the company has its own supply system to offer those integrated materials. In addition, the reliability of

corporate products requires coordination with and involvement of suppliers in the production process. It is vital to the firm to ensure the quality of their suppliers. Thirdly, when the raw materials lack, the company can get assistance from stable suppliers and save the time of acquiring those materials. Thus, the high productivity could be achieved when a corporation has steady supply systems in the course of corporate operations.

Joint venture partners

“We have wholly owned and joint venture companies and 11 offices overseas mainly distributed in Southeast Asia, Oceania, South-West Africa, Latin America and the United States and other countries and regions. According to our experiences, corporate cooperative managements with foreign partners not only make up for the deficiency of resources during the corporate productions, but also consolidate firm’ status in the international market.” (CNFC)

“Company and the Food Research Center, Glasgow, United Kingdom research institutes have established close cooperation in research and academic exchange links in order to research and development new products to meet market needs. This international cooperation is greatly in favor of introducing modern technologies from them to enhance our own capacities and competence.” (TG)

These quotes could get the conclusions in the subsequent parts: Firstly, corporate collaboration with others is propitious to supplements of its own resources since they could introduce foreign advanced facilities, technology and processes in the course of cooperation. Secondly, corporate cooperative operation and management with other organizations can speed up the flow of information. It is possible for us to understand the progress level of foreign relevant technology and update ourselves. Thirdly, corporation can combine the strengths and advantages of the two sides to carry out international cooperation in new product development. This will strongly stabilize

firm market position and establish a wide range of commercial and trade relations by casting efficient and high-quality and reliable products into the market.

Regulatory authorities

“To my mind, the regulatory authorities are entitled to promulgate regulations and rules in order to supervise the legitimate operation of inter-firms. And these regulations and rules will be resorted when problems exist in the industry structure.” (CNFC)

“In my view, if there are some conflicts and disputes between two firms or a company violate the public benefits within industry structure, the regulatory authorities will use legal weapons to safeguard the legitimate rights and interests.” (DZIFGC)

“As far as I could see, the regulatory authorities are the coordinators of issues between companies according to relevant laws and regulations.” (TG)

All above quotes explain the roles and influences of regulatory authorities in the process of industry operations. They not only could enact the laws and regulations to limit the behavior of each company within the industry, but also have the rights to mediate the conflicts and disputes happened among organizations. They protect the legal interests of victims by punishing the offenders. The efforts dedicated by regulatory authorities make the business organizations operate orderly and efficiently within an industry. As a consequence, the regulatory authorities are the maker of harmony business context.

Unions

“Union is the representative of corporate employees’ interests. It puts much effort on staffs’ working conditions and hours, and the opportunities for enhancing

employees' abilities." (CNFC)

"Unions are liable to achieve and maintain the interests of workers, improve working and living conditions, and investigate and handle employees' casualty accident during the working." (DZIFGC)

"Union is an organization whose duties are safeguarding the rights of workers in many ways. For example, employees are entitled to accept training and learning during the process of working. And the union is responsible for limiting the lowest level of worker's salary." (TG)

Unions are the agencies which, to various degrees, represent and safeguard the interests of the masses of workers. And the union, in effect, is the link and bridge between government and workers in order to realize of the rights of workers. In the light of statement by three managers, we get, at first, the basic living and working conditions could be guaranteed by unions' supervision. And also the working time should be limited by unions' claims. These factors might be the most consideration of employees when working within an organization. Furthermore, unions have the duty to provide the employees with chances to train and guide. Since workers are expected to upgrade and demonstrate themselves. Moreover, unions are obliged to argue for workers' legitimate benefits when conflicts and issues existed in organization and workers, especially employees as the victims.

5. 4. 3. Social and political arena

For this part, the stakeholder group of Social and Political Arena also contains three different stakeholders which are Governments, Communities/citizens, and Private organizations (NGOs). Their influences on corporate operations have been explained by three managers in different studied firms as the follows.

Governments

“In our case, since our company’s businesses have been extended into a wide range markets in the world, the support from governments becomes the necessity. The Chinese government has issued some trade agreements with other countries in order to protect Chinese industry when entering into international markets. These agreements not only provide a much broaden markets but also create a fairer competitive environment for Chinese companies.” (CNFC)

“Our firm has made the cooperative researches with Institute of Marine Research of the Chinese Academy of Sciences (IMRCAS) in the aspect of health of marine aquaculture technology. The focus of this collaborative research is on the protection of marine resources and environment when developing new aquaculture technology and providing much healthier marine-product to people.” (DZIFGC)

“China’s government, to a large extent, controls the investment behavior of industry. According to my experience, each investment project in our firm needs to get the agreement and approval from the government. In addition, governments emphasize that we have the duty to pay taxes and solve employment for the state.” (TG)

Based on the statements by three managers of different experiences, the government can be viewed as a general manager of a country. Because the service provided by government is in order to maintain and achieve the balance of public interests.

First of all, the government provides some supports or assurance to the industries by cooperating with other countries when Chinese companies going into international markets. This favors to protect the legitimate rights and benefits of Chinese firms when developing some cross-nation business in foreign markets.

Secondly, the government could help company with research and development of new technique. As the cooperation between government and corporation, this not only

provides technical support for the rapid development and upgrading of industry but also achieves sustainable development of health of the ocean agriculture.

Moreover, the government has the responsibility to examine and approve corporate business and behaviors so as to assure a good level of playing field for each company. Thus, the company has to apply for each investment project from government before starting business.

Last but not the least, the pressure will be also exerted by the government to supervise industries provide employment-solution and tax-payment to the country.

Communities/Citizens and Private organizations (NGOs)

“The communities and NGOs have certain similarity, since they all represent different groups of interest and are Non-profit social organizations in China. Thus they have various claims on our company’s operating activities. For example, the Environmental Conservation Association and local citizens have put much effort on environmental issues in the process of marine aquaculture and aquatic product processing. And also, the Consumers’ Association as a supervisor will try to protect customers or users from unhealthy marine products.” (DZIFGC)

Communities and NGOs are the important components of social organizations, which are made up by citizens voluntarily in order to achieve certain common aspirations of members. These organizations are the bridge linked the government with broad masses of the people. And they play an important role in the management of state and social affairs by democratic participation and supervision. Such supervision as a collective form in certain specific areas creates a crucial monitoring role. Thus, a company must meet the legitimate needs and claims from these communities and NGOs in order to make sure the normal operation of the company.

6. Discussion

In this chapter the findings of the study will be summarized and managerial implications will be drawn. Finally, the contribution of this study to the strategic management field will be shown and direction for future research will be discussed.

6. 1. Summary

This thesis explores the experiences of Chinese aquatic product firms in developing Guanxi with its stakeholders during its business operations in the context of China. The findings of this study can be summarized as follows.

First of all, one of the findings is that the characteristics and particularities of Guanxi in China shape the foundation and basis of Guanxi development in strategic management. The Guanxi principles in the process of the development of Guanxi originate Chinese cultures. Since Guanxi is a cultural and social construct in China, and Chinese culture originates from Confucianism which deeply influences on and gives the guidance of people's behavior in the social life. This will make business activities in China largely influenced by cultures, and the practices and behaviors of Chinese management in the process of corporate operations will follow Confucian concepts.

Moreover, a finding is, in China, that the Guanxi principles are throughout the management process of Guanxi in Chinese society. The managing process of Guanxi with corporate stakeholders includes establishment and maintenance of Guanxi. People will observe Guanxi principles when establishing and maintaining Guanxi with others. The nurturance of Guanxi is an imperative part of doing business in China. This dynamic process could be understood as the reciprocity on the basis of favor-exchanging between two partners. It is commonly considered as an ethical

measure when the firm takes the responsibility for its stakeholders in the process of corporate operations. And this will favor to cultivate trust between company and its stakeholders, safeguard their status and reputations, and increase the frequency of communication between them. The Guanxi principles are viewed as an unspoken rule and deeply buried in people's minds in China. They guide people's behaviors and play a primary role in the process of developing Guanxi. It is the Guanxi principle that enables people to maintain a good relation with others to achieve a specific purpose.

Finally, the characteristics of management of Guanxi in China are in favor of corporate stakeholders sufficiently bringing into playing their role and contributions for corporate development in the course of operations. As earlier as 1984, Freeman has stated that the primary challenge within strategic management in recent years might be a satisfactory balance of interests among the multiple stakeholders that have contributed to or held something risky during the operating period of a company. In the strategic management of Chinese business context, managers tend to take account of stakeholders' claims or demands on the firm and attempt to meet their rational requirements and interests. The data collection in this study indicates that Chinese Guanxi management firstly focuses on paying favor back when receiving the benefits or advantages from others in order to reciprocity. This will enhance the extent of trust and increase the opportunities of communications between each other. The Guanxi principles in the process of Guanxi managing are implied ethical dimension which ensure the cycle of interests and favors between corporation and its stakeholders. The managerial characteristics of Guanxi in China will therefore make stakeholders provide great contributions to the company and ultimately promote corporate performance.

6. 2. Managerial implications

According to Park and Luo (2001), corporate transactions will always follow

successful Guanxi, while in the West a relationship will be established after successful transactions. This different sequencing of Guanxi happened in China and in the West strongly indicates the importance of Guanxi in Chinese business contexts. And Luo and Chen (1996) refer to that as widely recognized, Guanxi is a crucial practically business determinant impacting on corporate developments since it is the life blood of the Chinese economy and business conduct.

This study has been focused on the development of Guanxi based on SHV in strategic management in China. As Tsang (1998) refer to that Guanxi offers the lubricant for Chinese to get through life. Guanxi can protect firm from the uncertainty and distrust that plague economic transactions (Park and Luo, 2001). For this end, the cultivation of Guanxi is an integral part of doing business in China. As Park and Luo (2001) stated that the cultivation of organizational and personal connections is in order to meet particular demands for resources or political protection.

During this study I have explored how aquatic product enterprises in China establish and maintain Guanxi with their critical stakeholders in order for corporate development in the course of corporate operations. The aquatic product industry is a traditional but fast developing industry that has been little deeply studied in China. In addition, there has been much attention of the impacts of Guanxi on Chinese firms.

I have learned through the interviewed data about the process of establishment and maintenance of Guanxi with critical stakeholders in the aquatic product enterprises in China. To sum up, the essential process of Guanxi development with their stakeholders is as the following:

Firstly, Establishing or building Guanxi is the starting point in the process of development of Guanxi. And Guanxi-building might be regarded as the conversion from unfamiliar to familiar for achieving a specific goal between two parties. The basis or start to build up Guanxi might be considered as a favor-providing. That is to

say, if one hopes to develop Guanxi with another for a given purpose, the benefit, assistance or commitment will be the bridge connecting provider with recipient.

Secondly, Guanxi-maintaining is understood as a dynamic process which includes these elements of reciprocity, face (mianzi), trust, ganqing and ethics on the basis of favor exchange between two parties to ensure a stable relationship.

1. After getting a benefit or favor (renqing) from provider, to continue a Guanxi relationship the recipient should give a response and pay the favor off.
2. The face will be preserved after the exchange of reciprocal favors. The most important is that face-loss will make one at risk of being marginalized by society, ultimately give rise to the loss of one's Guanxi network. Therefore, for avoiding the negative effect from damaging mianzi, one needs to protect face in order to keep Guanxi continue through fulfilling one's obligations or responsibility
3. The trust between two parties will be strengthened on the basis of meeting recipient's commitments and non-losing one's face. And then, the Guanxi between the two will become stronger, since the trust produced decreases the gap of strangeness.
4. When the trust is established in a Guanxi, the degree of closeness (means ganqing in Chinese) between two persons will become deepen. Thus, the deep feeling between the two parties involved will indefinitely improve and sustain Guanxi of each other in the future.
5. All above steps for maintaining Guanxi will flow into an implied ethical dimension in Chinese society. The track from reciprocity to ganqing-cultivating undoubtedly embodies an unspoken rule not because of legal limitation. And as the existence of moral standard in one's mind in Chinese society, Guanxi could be consolidated and sustained by favor-reoffering after finishing a circle of Guanxi principles.

6. 3. Contributions and future research

It is evident that there are some cultural differences between China and western

countries. Therefore, the cultural factors have been considered when applying the SHV into Chinese settings. The focus of this research is on exploring the experiences in Guanxi management with stakeholders during the business operations. This refers to how Guanxi is established and maintained. According to contextualizing SHV in strategic management field of Chinese business, the findings could be put into the SHV theoretical context to refine existing theory and give new knowledge of real strategic management practices in China. This will much better to explain the Chinese business phenomena and how SHV of strategic management is performed in China.

For further development, a deeper research could move on based on the knowledge gained from this study. That is, it is quite imperative to test the relationship between Guanxi with diverse stakeholders and corporate performance and identify the important degree of each kind of stakeholder Guanxi to corporate performance in the future research. This is in favor of developing a more effective strategic management in the corporate operations in order to promote corporate performance and long-term wealth.

7. Conclusions

This study integrates Guanxi as Chinese culture with SHV of strategic management to explore the development of Guanxi within Chinese aquatic products industry. The findings have provided a direction and guidance as an efficient practice of strategic management for Chinese aquatic products industry. The understanding of a firm's stakeholder relationship is the key to solving the primary strategic management problem, and the survival and success of an enterprise in a long term is closely and inseparably related to the mutual interactions with its stakeholders (Post, Preston and Sachs, 2002a). Thus, the company must consider and concern about interests and benefits of its key stakeholder to increase its own economic wealth in the course of

business operations. Since these Guanxi with stakeholders strongly impact corporate operations and development in Chinese business settings.

It is vital to consider that the importance of Guanxi when doing business in Chinese society. Pearce II and Robinson, Jr. (2000) hold that the Chinese attempt to maintain Guanxi stable and harmonious since they could exchange a lifetime of favors, resources, and business leverage on the basis of Guanxi. As Braendle, Gasser and Noll (2005) refer to that Guanxi as “unwritten law” forms an essential part of daily life especially business life, and relation-maintaining in China is almost always more important than the details of a single agreement of transaction. Garten (1998) once stated that Guanxi is regarded as an important asset in Chinese companies. The reason is that a successful businessman is specified as “wealthy” in the West, but appointed as “well connected” in China (Braendle, Gasser and Noll, 2005). Thus, Guanxi development can not be neglected by managers of corporation in successful business in China.

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Appendix I:

Questionnaire

1. Guanxi in China

How do you understand and perceive the meaning of Guanxi according to your experience? Please give a relevant concept about Guanxi.

Whether Guanxi represent a kind of cultural phenomenon in China or not?

Could you give some explanations about this concept according to your understanding?

2. Guanxi Principles

Could you please talk about the principles according to your experience when your company deals Guanxi with your stakeholders in the course of corporate operations?

3. The management of Guanxi

● Establishment

Shareowners

What have your shareowners contribute to your firm in the process of corporate operations? That is, what have shareowners offer or provide in order to ensure corporate existence and development?

Employees

What have your employees contribute to your firm in the process of corporate operations? That is, what employees have offer or provide in order to ensure corporate existence and development?

Customers/users

What have your customers or users contribute to your firm in the process of corporate operations? That is, what have your customers or users offer or provide in order to ensure corporate existence and development?

Suppliers

What have your suppliers contribute to your firm in the process of corporate operations? That is, what have your suppliers offer or provide in order to ensure corporate existence and development?

Joint ventures

What have your joint ventures contribute to your firm in the process of corporate operations? That is, what have your joint ventures offer or provide in order to ensure corporate existence and development?

Regulatory authorities

What have the regulatory authorities contribute to your firm in the process of corporate operations? That is, what have the regulatory authorities offer or provide in order to ensure corporate existence and development?

Unions

What have the unions contribute to your firm in the process of corporate operations? That is, what have the unions offer or provide in order to ensure corporate existence and development?

Governments

What have governments contribute to your firm in the process of corporate operations? That is, what have governments offer or provide in order to ensure corporate existence and development?

Communities/citizens and Private organizations (NGOs)

What have the communities/citizens and private organizations (NGOs) contribute to your firm in the process of corporate operations? That is, what have the communities/citizens and private organizations (NGOs) offer or provide in order to ensure corporate existence and development?

● **Maintenance**

Shareowners

Could you please describe that how your company preserves this kind of Guanxi with your shareowners according your principles of Guanxi developing? That is, please give the explanations about the process of Guanxi-maintaining in your corporation during the process of operations.

Employees

Could you please describe that how your company preserves this kind of Guanxi with your employees according your principles of Guanxi developing? That is, please give the explanations about the process of Guanxi-maintaining in your corporation during the process of operations.

Customers/users

Could you please describe that how your company preserves this kind of Guanxi with your customers or users according your principles of Guanxi developing? That is, please give the explanations about the process of Guanxi-maintaining in your corporation during the process of operations.

Suppliers

Could you please describe that how your company preserves this kind of Guanxi with your suppliers according your principles of Guanxi developing? That is, please give the explanations about the process of Guanxi-maintaining in your corporation during

the process of operations.

Joint ventures

Could you please describe that how your company preserves this kind of Guanxi with your joint ventures according your principles of Guanxi developing? That is, please give the explanations about the process of Guanxi-maintaining in your corporation during the process of operations.

Regulatory authorities

Could you please describe that how your company preserves this kind of Guanxi with the regulatory authorities according your principles of Guanxi developing? That is, please give the explanations about the process of Guanxi-maintaining in your corporation during the process of operations.

Unions

Could you please describe that how your company preserves this kind of Guanxi with the unions according your principles of Guanxi developing? That is, please give the explanations about the process of Guanxi-maintaining in your corporation during the process of operations.

Governments

Could you please describe that how your company preserves this kind of Guanxi with the governments according your principles of Guanxi developing? That is, please give the explanations about the process of Guanxi-maintaining in your corporation during the process of operations.

Communities/citizens and Private organizations (NGOs)

Could you please describe that how your company preserves this kind of Guanxi with the communities or citizens and private organizations according your principles of Guanxi developing? That is, please give the explanations about the process of

Guanxi-maintaining in your corporation during the process of operations.

4. The roles of Guanxi with corporate stakeholders

Since it is fairly evident that the each stakeholder surrounding a firm will play diverse roles to corporate developments during the operations, please you discuss what the roles of preserving a good relation with corporate stakeholders are.

Shareowners

Since it is fairly evident that the each stakeholder surrounding a firm will play diverse roles to corporate developments during the operations, please you discuss what the roles of preserving a good Guanxi with your shareowners are.

Employees

Since it is fairly evident that the each stakeholder surrounding a firm will play diverse roles to corporate developments during the operations, please you discuss what the roles of preserving a good Guanxi with your employees are.

Customers/users

Since it is fairly evident that the each stakeholder surrounding a firm will play diverse roles to corporate developments during the operations, please you discuss what the roles of preserving a good Guanxi with your customers or users are.

Suppliers

Since it is fairly evident that the each stakeholder surrounding a firm will play diverse roles to corporate developments during the operations, please you discuss what the roles of preserving a good Guanxi with your suppliers are.

Joint ventures

Since it is fairly evident that the each stakeholder surrounding a firm will play diverse

roles to corporate developments during the operations, please you discuss what the roles of preserving a good Guanxi with your joint ventures are.

Regulatory authorities

Since it is fairly evident that the each stakeholder surrounding a firm will play diverse roles to corporate developments during the operations, please you discuss what the roles of preserving a good Guanxi with the regulatory authorities are.

Unions

Since it is fairly evident that the each stakeholder surrounding a firm will play diverse roles to corporate developments during the operations, please you discuss what the roles of preserving a good Guanxi with the unions are.

Governments

Since it is fairly evident that the each stakeholder surrounding a firm will play diverse roles to corporate developments during the operations, please you discuss what the roles of preserving a good Guanxi with the governments are.

Communities/citizens and Private organizations (NGOs)

Since it is fairly evident that the each stakeholder surrounding a firm will play diverse roles to corporate developments during the operations, please you discuss what the roles of preserving a good Guanxi with the communities or citizens and private organizations are.