LEADERSHIP AND INTERNAL GUANXI IN CHINESE ELECTRICAL MOTOR ENTERPRISES

A thesis submitted for the degree of Doctor of Philosophy (PhD)

by

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Leadership and Internal *Guanxi* in

Chinese Electric Motor Enterprises

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DEDICATION

I would like to dedicate this work to my wife, Dana, and both our families. Especially to my

most beloved person in Heaven, Mr Wang Yiguang. 'Thank you, Grandpa. I miss you.'

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Thanks to everyone who gave me the chance to spend four years of PhD life.

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'Everything will be okay in the end. If it's not okay, it's not the end.'—John Lennon

ABSTRACT

This research explores the nature of *guanxi* inside Chinese enterprises and considers the implications for leadership at a time when Western leadership models are growing in dominance, and Eastern cultural norms are still in existence. The literature on *guanxi* is extensive, but the lack of its application inside organizations, and, in this case, in the leadership function is sparse.

The research questions include whether *guanxi* is applied internally to the organization and, if it is, how does this influence leadership behaviour?

The research adopts a pragmatist, social constructivist position, and uses a mixed method approach to investigate the interaction between leadership behaviour and *guanxi:* the internal guanxi. The researcher is an employee of ABLE Electric Motor Group, a large and successful private sector enterprise in the rapidly growing and transforming Chinese economy. Drawing on the special and unique position in the organisation and existing experience, the researcher uses multiple employee case studies, involving 34 in-depth interviews with senior leaders across ABLE, and surveys the Chinese electric motor sector using a questionnaire collected from 337 respondents.

The research developed a conceptual model, creating links between Chinese leadership characteristics and *guanxi* characteristics, and these are used to focus on the collection and analysis of themes. These themes correspond to seven propositions arising from the initial desk research, the on-going participant observation and a pilot study. These are then explored further through the findings and discussion.

The findings suggest that internal *guanxi* is operating and that it extends beyond the boundaries of the company. However, globalisation and transformation in the Chinese market are changing the nature of the relationship between leadership and *guanxi* and producing mixed results. Private sector businesses benefit from the leadership–*guanxi* dynamic, while foreign and state firms are deriving fewer benefits. The research identifies three models of the internal *guanxi*– leadership relationship: (i) internal, (ii) inter-firm and (iii) inter-regulatory hybrid, providing examples of prominence and behaviours.

Leadership approaches that ignore the role of *guanxi* limit the potential of the firm, which impacts on innovation, the recruitment, and retention of staff. Foreign and state-owned firms are less likely to resolve problems through relationships and typically apply more formal structures.

This research has implications for culturally different companies entering this market and those transforming companies that need to maintain harmony in times of revolutionary change.

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ABBREVIATIONS

CEO   chief executive officer

CPC   Communist Party of China

ERP   enterprise resource planning

HRM   human resource management

IMF   International Monetary Fund

OEM   original equipment manufacturing

ODM   original design manufacturing

PRC   People's Republic of China

TCA   transaction cost analysis

CHAPTER ONE: INTRODUCTION

Purpose of the study

China is undergoing an extraordinary economic revolution. Morrison (2014, p.1) observes in a report to the United States (US) Congress that '[t]he rapid rise of China as a major economic power within a time span of about three decades is often described by analysts as one of the greatest economic success stories in modern times.' China's recent arrival on the world stage is not new, but is an example of the ever-changing balance of opposites that epitomises the nation. This balance of opposites creates a complex interaction between old and new; formal and informal; and traditional and modern, which results in the rise and fall of its fortunes and place in the world (Maddison 2007).

This exploratory study investigates the existence of *guanxi* (literally 'relationships' but also the network of relationships among various parties that co-operate together and support one another) employed in Chinese enterprises to affect leadership behaviour and to develop a conceptual model for improving leadership performance. This research investigates what the most influential factors on Chinese leadership behaviour are; what Western leaders can learn from Chinese leadership when they operate businesses in the Chinese context; what the implications of *guanxi* are on the leadership performance; and, specifically, how *guanxi* has been employed internally in organisational management. It is evident from the body of literature that has examined the impact of *guanxi* on business management in Asia and in China specifically (e.g., Hofstede and Bond 1988; Yeh and Lawrence 1995; Ornatowski 1996; Robertson 2000) that it has been applied in exploring and maintaining external business relationships in order to achieve goals. However, few studies have looked at the role of *guanxi*

in internal organisational performance and its influence on leadership behaviour. The present research investigates the role and implications of internal *guanxi* in the Chinese business context. Therefore, this study could be useful for those Western leaders who do business in China; it could help understand how they perceive *guanxi*, especially how it has been applied internally in organisations, which could generate many benefits leading to improved and more effective operational management of their company's. For Chinese leaders, it would help them fully recognise the roles of internal *guanxi* in leadership behaviour which could lead to positive influences on organisational performance.

Rationale for the research

Based on personal experience and from a business point of view, the researcher believes that internal *guanxi* is a supplementary approach to strengthening leadership performance. With intense competition business, companies need to make changes, adapt, and innovate in leadership behaviour so as to influence employees to become more creative, loyal and show more initiative in their work performance.

Personal rationale

The researcher is an employee of ABLE Electric Motor Company, a large and successful private sector enterprise in the rapidly growing and transforming Chinese economy. He has worked for this company, which is examined for the purposes of this research, for three years. He is responsible for sales and production work. His job roles mainly focus on helping the Sales Director to process sales orders and deal with customer requirements. In addition, he has acted as coordinator in dealing with misunderstanding and conflict between management layers

and/or employees in order to help people work together effectively and accomplish goals. The company is family-owned and displays typical characteristics of a family business, such as quick response, a flexible system and autocratic leadership (Susanto 2013). Quick response indicates that the leadership may ignore the other employees in decision-making. A flexible system means people may adopt an alternative approach to get things done besides the formal regulation system, such as internal *guanxi*. Autocratic leadership hinders organisational communication and socialisation which may cause disagreement and conflict (Susanto 2013). In these circumstances, the coordinating role becomes a significant resolution for less participatory decision-making and conflict arising out of misunderstandings. The researcher's father-in-law is the company owner, thus the researcher is well placed to take on this coordinating role to improve top leadership behaviour when other senior managers or employees misunderstand the owner's intention and purpose behind certain decisions due to his autocratic leadership behaviour. Because the researcher is aware of the owner's leadership behaviour and way of communicating in his contact with people in the daily operations of the business, the researcher adopts a modest and neutral attitude.

Eighty per cent of the customers are foreign companies from the United States, Europe and some from other Asian countries. In the three years in which the researcher has served these customers, he has noticed that they all basically perceive certain aspects of Chinese culture in business behaviour, such as *guanxi*, saving face, Chinese respect, returning favours and the indirect expression of opinions. There are different perceptions of relationships (*guanxi*) and leadership behaviour between the West and China, such as rules on how values are applied. In the West values apply to all, but the Chinese value rules depending on context and relationships (*guanxi*). One of reasons why *guanxi* is part of leadership behaviour in organisations is that the Chinese need *guanxi* networks to maintain harmony and solve conflict. The Western network

makes a clear distinction between individual and organisational relationships; people's roles are formally and clearly defined. However, in Chinese *guanxi*, personal relationships and organisational relationships are integrated; people's roles are characterised flexibly and informally. In the researcher's case, his role in the company is not only that of sales assistant, but also that of coordinator in delivering the top management's intentions to junior staff members in order to strengthen leadership performance. The researcher has to admit that internal *guanxi* helps him to do his job effectively.

For example, there is always conflict between the sales and production teams. The sales team complains that the factory workers are unable to complete their orders on time but the production team believes that the salespeople should inform customers when taking in orders of the production capability. Based on the current situation, the company's formal system is not able to manage this situation very well. Various elements need to be upgraded to deal with production synchronisation, such as the enterprise resource planning (ERP) system, marketing plan, productivity and the labour force. However, an informal system has been introduced in the company in order to overcome the issues between sales and production, which is the internal *guanxi* network. The author applies his internal *guanxi* to communicate effectively with both the sales and production teams, and to influence employees to be co-operative in order to accomplish tasks. From the point of view of sales, the most important target is to fulfill customers' orders as soon as possible amid intense competition, without compromising on quality. However, there are diverse challenges in making this happen that are related to many departments and cooperation. For example, once the customer has placed an order, the sales team needs to send the draft contract to the Finance, Technology and Production departments to be examined and verified. During this process, the Technology section may identify a mistake in the production design; Production may lack parts and Finance may assess the risk

contained in the order and decline it. This examination procedure could take more than two weeks if employees follow the formal regulatory system to solve these possible challenges.

A detailed examination of the researcher's case study will clearly show how internal *guanxi* helps the researcher overcome difficulties in his job.

The challenges faced by the sales team:

1. Requires more effective multi-departmental cooperation to complete its sales orders; for example, when a customer reports a defect in a product, the sales team lacks the power to influence its technology colleagues to solve the problem efficiently.
2. Lacks sufficient technology background to engage with the client's query.
3. Needs more power to rearrange the production schedule in order to serve the most important clients better.

As the Sales Director's assistant, the researcher has the duty to help his sales colleagues to accomplish their sales targets and to communicate effectively throughout related departments under his sphere of influence. The researcher realised that the informal approach (internal *guanxi*) was more influential in making a change than the implementation of formal powers of authority. Because people subconsciously do not take responsibility for the consequence of changing their existing way of working when they face challenges, the formal system is not always able to govern people. However, the internal *guanxi* network could substitute the function of the formal system with the result that people would have no excuses to be unco-operative towards their sales colleagues. This saving of face and being concerned have been taken into account as a measure to adopt a positive attitude towards cooperation with sales

colleagues. For example, the Technology Department has to face hundreds of reports on faulty products from customers and the technicians normally solve problems related to the time needed to produce an order. From the researcher's position, he is able to view what the most crucial problems are and uses his internal *guanxi* with the technicians to prioritise solutions in the case of important customers. Moreover, he invites the senior Technology Manager to solve potential customers' questions when they visit the factory using his internal *guanxi* in order to encourage potential customers to place an order promptly.

In addition, sometimes the researcher has to use internal *guanxi* with the manager of the Production Department to influence the production schedule when important clients have an urgent order to complete. Normally, the researcher will weigh up the advantages and disadvantages before cutting in the production line, ensuring that the results will be more beneficial to the company. As regards controlling the cost of production, the sales team needs to guide the factory on how to innovate the production procedure, such as communicating effectively with the technicians and team leaders in the Workshop, responding quickly to the factory when the sales team receives clients' complaints and being diligent about learning about technological production. It would be difficult to innovate without good internal *guanxi* with production colleagues.

In terms of leadership behaviour, the researcher also perceived the internal *guanxi* network as an effective approach to coordinate people to have a good understanding of the intentions of, and to influence followers to take the initiative to accomplish the task assigned by top management. As mentioned earlier, the President is an autocratic leader: he controls subordinates closely by enforcing the policies and procedures regulating people strictly. As a result, low morale and high turnover come along with insufficient employee involvement in

the decision-making procedure. As a coordinator, the researcher needs to confront people's negative emotions and encourage their potential to accomplish the tasks assigned by the President. Based on the trust and close internal *guanxi* network, he is aware of people's anguish and dissatisfaction, and he can relay these situations to the President at the appropriate time. By doing so, not only does it enable the President to adjust his leadership behaviour towards being more democratic, but it also helps people to eliminate misunderstanding and enhance team cohesion. However, is it time to rethink the current leadership style and make changes? What is more suitable leadership behaviour that could be employed? Should this internal *guanxi* approach be adopted into leadership behaviour in future? Will people accept the 'internal *guanxi*' philosophy or does it already exist in enterprises?

Business (company case study) rationale

ABLE Motor Group is China's leading private enterprise in the electric motor industry and one of the top three aluminum motor manufacturers in China. ABLE, founded in 1993, consists of seven factories and 9 subsidiary companies, and at present has over 2 700 staff members. ABLE's main product is focused on high-efficiency and energy-saving standard motors, including ten series covering about 400 customised specifications. The company has been honoured, among other things, as a China First Enterprise Exempt from Export Inspection, a Well-known Chinese Trademark and a China Motor Industry AAA Credit Enterprise. The sales market covers over 30 countries and districts, including Italy, Britain, Germany, France, Denmark, Spain, Iran, Thailand, Malaysia and Singapore. ABLE has developed a stable and reliable partnership with Global Top 500 Motor Enterprises, such as US Pentair, German Wilo, Italian Atlas and Finnish Konecrane. The total sales revenue was US$190 million in 2014. The ABLE Motor Group has already planned to list on the stock market soon. However, with the

constant expansion of business, the company has become a bit disorganised. A series of organisational problems has emerged, such as inefficient execution of operations, unsuitable leadership styles, weak incentive promotion and a vulnerable responsibility system. Especially, the low level of motivation on the part of the sales team and insufficient loyalty need to be solved immediately. To improve the institutionalised system, positive internal *guanxi* approaches may be an effective solution for the managers. How does a leader employ this internal *guanxi* approach to encourage people to enhance their work performance? How does a leader influence the team to accomplish the goal effectively? How do people comprehend 'internal *guanxi* leadership' innovation in their daily work?

Background to the study

Research problem

China, a country of 1.3 billion people, has reached an astonishing achievement since it tried to transform its Soviet-style planned economy into a dynamic market-oriented economy by phasing out collectivised agriculture, evolving further to administrative decentralisation, diversifying the fiscal system, gradually implementing liberalisation of prices, and opening up to foreign trade and investment in the past three decades (China Economic Yearbook 2013).

> Over the past two decades, China has moved towards a market-oriented economy. Such a transformation initially entailed a marked rise in inequality, which was an inevitable consequence of the transformation of the economy that has delivered a higher and more sustained growth in incomes than observed in any other major economy. (OECD 2013, p.19).

According to the World Bank's (2013) latest report,

> [o]ver the past three decades, China's two historic transformations, from a rural, agricultural society to an urban, industrial one, and from a command economy to a market-based one, have combined to yield spectacular results. Not only did economic growth soar, but also the poverty rate fell from more than 65 percent to less than 10 percent as some 500 million people were lifted out of poverty. Indeed, if Mainland China's 31 provinces were regarded as independent economies, they would be among the 32 fastest-growing economies in the world.

The International Monetary Fund (IMF) (2012) predicted that

> China will overtake the U.S. in 2016, which will effectively end the 'Age of America' a decade before most analysts had expected. The U.S. could lose its status as the world's biggest economic power within five years.

Vladimir Popov (2012) said at a 2012 United Nations Department of Economic and Social Affairs event that

> [i]t follows that the successful catch-up development of China, if it continues, would become a turning point for the world economy not only due to the size of the country, but also because for the first time in history, successful economic development on a major scale is based on an indigenous, not a Western-type, economic model.

The former Australian Prime Minister, Kevin Rudd, commented that

> [t]he fundamental strength of the Chinese economy lies in its strategic policy
> settings and in the leadership's knowing when to change those settings and the
> Chinese leadership is very intelligent. They've worked out the core challenge
> through a five-year plan, which is to change China's economic growth model . . .
> China's economic performance over the past 30 years has been remarkable. It is a
> unique development success story, providing valuable lessons for other countries
> seeking to emulate this success—lessons about the importance of adapting to local
> initiative and inter-regional competition; integrating with the world; adjusting to
> new technologies; building world-class infrastructure; and investing heavily in its
> people. (The World Bank 2013, p.15)

Consequently, the outstanding performance of the Chinese economy has inevitably captivated global attention on the successful 'China model'. Some researchers believe from a national point of view that it is attributable to the industriousness, thrift and high savings rate of the Chinese people, which is an investment accumulation and provides huge amounts of capital (Cheung et al. 2009; Xie 2013). From the perspective of globalisation, some analysts believe that China has vast numbers of cheap labour; the demographic dividend has paid off, and the export-oriented development strategy has been successfully implemented and become the globalisation of the biggest winners (IMF 2013). From an investment point of view, some (KPMG 2012) believe that China opened up the country to attract a large number of foreign investments and to seize the opportunity of the Western industrial transfer, which has become an important force driving China's economic growth. From an economic point of view, some researchers (Veldhoen et al. 2014) looked in more detail at the specific economic and social

measures, such as the selling off of state-owned land which is the root of the so-called miracle of China and at the success of the unique Chinese leadership that has managed the balance between the role of the government and the market in regulating the management of the economy. For instance, the government has strongly regulated the economy; in the political system it is proven to be better to emphasise long-term development planning and implement efficient regulation; and the local government has the ability to integrate the 'semi-open' economy that has been implemented (China National Statistical Bureau, 2013).

However, the World Bank (2013) reports that China also faces some challenges due to its rapid economic ascendance, such as imbalances of urbanisation and inconsistent sustainability of the environment, serious ageing population and internal migration of labour. Social change is dramatically changing people's values; people are more enthusiastic about capitalism rather than socialism. Human nature becomes impetuous and motivated by opportunism; gradually forgetting the traditional Chinese essence, such as Confucianism, people-oriented values and propriety.

With the rapid changes taking place in China, will the role of *guanxi* also change with time? Does *guanxi* become less important to the success of business? Do business people change their mindset about applying *guanxi* to leadership behaviour? How does economic and social change affect the leadership approaches when working with international teams? Is the Eastern style in conflict with the goal-oriented Western philosophy?

At present, the Chinese economy has a coexisting system of a planned economy and market-oriented economy. This is a critical period of historical transformation, since there are still a few uncertain factors that will hinder China's constant success (Jia 2010; Fu et al. 2011). For

example, 'domestically, China faces pressure from inflation, real estate bubbles, and loss of control over local governments' financing platforms. Externally, China continues to feel the impact of the global financial crisis, the sharp reduction in its manufacturing export, the shadow of the European sovereign debt crisis and the US economy's weak recovery' (Fung and Peng 2012, pp.1–4). Furthermore, at the micro level, the imbalance in China's growth model takes the form of long-term reliance on limited added value, low labour cost, low value-added manufacturing, and a lack of home-grown brands, original technology and innovation (Veldhoen and Mansson 2014).

More specifically, innovation is one critical challenge for China's leaders in the coming years; even though it has launched a variety of policy tools to develop business creativity and practical invention, most innovations are about mere technology, individual patents and gizmos. The sweat of Chinese labour produces most of the world's goods, but the designers and marketers of developed countries have captured most of the value from such products. Although state-invested and state-owned companies have occupied two-thirds of China's economy, it is unlikely that they will be the powerhouses of leading-edge innovation and become hotbeds of innovation because they are obligated to the government for assistance (The Economist 2012). Meanwhile, ABLE has already recognised that cooperation and competition are in conflict, and there is some evidence that changing leadership–subordinate cohesiveness has resulted in lost business opportunities, including innovations in strategy.

Therefore, how to perfect the incentive mechanism of innovation in enterprises is one of the essential challenges that need to be tackled by Chinese private entrepreneurs.

At the macro level China is over-dependent on investment and exports to stimulate economic growth, while domestic consumption is inadequate. At China's current initial stage of economic development, it is unavoidable that it will be a low-cost manufacture in the world. However, these Chinese enterprises may no longer base their style on imitation or low-end manufacturing when they have advanced to a certain scale and degree due to the increased cost of energy and raw materials, growing trade tensions with the United States and Europe, and rapidly rising wages, which could price some products made in China out of the market, giving advantage to other low-cost countries and undermining the offset of the low labour cost advantage. (KPMG 2012, pp.3–5)

Moreover, the workforce will be badly impacted by China's 30-year-old 'one-child' policy:

In essence, the one-child policy has created a family dynamic is which there are six caregivers for each Chinese child (two parents and four grandparents). This has produced a generation of pampered children, many of whom feel entitled. The question is will they be as motivated and malleable as their predecessors? (Sirkin 2012).

During the period 2001 to 2020, there will be a dramatic annual increase of 5.98 million among the elderly in China. This group of people will constantly grow to 248 million by 2020, which accounts for a 17.17% rate of increase (National Bureau of Statistics of China 2012). By 2012, China's 'working age' productivity had extended to its historical highest level, which had a great net positive consequence to economic value creation by 71.9% of the Chinese population, which is between the ages of 15 and 64. However, this proportion of the productive working

sector started declining after 2015. Consequently, China's ageing population will induce many more contradictions and pressures on the workforce of Chinese enterprises, and the shortage of innovation will also heavily impact on the current business model of Chinese enterprises.

Is it time to make changes? The leaders of enterprises may change the set patterns and transform the operational models to focus on the innovation and technology evolution in the next stage of development. For example, the original equipment manufacturing (OEM) model has been gradually replaced with the original design manufacturing (ODM) model in order to shape manufacturing competitive advantages compared with other developing countries. The leaders of enterprise may rethink the way in which they integrate old business models into new, modern models which will have a more innovative and effective effect on current leadership behaviour. Are 'leadership and internal *guanxi*' a possible measure to develop? China may rethink the development model of sustaining economic growth and gains in worker productivity.

The KPMG business operational model 2012 addresses five particular elements to lead enterprises to operate businesses more efficiently and successfully towards innovation development: (i) leadership abilities, (ii) quality of personnel, (iii) organisational structure, (iv) processes and technology, and (v) criteria for measuring excellent performance. KPMG's operational model regards leadership as the most crucial element for success. In fact, Chinese leaders are facing a serious situation in the form of their leadership behaviour, styles and philosophy of recent years. For example, most Chinese enterprises are unable to stop the job-hopping rate, although they raised the salaries of employees during 2012. According to a 2012 employee survey report by 51 Jobs (the biggest recruitment agent in China), 17% of employees showed the most dissatisfaction with the managers' style and ability, followed by their discontent with their own the pay. This sounded the alarm for leaders. Moreover, this human

resources company found that of the respondents, only 26% were dedicated employees; 19% of workers had a negative attitude towards work and even spread their discontent in the organisation. The survey shows that the reason for most resignations was their poor relationship with managers. Specifically, 68% of employees who are between 21 and 27 years of age and have grown up with the Internet have problems with their interpersonal relationships with their leaders. Thus, it seems that the leaders have to rethink how to innovate their leadership performance to strengthen the employee performance, how to improve people's loyalty and how to solve internal relationships between leaders and subordinates. Furthermore, what implications does this have for those Western leaders doing business in China?

China's astonishing economic achievement inevitably captivates the West's attention, but what is the most valuable experience those business leaders can learn? The answer is possibly 'guanxi'. What is guanxi? To put it simply, it is an interpersonal process of building and maintaining relationships between the mutual parties involved in order to overcome hindrances to achieve an expected goal (Alston 1989). These relationships have been interpreted as a complex and pervasive network comprising mutual obligations, commitments and understanding (Park and Luo 2001). Guanxi has been ubiquitous in every facet of Chinese cultural activities for hundreds of years, and is playing a profound role in lubricating interpersonal and inter-organisational dynamics in the Chinese business context (Xin and Pearce 1996; Park and Luo 2001; Ramasamy et al. 2006).

Moreover, the Chinese leadership philosophy is another factor that Western leaders need to reconsider in their own leadership behaviour in the Chinese context. Table 1.1 sets out the differences in leadership style:

Table 1.1: Western versus Chinese leadership styles

Activity	Western traditions	Chinese traditions
Leadership beliefs	Seek to achieve ideal end states	Seek to balance countervailing forces (yin and yang)
Leadership goals	Establish and pursue aspirational goals; manage the results	Create conditions conductive to success; manage the process
Leadership logic	Logic of application; articulate objective and determine reasonable means to desired ends	Logic of exploitation; place oneself in a position to exploit opportunities as they emerge
Leadership bias	Bias for action; capture the initiative	Bias for patience; let events come to you

Source: Runde, Nardon and Steers (2011, pp.210–211).

Consequently, it raises some interesting questions: How do Chinese leaders empathise with, empower and relate to their employees through the high-powered distance of the formal regulation system? Is there any other informal regulatory structure in the organisation? Does that informal regulatory structure refer to an internal *guanxi* network? Does this internal *guanxi* affect the leadership performance? If so, how does this leadership–*guanxi* relationship exist and work?

Research aim and objectives

This research explores the nature of *guanxi* inside organisations and considers the implications for leadership, at a time when Western leadership models are growing in dominance and Eastern cultural norms are still in existence. The research uses a mixed method approach to verify if *guanxi* can be applied internally in organisations and if it is a critical measure of success; to define the role of this internal *guanxi*; to discover how leaders at different levels of seniority comprehend internal *guanxi* on their leadership behaviour and how to adapt internal *guanxi* into the formal system; and to investigate the implications of internal *guanxi* for leadership performance on the different organisational cultures; specifically how private companies comprehend the effect of internal *guanxi*.

Firstly, the researcher constructed the pilot (exploratory) study based on his personal business experience and reviewed the current literature on *guanxi* inside organisations. The pilot study aimed to test whether the proposed research questions were valid.

Secondly, the researcher conducted qualitative, deep, semi-structured interviews at one Chinese private company (i.e., ABLE Electric Motor Group) to further investigate the role of *guanxi* in leadership behaviour.

Finally, the researcher conducted a quantitative survey across the electric motor industry in order to verify if the findings of the qualitative method were more valid and objective.

Research questions

1.   Does *guanxi* apply internally in Chinese private companies?

2.   How does internal *guanxi* influence leadership behaviour in Chinese private
       companies?

The significance of the study

China is often regarded as a conventional society imbued with a unique culture (Tan 2002)
where this traditional way of behaving and acting moulds everyday life (Wong and Tam 2000).
Guanxi has long been viewed as part of this unique culture, playing the most essential role in
facilitating business in China. China has been undergoing remarkable change since attempting
to transform its planned economy into a dynamic market-oriented economy by phasing out
collectivised agriculture, moving towards administrative decentralisation, diversifying the
fiscal system, gradually implementing liberalisation of prices, and opening up foreign trade
and investment in past three decades (China Central Policy Research Office 2008 and 2012;
China Economic Yearbook 2012). China is now a significant player on the world economic
stage. More recently, many foreign enterprises have examined the application of Chinese
leadership style due to the strategic corporate focus on localisation in the Chinese market.
Although with the rapid development of globalisation, there are still enormous differences of
leadership perceptions and social variables between China and the West (Seah 2001). This
research investigates what the most influential factors on the Chinese leadership behaviour are,
what Western leaders can learn from the Chinese leadership when they conduct business in a
Chinese context, what the implications of *guanxi* for leadership performance are, and
specifically, where *guanxi* has been employed internally in organisational management. It is

evident from the body of literature that *guanxi* has been applied in exploring and maintaining external relationships with businesses in order to achieve goals (Hofstede and Bond 1988; Yeh and Lawrence 1995; Ornatowski 1996; Robertson 2000). However, there are very few studies on the role of *guanxi* in internal organisational performance and its influence on leadership behaviour.

As the Chinese and Western cultures influence each other, the totalitarian Chinese leadership style is being replaced with a mediatory style. For example, in recent years China's economic decision-making correlated with a deliberate *laissez faire* approach to Western involvement in the economy. The clear tendency was that the central government progressively devolved the direct control of business to provincial and local authorities. In addition, there is an increasing propensity by central government to delegate administrative powers to local leaders. Local authorities derive ever-greater autonomy to abstract more resources from their own domain.

Nevertheless, Li (2012) argues that China's current polity still compounds an enduring tradition of centralisation with weak 'political institutionalisation' and poor development that is subject to arbitrary change. In contrast with the Western democratic system, individual leaders of the political party, the Communist Party of China (CPC), have consistently influenced China's political and economic direction, since the era of Mao Zedong (Snow 1968). The benefit of this sole political system is that the CPC has been able effectively to forge a consensus on government policy without going through the grind of democratic deliberations and negotiation; for instance, the Chinese government unveiled a US$586 billion economic stimulus plan in only three weeks, its advantage was fully reflected in the 2009 financial crisis (Ministry of Finance of the PRC 2009). The Chinese government not only implements investment to

stimulate economic development, but also to launch diverse policies to upgrade and restructure industry.

As Gibba (2003, pp.403–421) discusses in his book, *organizing for enterprise in China: What can we learn from the Chinese micro, small and medium enterprise development experience*:

> With respect to 'yin/yang', the perspective stems from the East Asian belief that duality and contradictions are inherent in all aspect of life. People believe that utilization of both in harmony brings prosperity. *Guanxi* and its networks in a sense are connections built between discrete individuals across organizational boundaries that activate the intra-culturalization and inter-culturalization, and not just have knowledge transferred across, but also the generation of ideas turned into products, services, or work-place improvements that spur innovation.

Academics have researched *guanxi* for over 30 years but as Chen, Chen and Huang (2014) comment, there are still key gaps. Areas of specific weakness (or absence) that are addressed by this research include a lack of knowledge about the strength of *guanxi* and group behaviour – are distant relationships important; is the effect of *guanxi* internally dependent on structural characteristics (e.g., size and homophile); and how do informal *guanxi* interact with formal organisations? These aspects are considered collectively in the present exploration and the aspect of leadership is used to represent group behaviour and formal organizational structures. Fortunately, both Western scholars and Chinese researchers have frequently discussed the implications of *guanxi*. What is *guanxi*? To put it simply, it is an interpersonal process of building and maintaining relationships between the mutual parties involved in order to overcome hindrances to achieve an expected goal (Alston 1989). These relationships have been

interpreted as a complex and pervasive network comprising mutual obligations, commitments and understanding (Park and Luo 2001). *Guanxi* has been ubiquitous in every facet of Chinese cultural activities for hundreds of years and is playing a profound role in lubricating interpersonal and inter-organisational dynamics in the Chinese context (Xin and Pearce 1996; Park and Luo 2001; Ramasamy et al. 2006). To Jacobs (1982), *guanxi* means connectedness or particularistic ties. Gold (1985) states '*guanxi* is a power relationship as one's control over a valued good or access to it gives power over others'. Osland (1990) adds: 'a special relationship between a person who needs something and a person who has the ability to give something'. Pye (1985) regards *guanxi* as 'friendship with implications of continued exchange of favours'.

The structure of the thesis

Chapter One: The changing nature of business in China and its impact on organisations is introduced, specifically the relationship between leadership behaviour (coping with change) and the systemic cultural network (*guanxi).* The aims and objectives ask: How is internal *guanxi and* leadership responding to modernisation? The work focuses on personal and case study experiences within the ABLE Electric Motor Group and the electric motor industry.

Chapter Two: The literature review considers two aspects of knowledge. This chapter explores the nature of *guanxi*, examines the evidence that *guanxi* might exist internally, and identifies theoretical and conceptual frameworks that can be adapted to explore the case study in depth.

Chapter Three: The second part of the literature review examines the theory of leadership, and evaluates theories on the leadership–subordinate relationship and forms of internal *guanxi*. These theories and concepts form the basis of a pilot study that is used to observe theory in

practice, and confirm that internal *guanxi of leadership* are responding to business changes, leading to seven propositions that are later used to explore practice through primary data collection.

Chapter Four: Methodology is outlined and a mixed methods approach is argued. The researcher adopts a social constructivist–pragmatist position, drawing on the unique access to the case study form (i.e., employee); the access to senior leadership in the case study form and the industry / sector; and recognition that cultural sensitivity requires special opportunity and access to the research population. The research that was informed by the pilot study involved 34 in-depth interviews with senior to middle management in the ABLE Electric Motor Group; a survey resulting in 337 completed questionnaires from across the electric motor sector; and multiple 'mini cases' drawn from observation of processes and leadership in the ABLE Group.

Chapter Five: Qualitative findings – The results from qualitative data collection are presented, with detailed analysis of the 180 000 words transcribed, using standard and recommended analytical approaches. The initial analysis is used to respond to the research questions and the seven propositions.

Chapter Six. Quantitative findings – The data from the 337 responses to the questionnaire survey are presented, initially, as overall results and then, using SPSS, with selected meta-analysis. These results are used to inform the research questions, and respond to the propositions. Key themes are identified from these findings that relate to secondary aspects of the research topic, specifically the comparison between the ABLE Motor Company and the wider electric motor industry sector.

Chapters Seven and Eight: The findings of all research methods are combined to address the research questions and propositions. These are compared and contrasted to explore the similarities and differences between expected and observed findings, and are interpreted to examine the implications of the findings for internal *guanxi* and therefore to respond to the original research aims and objectives.

Chapter Nine: Conclusions and recommendations – This chapter addresses the actions that should be considered by ABLE specifically, and the electric motor industry generally, given the findings. The research reflects on the internal *guanxi* and makes recommendations for firms generally, and the policies needed to ensure continued success in China's development; to grow the new without sacrificing the old. Further research themes are suggested to extend this small effort and a personal reflection guides the researcher towards a better understanding of his own role and behaviours.

Appendices and references: The appendices list all supporting material and the reference list, including further reading, is added to evidence the work (i.e., pilot study, personal case study, interview and questionnaire).

CHAPTER TWO: CONCEPTUAL MODEL

Definitions of *guanxi*

According to the *Modern Chinese Dictionary*, *guanxi* literally consists of two words, *guan* and *xi*. *Guan* as a noun, originally refers to a conjunctive door or a passage that is usually of strategic significance. It is then used figuratively to describe the barriers such as technical barriers, interpersonal problems or regulated obstacles. *Guan* as a verb on its own means 'to approach closely', but together with other words that denote connection it means 'connecting network'. *Xi* can serve as a conjunctive word meaning 'in relation to' or 'having a bearing on'. When used as a regular verb, it means 'to tie up'. *Quan and xi* together can be interpreted as 'having a bearing on' or denotes 'a state in which entities (objects, forces, or human beings) are connected' (*Modern Chinese Dictionary* 2012).

Bian (1994) describes the two characters/components that make up the term *guanxi* as follows: the first character (*guan*) as a noun literally means 'a pass' or 'barrier' and as verb it means 'to close'. The second character (*xi*) as a noun means 'system' and as a verb it means to 'tie up' or 'link'. The term *guanxi* in the Chinese language has multiple meanings (Fang 2002, p.4). It could refer to one of three things: (i) the existence of a relationship between people who share a group status or who are related to a common person, (ii) actual connections with, and frequent contact between, people, and (iii) a contact person with little direct interaction.

Guanxi has been regarded as the most typical characteristic of Chinese culture. Hwang (1987) defines *guanxi* as 'a social adaptation reflecting a series of Chinese cultural morality such as hierarchy, interdependence, liabilities and reciprocity'. Parnell (2005) views *guanxi* as 'a

complicated, multifarious socio-cultural phenomenon that is difficult to conceptualise scientifically and perhaps impossible to instrumentalize'. Although *guanxi* has been widely investigated and valuable insights have been gained into diverse contexts involving sociology, anthropology, psychology, culture, ethics and even economics (Davies et al. 1995; Hwang 1987; Luo 1997b; Tsang 1998; Wong and Chan 1999; Yang 1994, 2002), most of these studies basically emphasised two major dimensions: (i) the implications of *guanxi* for China's social dynamics and (ii) the consequence of *guanxi* for the performance of business organisations (Luo 1997a; Luo and Chen 1996; Park and Luo 2001; Peng and Luo 2000). To Jacobs (1979), *guanxi* means connectedness or *particularistic ties.* Gold (1985) states that '*guanxi* is a power relationship as one's control over a valued good or access to it gives power over others'. Osland (1990) adds that it is 'a special relationship between a person who needs something and a person who has the ability to give something'. Pye (1982) regards *guanxi* as 'friendship with implications of continued exchange of favours'.

In its simplest form, *guanxi* is a *special* relationship between two people. However, how special (or close) this relationship is depending on the nature of the relationship (*guanxi* base), that is, two people who have 'a commonality of shared identification or attributes' (Fang 2002, p.5), or who are related to a common person (Jacobs 1979). A *guanxi* base (relationship) can be classified into the following three categories:

i   Relationship by birth or blood

- Family
- Kinships, in-laws.

ii   Relationship by nature

- Locality (from the same town or province)

- Classmate or alumni

- Teacher–student

- Co-worker: colleague (superior–subordinate)

- Neighbour

- In the same profession.

iii   Relationship acquired

- Acquaintance

- Knowing the same person (intermediary)

- Friend

- Sworn brotherhood.

The first group of *blood basis* is largely predetermined. The second and third categories are *social basis* (Tsang 1998). A party in the relationship may or may not have a choice of whether or not to be in the relationship.
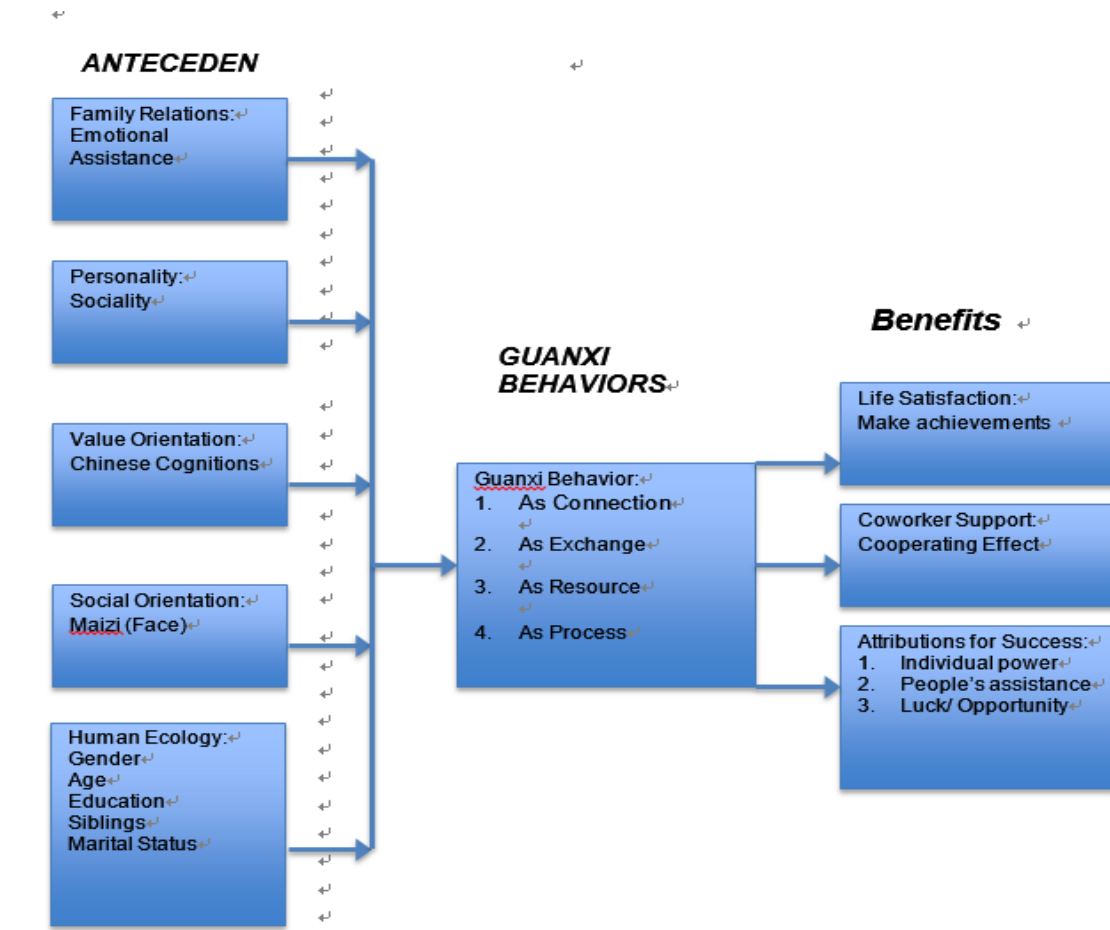
Sources: Chang and Holt (1991); Echter et al. (1998); Jacobs (1975); Yang (1995);

Hwang (1987, 2010); Taormina and Gao (2010)

Figure 2.1: The antecedents of guanxi

From a sociological perspective, *guanxi* has been interpreted as having three different meanings: (i) the coexistence of a relationship in a shared circumstance or connected to a mutual person; (ii) the relationship between people who have regular contact with one other; (iii) a contact relationship where there is little direct interaction (Bian 1994).

For example, *guanxi* operates in different cultural contexts: there are family, friendship, and political and business relationships (*guanxi*). *Guanxi*-related activities are often characterised by applying different verbs. For instance, to 'pull *guanxi*' describes the behaviour of initiating

and establishing a connection and to 'walk *guanxi*' is to implement connections to achieve specific purposes. Other frequently applied verbs consist of developing relationships, consolidating connections, maintaining *guanxi*, breaking barriers and so on (Chen 2004; Jacobs 1982; Lin 2001; Yang 2001). Jagersma and van Gorp (2003) defined *guanxi* as a certain connection through the members of a clan and beyond, such as home region, study friend and friends with shared experience. Similarly, contemporary scholars consider *guanxi* in the context of four cardinal relationships: between (i) friends and family/relatives, (ii) parents and children, (iii) husband and wife, and (iv) leaders and followers (Yan 2009). Chen (1995) suggests that '*guanxi* is best defined as friendship with implications of a continual exchange of favours whereas Yeung and Tung (1996) state that *guanxi* best relates to the 'who you know not what you know' concept in the West (Guan 2011, p.19).

Guanxi and Chinese business practices

Gomes-Casseres (1990) notes that in doing business in a host country the critical risk is external uncertainty, which includes cultural conflict, an unfamiliar legal system, management approach and economic fluctuations. According to Anderson and Gatigono (1986), the efficient measure to reduce risks is establishing joint ventures, and adopting appropriate leadership and management approaches to Chinese partners. Chinese employees are adept at identifying domestic markets, optimising local human resource and negotiating with local suppliers. Although the transaction cost theory was considered the mainstream to exploring foreign investors' corporations in China (Allen and Lueck 1993), Beamish (1988, 1993) observes that the majority of foreign investors' corporations aim to choose an entry mode with minimal transaction costs. Deng (2001) suggests that the favoured mode of entry of foreign investment is the wholly owned subsidiary due to the poor performance of other joint ventures and the

effect that the government's changeable regulations has. Yan and Warner (2001) argue that wholly owned subsidiaries are not always the best approach, because foreign investors may not only consider the internal controlling management but also deliberate on geographical factors. Examples of this would be the unbalanced economic infrastructure between the western provinces and southern regions in China, and the lack of experience in dealing with foreign input resources. Another example is Wal-Mart which had operated at a loss in the first decade after entering the Chinese market until it replaced the head of its Chinese market area with a Chinese manager. His most significant success factor was the application of the Chinese leadership style of management, to deal with the constant changes. Sun (1999) points out that socio-cultural distance, the technological nature of investment projects and the business environment are primary determinants affecting the transaction cost performance of foreign investors' corporations. Socio-cultural distance indicates the disparity in social dimensions between the home and host countries. Dahlam and Nelson (1995) argue that the larger the socio-cultural distance, the lower the level of equity collaboration in multinational corporations. For multinational corporations with little local knowledge it is difficult to convert home technological advantages to an unfamiliar operating environment. Furthermore, multinational corporations have been charged excessive amounts to accumulate adequate information to understand the unknown environment. Furthermore, to avoid business uncertainty and unpredictability, multinational corporations need to establish a positive relationship with local joint partners, which may enhance local resources to manage new ventures (Goodnow and Hanz 1972; Hu and Chen 1993). Nevertheless, Bivens and Lovel (1966) criticise some multinational corporations for preferring their own managerial measures by forming wholly owned companies. As regards socio-cultural distance between China and other nations from a historical view, geographical contiguity is the most important determinant. There are some overlaps in culture among geographical contiguities. Generally, three groups of foreign

investors have been distinguished, (i) investors from Hong Kong and Taiwan, (ii) investors from East Asian countries and (iii) investors from Western countries. Apparently, the investors from Hong Kong and Taiwan have the most competitive advantages in forming ventures because they share the same or almost similar cultures, languages and ethnic heritages. In comparison with the group of investors from East Asian countries who share close culture traits; investors from Western countries have necessarily to incur higher transaction costs associated with an unfamiliar business environment. The cultural distance between a Chinese partner and foreign investor is a crucial problem in a joint venture between them (Child 1991). For example, the Chinese dictionary defines *trust* as a kind of social norm where business partners may constantly establish good interpersonal relationships whereas in Western culture, trust is basically established based on the company contract, that is, a kind of capital investment, while the interpersonal relationship is unlikely to work. Cousins and Stanwix (2001) further explore goodwill trust and find that it is hardly cultivated in the joint venture due to the cultural distinctions: the foreign partners worry about the proprietary technology being taken by Chinese partners in the process of building up personal relationships. Conversely, Chinese partners worry that foreign partners will not share the technology because there is no necessary relationship to do so, because Chinese value the close relationship rather than the written contract. Table 2.1 shows some significant distinguishing features in the different business approaches adopted by Western and Chinese partners:

Table 2.1: Western and Chinese approaches to business

Business approach	
Western	**Chinese**
Do a deal	Build a relationship
Maximise shareholder value or profitability	Maximise learning and turnover
Analysis driven	Relationship-driven
'Go-no-go' decision process	Step-by-step process

Source: Jagersma and van Gorp (2003)

The deduction may be made from Table 2.1 that the relationship (*guanxi*) concept is a critical factor to pursue in doing business in China. Here *guanxi* has been applied externally to the organisation to achieve success.

Chinese enterprise structures

State-owned enterprises and collectively owned enterprises

In the past three decades China's economy has transformed from a planned economic system to a market-driven economy with diversified ownership components (Long 2009). With the state-owned enterprise becoming more important as a major economic force, the government has put all state-owned enterprises under the supervision of the state-owned Assets Supervision and Administration Commission of the State Council. All state-owned enterprises are classified by two types: (i) public-oriented state-owned enterprises and (ii) efficiency-driven collectively owned enterprises. The priority of public-oriented state-owned enterprises is to supervise and administer in those domains where they are a fundamental force in the national economy and national security. For example, those enterprises are concerned with national resource or

natural monopolistic industries such as the China Railway Engineering Corporation, Sinopec and the State Grid Corporation of China. Apparently, the accomplishment of social service goals is more meaningful than profit maximisation. In contrast, efficiency-driven collectively owned enterprises are those enterprises that are aimed at making profit and enhancing asset value. In the Fortune 500 ranking, there were 79 Chinese state-owned enterprises in 2012. Thus the influential power of state-owned enterprises still enjoys a significant position in China's economy.

Foreign-invested enterprises

Since the reform in, and opening up of, China's economy, foreign investment has constantly expanded and maintained a rapid growth rate. The foreign capital utilisation in China has attained remarkable achievements and mended the long-term problem in China's financial and technical double-gap. Foreign investment plays an important role in optimising and upgrading industrial structure and technological progress, greatly accelerating China's economic pace of full integration into the international community. From 1979 to 2005, China's total foreign direct investment grew to U$622.4 billion, becoming the world's second largest foreign investment entity (Chen 2009). Within the domestic economic environmental changes and the adjustment of foreign economic policy, Li (2009) clearly classifies the following four stages: Stage 1 (1980–1991): a created stage, highlighting the fact that the scale of investment was characterised by progressive slow growth. Stage two (1992–1993): the rapid development stage, the applications of foreign capital in terms of both breadth and depth show greater unprecedented development. Stage three (1994–1997): the consolidation phase, the number of foreign-invested projects with contracted foreign capital began to slowly fall from the peak, but the actual use of foreign capital achieved a qualitative leap. Stage four (1998–the present):

a steadily improving stage, although in 2008 by the time of the world financial crisis, foreign investment had decreased to off-peak, China altered the emphasis of foreign investment from quantity- to quality-oriented. Subsequently, foreign investment in the economy has been further widened. The investment field continues to enlarge, but the main flow of foreign capital is still in the second stage, such as the manufacturing and construction industries. After 20 years of reform and opening up, China's foreign investment has gradually transferred to the service industry; there are a multitude of opportunities available for foreign investors. However, with the rapid growth of other investment markets, such as Brazil and other Latin American countries, China has to challenge potential competitors in order constantly to absorb the foreign investment inflow in the future. According to a survey conducted by Pricewaterhousecoopers (PWC) and the China Development Research Foundation of more than 200 of the world's multinational chief executive officers (CEOs), in the choice of the three key objectives of the investment market, 56% of respondents chose China, and 42% of respondents chose Brazil and other parts of Latin American among the three targeted investment markets. It is worth noting that foreign investors believe that the best prospects for China's future development are in the consumer and industrial sector, while Brazil is favoured by the technology and financial sectors. How to change the investment field strategically is one of the essential challenges faced by the Chinese government.

Privately owned enterprises (township enterprises)

The privately owned enterprise (township enterprise) is the predecessor of the small- and medium-sized enterprise. It is also one of the major market reform aspects and a product of the special Chinese political and economic context. These enterprises are private firms that engage in rural non-agricultural enterprises. It is easier to understand why the role of *guanxi* becomes

important if the history of the development of privately owned enterprises is explored. At the beginning of the 1950s there were 10 million farmers conducting small businesses in rural areas (Long 2009). With the rise of the Great Leap Forward Campaign, farmers who were participating found a large number of commune- and brigade-run enterprises (Byrd and Lin 1990). The State Council issued a number of new regulations in order to optimise an emerging surplus labour force and agricultural capital in five, small rural industry developments, namely (i) iron and steel, (ii) fertiliser, (iii) agricultural machinery, (iv) cement and (v) energy (Chen 2004). Although these commune- and brigade-run enterprises grew rapidly, the real potential of these rural industries was constrained by government policy because the development priority was heavy industry. These enterprises improved when the government replaced the 'people's commune system' with a 'household responsibility system'. Eventually the government adopted various measures to support commune- and brigade-run enterprises to improve productivity and engage in new business. For instance, they provided a low-interest loan, reduced tax and assisted with practical technology. The development of township enterprises experienced several twists and turns until the Chinese government promulgated the Township Enterprises Law in 1997, which was designed to establish a legal foundation and a clear direction for reform of township enterprises. (Ben 2009). During the golden era of township enterprises, they experienced high growth. They outperformed state-owned enterprises through their competitive advantage of a higher degree of freedom, price control and product selection. Particularly in operational management these enterprises had more flexibility in recruitment and were a more market-sensitive business development (Li and Karakowaky 2001). In addition, according to Ben (2009), township enterprises had set up their competitive bases in rural businesses such as processing agro-product, enlarging rural service and increasing industrialisation. With the development of rural enterprises to a certain stage, small- and medium-sized enterprises came into being. Partially, the role of *guanxi* has been

changed with the rapid development of private enterprise. Before the government policy on stimulating the growth of private enterprise was implemented, they mainly relied on the *guanxi* network and solely used it to obtain permission or permits to get business done due to the restrictive legal system and inefficient market-driven environment. However, with the improved development in the business environment and the legal protection system, the role of *guanxi* became a more diverse function in assisting private enterprises with running their businesses successfully, such as sharing information, saving on transaction costs, improving efficiencies in cooperation with government authorities and so on. A business leader may transfer those functions of *guanxi* from the external environment of a company to the internal one and build a leadership–*guanxi* relationship in order to strengthen organisational performance for future political uncertainties.

Implications of *guanxi* in China

Although *guanxi* is extant in other societies, Chinese *guanxi* is extremely pervasive and enjoys a dominant and significant status in daily life. Fox Butterfield describes *guanxi* in his book *China: Alive in the bitter sea* (1982) as follows:

> *Guanxi* provides the lubricant for Chinese to get through life . . . It was a form of social investment. Developing, cultivating, and expanding one's guanxi became a common preoccupation. The advent of the Communists had not fundamentally changed that. As a result, the Chinese have turned the art of personal relations into a carefully calculated science. There are even people who live entirely on their *guanx*i.

Hwang (1987), a prominent Chinese psychologist, interprets why *guanxi* is playing a dominant role in Chinese society from a cultural and systems point of view:

Surely, part of the answer is cultural. Through historical accident coupled with manipulation by political and cultural elites, in ways that we cannot now unravel, the Chinese have developed an elaborate vocabulary for thinking about interpersonal obligations and how they can be won or lost . . . The other part of the answer is structural. Historically and, to an extent, even in modern contexts, many Chinese have lived in encapsulated communities that are hierarchically organized, with major economic and other resources controlled by a few power figures who could subjectively allocate resources. In these settings, it has been imperative to be sensitive to one's social position and to the kinds of resources that one could elicit and be forced to give up through obligations incurred over long periods of time (Luo 2000, p.21).

Weber also (1951, p.209) notes:

The retention of 'personalism' is especially evident in its effect on social ethics. Hitherto in China no sense of obligation has existed toward impersonal communities, be they of political, ideological, or any other nature. All social ethics in China merely transferred the organic relations of piety to other relations of piety to other relations considered similar to them. Within the five natural social relations the duties to master, father, husband, older brother (including the teacher), and friend comprised the sum total of the ethnically binding.

To put it simply, *guanxi* is an interpersonal process of building and maintaining relationships between the mutual parties involved in order to overcome hindrances to achieve an expected goal (Alston, 1989). As regards the implications of *guanxi* in Chinese society, Yang (1986, p.35) says that *guanxi* 'lies in the skilful mobilisation of moral and cultural imperatives, such as obligation and reciprocity in pursuit of both diffused social ends and calculated instrumental ends'. The major Western perspective regards *guanxi* as studies in relationships, for instance, social exchange and interaction dimensions; transaction cost analysis (TCA). *TCA* refers to the behaviour of organisational activities, including bureaucracy (Williamson 1979), vertical integration of production (Williamson 1971; Klein et al. 1978), clan-like inter-firm relations (Ouchi 1980) and organisational culture. Social exchange cites various types of social interactions in which two parties are engaged in activities directed towards each other to exchange valuable resources (Dwyer et al. 1987, p.18). Both economic and social dimensions are useful in explaining dynamic elements of relationships, such as the Interaction Model by the European International Marketing and Purchasing Group to focus on the impact of mutual adaptation over time (Wong and Tam 2000).

One of the aims of research into *guanxi* research in Chinese culture has been to search for universally applicable personality, moral and regime characteristics, and it may be applied as a vehicle to manage the changes that have unleashed a process of development and the reforms that have stimulated China's massive economy to a typical market system in less than two decades (Wall 2009; Rawski 2007). *Guanxi* is a diverse cultural product of China's socio-economic systems (The Economist 2008). Luo (1997, p.44) suggests five principles of *guanxi*:

1. *Guanxi* is transferable. If A has *guanxi* with B and B has a relationship with C, then B can introduce or recommends A to C. Otherwise, contact between A and C is unlikely.

2. *Guanxi* is reciprocal. A person who does not return favour for favour will lose

    face (*mianzi*) and be considered untrustworthy. *Guanxi* exchanges, however,

    often favour the weaker partner. *Guanxi* often links two people of unequal

    status in such a way that the subordinate partner does not have to equally

    reciprocate.

3. *Guanxi* is intangible. It is established with overtones of unlimited exchange

    of favours and maintained by unspoken commitment to others in the network

    by this invisible and unwritten code of reciprocity. Disregarding this

    commitment can lead to loss of face (*mianzi*).

4. *Guanxi* is utilitarian, not emotional. *Guanxi* bonds two people through

    reciprocity not sentiment. Therefore, the relationship does not demand the

    parties be friends.

5. *Guanxi* is virtually personal. *Guanxi* does not have to have group connotation.

    Although rank is very important in Chinese organizations, guanxi operates

    primarily at the individual level.

Importance of *guanxi* in the business context

Guanxi is widely recognised as being important as a 'second currency' (Wall 1990) and 'social

capital' (Butterfield 1983) in the Chinese business environment, and given its reciprocal nature

the people involved would exchange assistance. Fan (2002) similarly suggests that *guanxi* is a

multi-approach interpersonal activity in the network of social connections and a transferable

social wealth (Tsang 1998). *Guanxi* has been analysed as relational demography (Farh et al.

1998), corporate governance (Braendle et al. 2005), ethical reasoning (Ang and Leong 2000;

Au and Wong 2000), relational morality (Tan and Snell 2002), human resource management

(Chen et al. 2004; Parnell 2005) and relationship marketing (Lee and Dawes 2005; Leung et al. 2005; Wong and Chan 1999). From the perspective of the consequences of *guanxi* on the performance of business organisations, Xin and Pearce (1996) cite that *guanxi* makes it possible to have a positive influence on the performance of an organisation, with such benefits as substituting for a formal legal structure (Xin and Pearce 1996), lowering transaction costs (Standifird and Marshall 2000), providing a competitive advantage (Tsang 1998) and so on.

Guanxi and interpersonal networks are generally defined as playing a particularly crucial role in the governance of business transactions in China (Li 2004, p.107; Standifird and Marshall 2000, p.22). For instance, they described that, by developing *guanxi* to include several other people that may also develop interpersonal relationships, the development of individual (bilateral) *guanxi* ultimately leads to a network of *guanxi*. A failure to follow the rules of reciprocity and equity in a *guanxi*-based relationship results in loss of face and being characterised as being untrustworthy. This, in turn, results in *guanxi* being eroded or even dissolved. *Mianzi* on the part of an opportunistic partner can permeate the entire network and result in the offending party being banned from the network. The cost of opportunistic behaviour is the threat of loss of exchange opportunities with all members in the network. Faced with the possibility of being expelled from a *guanxi* network ensures that an exchange partner does not act opportunistically (Bickenbach and Liu 2010).

The advantage of network membership is that the cost of assessing the competence and reliability of potential network partners is reduced. However, this comes at a price: establishing and cultivating personal relationships take time and other resources. Furthermore, having to choose, due to reciprocity, transaction partners from within one's personal network may exclude the choice of the most efficient trading partner and may prevent possible profitable

transactions with people outside the network. Not only are personal relationships with private business partners important in doing business in China, but so are personal relationships with government and party officials (Langenberg 2007).

In present day China, local and central government disposes of ample means of affecting the terms and the success of private business decisions. Business operations require licenses, permits and approvals from various governmental authorities, and are subject to numerous business laws and regulations. The requirements for obtaining licenses and permits, and the terms and interpretation of business regulations often lack transparency. They can differ substantially across provinces, districts and even towns, and are subject to frequent changes. Governments may also affect business success through its influence on the allocation of land use rights and of other scarce resources, and its decisions on subsidies, favourable tax treatments and government procurement contracts; and its influence on court decisions and their enforcement. (Langenberg 2007, p.143)

Against the background of public officials' numerous instruments and wide discretionary powers to intervene with business operations, business enterprises may have a strong interest in extending their networks of personal relationships to public officials. Personal relationships with public officials may be important for a wide variety of business-related activities. They can help to obtain mandatory licenses or permits; get early access to information about upcoming changes in government policies or other business-related information; obtain land use rights and to securing access to scarce resources (and to finance); or to obtain favourable tax treatment or subsidies (Standifird and Marshall 2000, pp.31, 35).

More generally, personal relationships with public officials can help to smooth business operations and to reduce the risk of expropriation caused by weak legal protection.

Implicit in the current definition of *guanxi* is '[a] network of interpersonal relationships and exchange of favours established for the purpose of conducting business activities' (Zhang 2006, p.375). *Guanxi* (relationship) launches dialogues and builds trust (Carolyn, Larry and Rajesh 2002; Lee and Dawes 2005); resolves channel conflicts (Mehta, Larsen and Rosenbloom 1996); and eventually establishes a long-term orientation relationship (Dunning and Kim 2007; Wong et al. 2007).

It was believed that the right *guanxi* was a vital factor in business negotiations, and could bring a wide range of benefits: securing rare resources, bypassing or short-cutting the bureaucratic maze, obtaining information and privilege, selling otherwise unsellable goods, and providing insurance against uncertainty and assistance when problems arose (Pye 1982; Butterfield 1983; Alston 1989). It is commonly recognised that the practice of *guanxi* is prevalent and important in Chinese society (e.g., Hwang 1987; Xin and Pearce 1996; Yeung and Tung 1996).

According to Fang (2002, p.544), *guanxi* is not only a unique artefact of Chinese culture, but also crucial capital of successful entrepreneurship. Osland (1990, p.4) states that it is 'a special relationship between a person who needs something and a person who has the ability to give something'. In similar research on the topic *guanxi* is diversely regarded as 'particularistic ties' (Jakobson 1999) and 'the exchange of favours' (Hwang 1987). Hwang (1987) states that the Confucian value of family *guanxi*; the reciprocal helper *guanxi*; and tactical business *guanxi* are the most common and essential in the formation of business relationships. *Guanxi* in

business has been defined as 'the use of someone's authority to obtain political or economic benefits by tactful persons' (*Dictionary of New Words and Phases* 1989, p.92). Morgan and Hunt (1994) identify *guanxi* as being individual social capital (or personal property) in China. Sharir and Lerner (2006) explain that *guanxi* is the Chinese's 'thoughtful values of hierarchy [that have been] associated with harmony and a reciprocal obligation to exchange favours'. Yang (1989, p.35) describes *guanxi* as lying 'in the skilful mobilization of moral and cultural imperatives, such as obligation and reciprocity in pursuit of both diffused social ends and calculated instrumental ends'. Fang (2002) similarly suggests *guanxi* is a multi-approach, interpersonal activity in the network of social connections, and Tsang (1998) sees it as transferable social wealth. For example, person A asks person B for assistance due to their special relationship; B may have the capability to respond; alternatively, B has to acquire further support from other connections through his or her own *guanxi*. During the past two decades in China, capitalising on the application of *guanxi* was determined as the most effective measure of success in entrepreneurship, including bribery and corruption (Tsang 1998; Hsiao 2003; Blackman 2000). *Guanxi* is proverbially recognised as a 'second currency' and should be used as a more rational and effective market-oriented tool, such as for securing crucial information and mobilising business resources (Thorelli 1986; Luo 1997; Pearce and Robinson 2000). Ambler (1994); Yeung and Tung (1996); Abramson and Ai (1999); and Simmons and Munch (1996) identified *guanxi* as one of the key success factors in doing business in China because it comprises the connection of sustainable competitive advantage in relationship marketing. For example, an enterprise is compelled to be more rationally and effectively market-oriented without this 'second currency' in the relationship-based context, otherwise this enterprise's products will not be acceptable in markets. Another example is that the decision to promote management staff is usually determined by relational closeness rather than by merit.

Guanxi remains prevalent and important in modern Chinese social and commercial concepts. To achieve success in the business culture in China, priority would traditionally be given to related parties who have embedded implicit mutual obligations in some relationships. Moreover, convincing evidence of the key benefits of *guanxi* is that it advances valuable information on government policies and business opportunities (Davies et al. 1995). Another key benefit is *guanxi* optimises the allocation of personal resources by improving efficiency and shrinking transaction costs (Davies et al. 1995; Lovett et al. 1999).

However, Fock and Ellis (2000) provide a different suggestion: cultivating and maintaining *guanxi* is perceived as time-consuming and a waste of money. Chen (2009), reports that some companies intentionally eliminate, or scale down, on the implementation of *guanxi*, the so-called *guanxi* avoidance. In the process of applying *guanxi*, the consumed financial and managerial resources may not generate the specified delivery time or valuable quality of the benefit. Indeed, according to a survey of 295 managers in China, business *guanxi* is deemed to be 'nepotism and favouritism' (Fu and Zhu 1999, Fang 2002 p.376). A simple estimate of what guanxi is ethically acceptable and what benefits it has in business are unlikely. However, the aftermath of the application of *guanxi* may widely lead to advantages, neutral positions or even be problematic (Fang 2002).

Essentially, the success of entrepreneurship in the Chinese market has been greatly influenced by a tactical application of *guanxi* in two important factors: (i) market demand and (ii) industry regulation. For example, Figure 2.2 presents an analysis of the role of *guanxi* in the development of business in different types of markets (Yeung and Tung 1996; Tsang 1998; Abramson and Ai 1999; Park and Luo 2001).

Industry

	Regulated	Non-regulated
Seller's market	Cell 1 Very important	Cell 2 Important
Buyer's market	Cell 3 Important	Cell 4 Irrational

Market

Source: Yeung and Tung (1996); Tsang (1998); Abramson and Ai (1999); Park and Luo (2001)

Figure 2.2: The effect of guanxi *on the development of businesses in different types of markets*

Cell 1 represents an entrepreneur facing a seller's market for its supply in a regulated industry. *Guanxi* is extremely important for the success of this type of business. Cells 2 and 3, demonstrate a situation in which an entrepreneur faces a single factor, either market or regulation. Here *guanxi* is a partly important element in business, because a buyer in a regulated industry needs *guanxi* to secure supply, while the seller relies on *guanxi* in a non-regulated industry to be paid. Notably, In Cell 4, if an enterprise does not buy products from a seller who is a *guanxi* partner in a non-regulated industry, the seller would be bankrupted. Therefore, the success of business in this environment is extremely dependent on the product quality and price, whichever is best in this dimension.

In a Western business environment, although there are examples of successful relationship-oriented business approaches through personal resource networks, the nature and scale are by no means comparable to the Chinese *guanxi*. For instance, in the West, if there are restrictions on entrepreneurship formation in an industry, it is impossible for entrepreneurs to pass through the government policy or regulatory barrier. However, in China, if an entrepreneur has 'hard'

guanxi, put simply, his or her business will be more effective and will overcome some regulations through appropriate official justification because it is able to connect to essential government authorities. Conversely, *guanxi* also has a negative side for entrepreneurs embarking on new ventures in China. For example, in the unregulated industries, it is still hard to conquer the market without the implementation of *guanxi*. However, it may directly and effectively achieve the goal in Western countries (Liu 2009). See Figure 2.3:
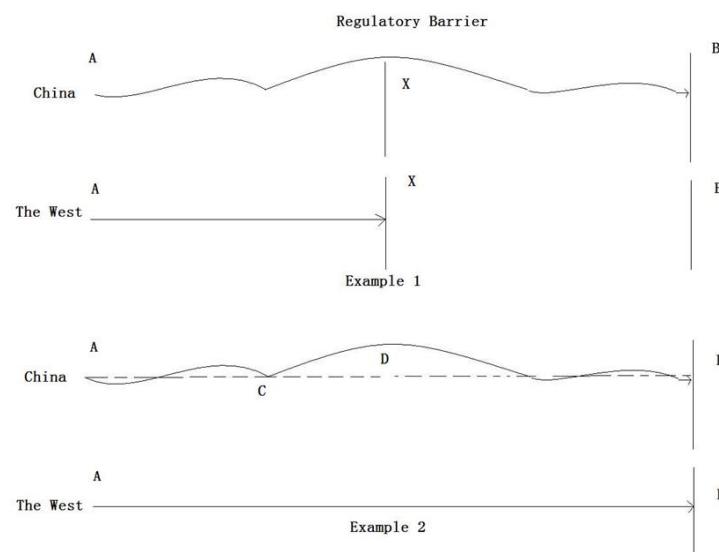
Source: Liu (2009)
Figure 2.3: The effect of guanxi *on regulatory barriers and non-regulatory barriers*

The Chinese proverb: 'The rules are fixed, the people are flexible' explains the scenarios sketched in Figure 2.3. Implicit in this proverb is that interpersonal relationships could bypass the absence of a formal structure of laws and regulations, once they have been cultivated, and connections and trust have been established. The result is that business conduct is easier. As explained earlier, the Chinese word '*guanxi*' is composed of two words: '*guan*' (an entrance or hindrance) and '*xi*' (a method or an approach). *Guanxi* therefore stands for 'overcoming a hindrance and achieving connections' (Don and Dawes 2004). For example, *guanxi* plays a significant role in the success of an innovative business project (i.e., reaching its goal) because it determines whether or not it would be allowed to enter the restricted or regulated industry.

Conversely, in Western countries it is impossible to make a new venture succeed (attain its goal) by breaking regulations.

Accordingly, the most effective way to expand a business is to increase the need for relationships. With the rapid globalisation of development, even China is in the throes of large-scale legal reform. Despite this, relationships are still extremely crucial for assuring the success of a venture. Therefore, there are sharply differing aims and purposes to law in China, 'the rules of conduct' are the ethics and standard of behaviour required in a Confucian society (Morgen and Chao 2009, p.96). Social pressure rather than legal instruments is used to ensure compliance (p.96).

The literature on *guanxi* (from 1977 to 2000) has been structured in order to compare the changes in the role that *guanxi* has played in the different business environments (Table 2.2):

Table 2.2: Literature review of guanxi

Author(s)	Finding
Earlier studies	
Brunner and Taoka (1977)	The role of *guanxi* in business negotiations.
Alston (1989)	*Guanxi* is basically utilitarian rather than emotional.
Brunner and Koh (1989)	A model on how to establish and maintain *guanxi*.
Non-business studies	
Jacobs (1979)	Detailed analysis of the *guanxi* bases.
Gold (1985)	*Guanxi* used as instrumental tool to get things done.
Yang (1986, 1994)	A comprehensive study on *guanxi* and its role in social relationships.
Hwang (1987)	
Bian (1994)	*Guanxi*, face-saving and power game.
Kipins (1997)	The essential role of guanxi in the allocation of urban jobs. Examining the roots of *guanxi* in rural kinship and ethics.
Recent studies	
Ambler (1994)	Transactions follow the building of successful *guanxi*.
Davies et al. (1995)	The benefits of *guanxi*: the smooth operations securing information and resources.
Simmons and Munch (1996)	*Guanxi* is the Chinese version of relationship marketing.
Yeung and Tung (1996)	*Guanxi* is more important in the initial stages of entering the Chinese market and emphasised by small firms.
Xin and Pearce (1996)	Under a weak legal system, private firms are more dependent on *guanxi* as protection.
Luo (1997)	*Guanxi* variables were positively related to the performance of foreign-funded enterprises.
Arias (1998)	*Guanxi* is a prerequisite for a business relationship.
Fock and Woo (1998)	Absence of commitment distinguishes *guanxi* from relationship marketing.
Tsang (1998)	A good *guanxi* network is a necessary, but not sufficient, condition for business success in China.
Wong (1998)	A *guanxi* model helps firms' key account management.
Abramson and Ai (1999)	*Guanxi* identified as a key success factor for Canadian companies in China.
Ambler et al. (1999)	The impact of *guanxi* on inter-provincial export.
Lovett, Simmons and Kali (1999)	*Guanxi* is evaluated from ethical and efficiency perspectives. *Guanxi*-based business practices offer cost advantages.
Standifird and Marshall (2000)	The benefits and costs of *guanxi* activities.
Yi and Ellis (2000)	Cultivating *guanxi* is essential for Western firms in China.
Pearce II and Robinson (2000)	*Guanxi* and relationship marketing are two totally different constructs with no links.
Fan (2000a)	*Guanxi* [. . .] involves the use of personal and/or inter-firm connections to secure favours in the long run.
Lee and Humphreys (2007, p.451)	*Guanxi* is supported by reciprocal obligations in China.
Lee and Oh (2007, p.98)	*Guanxi*, as compared to social capital in the West, tends to be more personal and enduring and involves more exchanges of favours.
Tung et al. (2008, p.69)	
Wei et al. (2009, p.439)	*Guanxi* refers to [. . .] an extended network of interpersonal relationships which involves the exchange of favours

According to the literature review of *guanxi* set out in Table 2.2, the role of *guanxi* is considered an approach to follow in business negotiation; an instrumental tool to 'get things done'; a 'smooth operations-securing' information resource; a Chinese version of relationship marketing; an important element in the initial stages of entering the Chinese market; an influencing force that is positively related to the performance of foreign-funded enterprises; and an efficiency measurement. However, there are few studies on the role of *guanxi* inside organisations, that is, how *guanxi* could be applied inside organisations to influence leadership and employee performance.

Moreover, it is evident that *guanxi* has been applied in exploring and maintaining external relationships with business elements by a body of literature that explored its impact on business management in Asia, and China specifically (e.g., Hofstede and Bond 1988; Yeh and Lawrence 1995; Ornatowski 1996; Robertson 2000). China becomes one of the most challenging markets around the world in spite of its complexity and difficulty. It is essential to understand Chinese organisational culture in order to establish happy leadership and management (Veldhoen et al. 2014. Tornow (1993) found that a good understanding of organisational culture lead employees to build up a positive relationship with the organisation. Conversely, employees' dissatisfaction with the benefit reflects a negative relationship with organisational performance due to irrelevant leadership practices. Thus the application of *guanxi* has equally played an important role in leadership through the intelligent Chinese characteristics (Yan 2005).

Current external *guanxi* models

The current literature reviews of the *guanxi* model still lack information that would clarify how *guanxi* works and its role in business performance. For instance, Wong and Tam's (2000) SPACE model (Figure 2.4) states that the 'SPACE' approach to the *guanxi* network dynamic because of the poor legal systems and government's discouragement of ownership of personal economic capital leads Chinese people to save 'symbolic' capital in terms of *guanxi* in business networks, and to apply dynamic mobilisation of resources through their own effective and efficient 'mutual' *guanxi* networks in order to achieve flexibility and adaptation in business– business relationships.
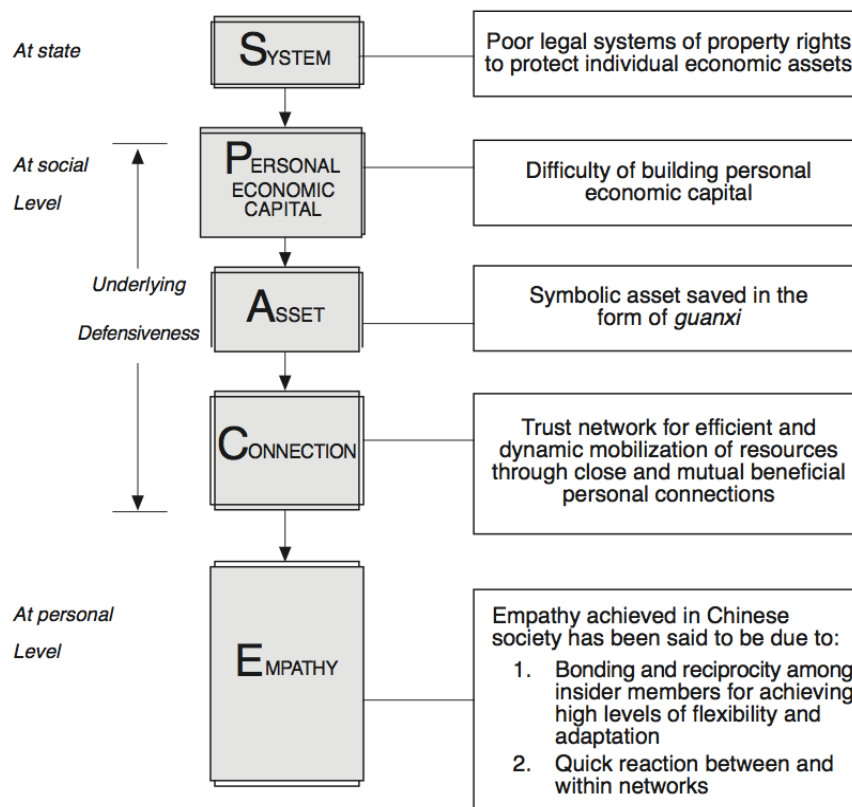
Source: Wong and Tam (2002)

Figure 2.4: Wong and Tam's SPACE model

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Furthermore, the authors constructed the 'implementation of *guanxi* as the interaction of 'mind and heart approach' to illustrate how this self-contradictory issue of 'mind' and 'heart' could be handled by the Chinese and how they could build harmonious dynamism.
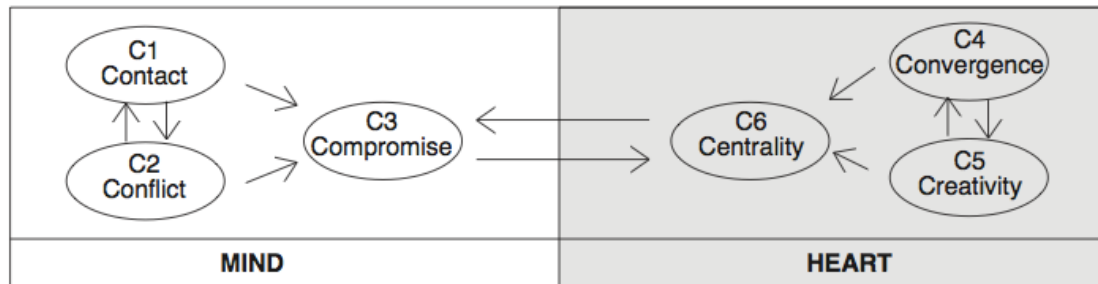
Source: Wong and Tam (2000)

Figure 2.5: Wong and Tam's implementation of guanxi*: Interaction of 'mind and heart' approach model*

However, their *guanxi* models only generally illustrated how *guanxi* operated in the macro environment and were limited in business–business relationships. It is necessary to deepen this interaction of mind and heart approach and extend it to the implications for business practice.

Wong and Leung's (2001) structural model of *guanxi* and relationship performance, in their research on Chinese business relationships (*guanxi*) and the processing model for building a *guanxi* network identified four key components for driving, constructing and strengthening *guanxi*: (i) dependence, (ii) adaptation, (iii) trust and (iv) favour. For example, here dependence indicates 'no organization is able to generate internally all the resources and functions it requires. Resource acquisition is usually problematic and involves uncertainty, firms are expected to adapt to each other according to the degree of their mutual dependence' (Buttery and Wong 1990, p.151). Wong and Leung (2001) testified that trust, adaptation, and favour influenced the quality of *guanxi* positively and dependence impacted negatively on the quality. The better the quality of the *guanxi*, the better the relationship performance outcome will be,

such as, for example, reducing termination costs and improving sales performance and formalisation.
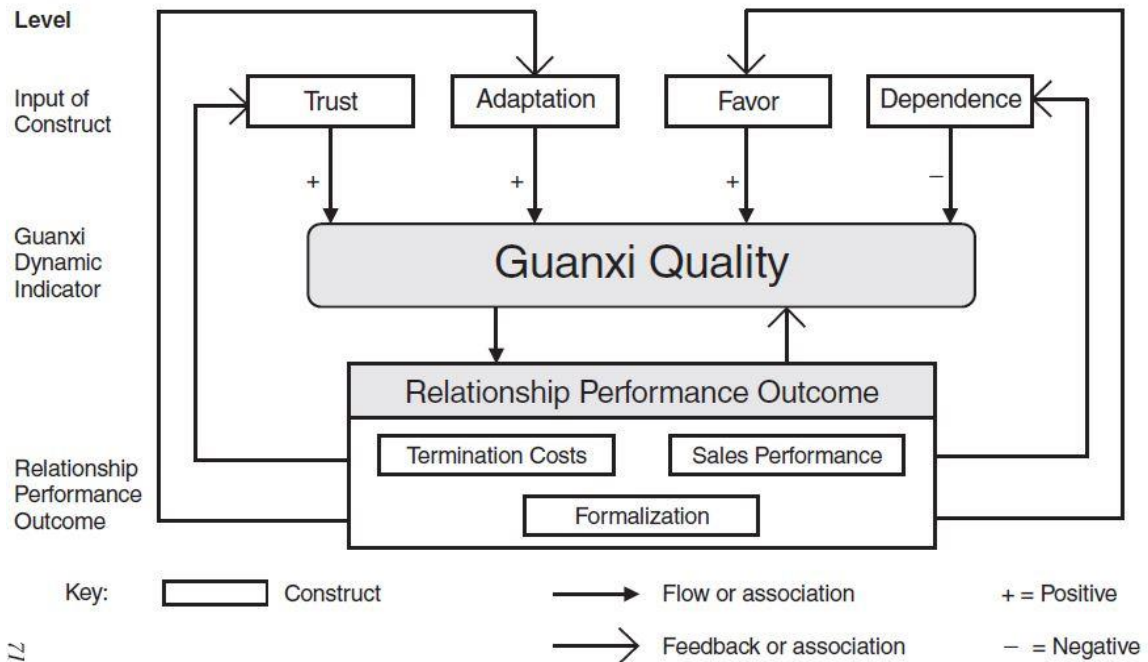
Source: Wong and Leung (2001, p.71)

Figure 2.6: Wong and Leung's principle of interactions between input of construct and performance outcome

Wong and Leung's principle of interactions in performance outcome only proved that good *guanxi* could reduce termination cost and improve sales performance. The researcher absorbed and integrated six influential factors into the adaptation of internal *guanxi*. The researcher assumed that internal guanxi should comprise all these aspects if it is positively related to Chinese leadership and this good *guanxi* quality would also positively affect more relationship performance outcomes, such as leadership performance.
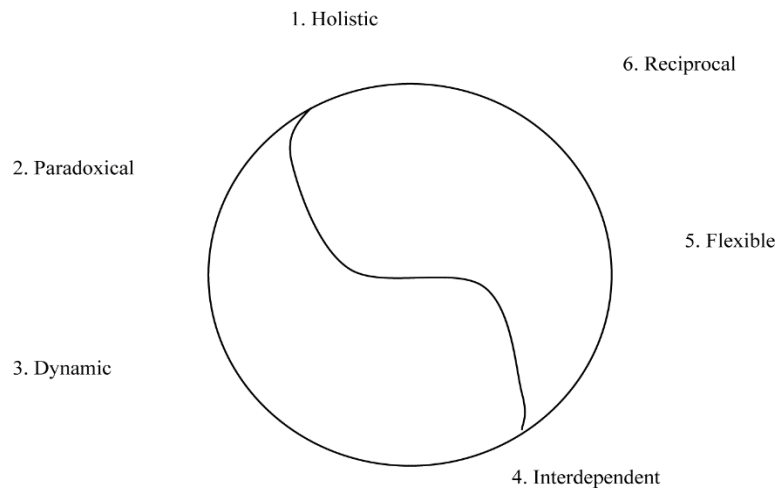
Figure 2.7: Guanxi-*oriented model of human resource management (HRM)*

Law and John (2009, p.324) describe human resource management (HRM) as follows:

Holistic: 'the *guanxi*-oriented model of HRM first assumes a holistic approach given the importance of recognising the interdependence of every single element and factor (that operates in the principle of an organism)'.

Paradoxical: 'the *guanxi*-oriented model of HRM recognises the existence of paradox, or that everything has contradictory reasons and every action will always lead to opposite consequences'.

Dynamic: a *guanxi*-oriented HRM model is dynamic to the extent that it recognizes that every element and process is changing and each element influences the other.

Interdependent: *guanxi* means that each interpersonal relation concerns at least two persons, and his or her related elements and systems.

Flexible: *guanxi* assumes that people are flexible and accept that there are many options in any situation.

Reciprocal: a *guanxi*-oriented HRM model recognises that *guanxi* is different from the 'fairness' or 'equality' as understood by most in Western society. It is a process of relationship and trust building through reciprocal exchanges of favour.

Evaluation of previous *guanxi* models and a new conceptual model

Law and John's (2009) *guanxi*-oriented model of HRM raised six important influential factors that greatly impacted on the performance of HRM. However, the present researcher assumed that internal *guanxi* had similar features and it would have greater influence, such as strengthening leadership performance.

The researcher used the Buttery and Wong (1999) SPACE theory and constructed a new integrated *guanxi* model to try to explicate how to cultivate and adapt *guanxi* in social and organisational activity: the 'principle of external *guanxi* applied in leadership practice'.

The researcher anticipated that the most important aspect of this SPACE model was the adaptation. This adaption has been applied in the new conceptual model, which consists of three components: (i) the formal system, (ii) internal *guanxi* and (iii) Chinese leadership. The conceptual model indicates that there are three main anchors to support a Chinese organisation in order to be successful. Wong and Tam stated that the SPACE approach to the *guanxi* network was dynamic on account of the poor legal systems and government discouragement of ownership of personal economic capital, Chinese people appear to save 'symbolic' capital in

terms of *guanxi* in business networks and to apply dynamic mobilisation of resources through their own effective and efficient 'mutuality' in *guanxi* networks in order to achieve the flexibility and adaptation in their business–business relationships. Therefore, the researcher used the same principles of *guanxi* applied in external business practice to develop a conceptual model of internal *guanxi* in Chinese enterprises. The findings of a pilot study were used in this model. Three components in a *guanxi* network dynamic were used on account of the rigid/imperfect formal system, and flaws in leadership behaviour. Chinese employees appear to apply dynamic mobilisation of resources through their own efficient internal *guanxi* network in order to achieve flexibility and adaptation of leadership performance.

Chinese private company

Formal system

Internal *guanxi*

Chinese leadership
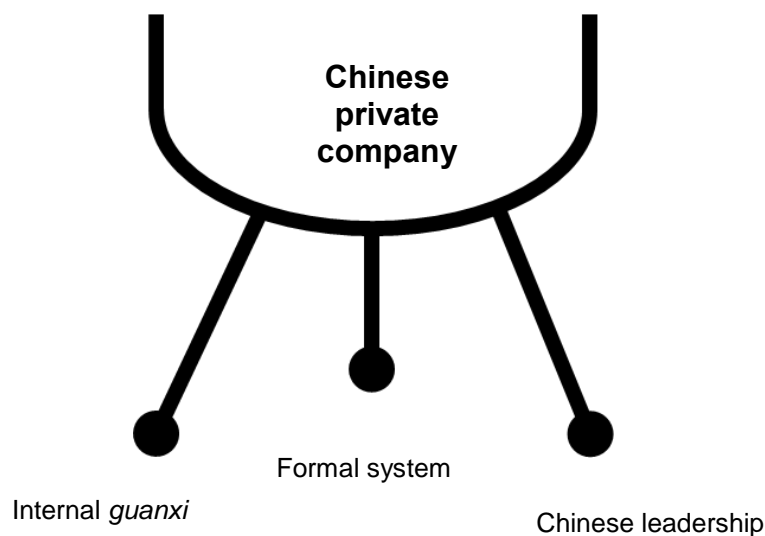
Legend:

A model of internal *guanxi* of adaptation

The main part of a Chinese private company

The backbone of a Chinese private company

Figure 2.8: A conceptual model of a Chinese private company

This conceptual model helped the researcher anticipate the effect of internal *guanxi* in Chinese leadership behaviour in a private Chinese company and understand the adaptation of the formal system and internal *guanxi*. Furthermore, the model is used to identify the distinctions in leadership behaviour between Chinese and Western business conduct.

According to the current literature review, the researcher's pilot study and personal case studies, the researcher assumed three equally weighted and balanced legs that should effectively support Chinese private companies. In this new adaptation model adaptation represents the perfect combination of three significant components, namely (i) Chinese leadership, (ii) the formal system and (iii) internal *guanxi*. For the adaptation of internal *guanxi* to leadership and the formal system, six propositions could be generated. These six propositions indicate that internal *guanxi* might positively influence leadership behaviour and employee performance. In the following chapter, the researcher discusses the three concepts, especially internal *guanxi* and Chinese leadership.
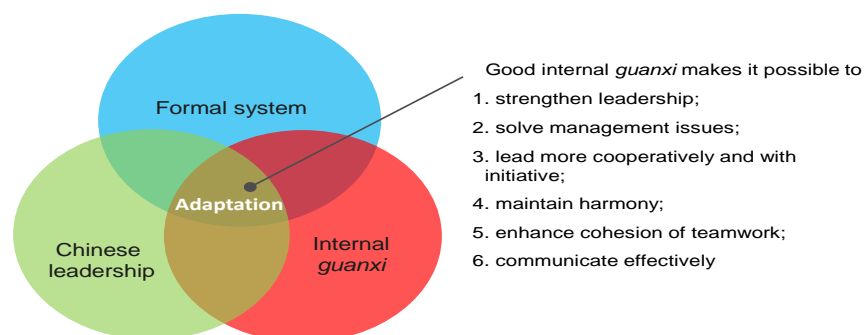
Figure 2.9: Adaptation

Adaptation

Adaptation refers to the Chinese distinction between the characteristics of *guanxi* and how they are applied to working in a complex environment filled with conflict and tension in order to achieve success by making changes. According to Wong's empirical study (2009), *guanxi* functions as complicated adaptive systems that extend and interconnect with one another and develop into a well-knitted social network.

> And the *guanxi* network, well-fixing and self-reinforcing, synergistically activates internally, externally and interactively, which shows its extreme flexibility in adaptation that enables leadership with better management, which supplements the leader-member exchange theory (LMX; Graen and Uhl-Bien, 1991, 1994). Therefore, in an organization, leadership that adopts and leverages the guanxi mechanism in constructing and managing can make the system resourceful, contingent, and adaptive to make changes. (Wong 2009, pp.420)

Adaptation reflects the Chinese preference for being elastic and tractably adapt to conditions within the security of a *guanxi* system, and to unsuspectingly meld the other members of this system (Lee and Ellis 2000; Wong 2009). This system provides a tightly knit social framework in which individuals are protective of one another and organisations safeguard their members' interests (Lee and Ellis 2000; Wong 2009). Many scholars suggested that China was typified by the 'government of people', whereas the West is typified by the 'government of law' (Chang 1976). The cultural value of 'government of people' could also be interpreted as demonstration of a society governed by *guanxi* (Chun and Graen 1997).

This system of adaptation, based on this particular cultural value of *guanxi* is commonly recognised by all Chinese and not only characterises the hierarchical structure in an organisation, but also regulates the interactive norms between individuals (leader and subordinates; peers) which, in turn, intensifies the system. In *guanxi* networks, the original system is destroyed by the chaos caused by a newcomer's joining, which is followed by reforming, restructuring, and strengthening. In order to achieve mutual adaptation, and reconciliation, individuals surpass themselves to acquire the group characteristics and reach integral harmony' (Wong 2009; Waldrop 1992).

Adaption as a key dynamic ability is considered critical in order to help organisations adapt to environmental changes through integrating, building, and reconfiguring internal and external competences (Teece 2007; Teece et al. 1997; Zhou and Li 2010). It indicates an organisation's competence to identify and exploit opportunities and emphasises the flexibility of the company to re-orientate its internal resources quickly to accommodate having constantly to cope with external requirements (Gibson and Birkinshaw 2004). Hkansson (1982) defined an adaptive capability as a type of competence related to problem-solving and speedy responses to external changes. Ansoff et al. (1976) deemed that it represented the internal capacity of an organisation to respond. Simply, the adaptation motivates people to make an effort to diagnose and deal with challenges collectively and effectively. The internal *guanxi* concept may be part of this adaptation system already; people may employ it on a daily basis in their work already. However, it is necessary to illustrate this phenomenon by using a scientific model to make people understand how it works and why it is important for Chinese leadership performance.

System

To demonstrate, the Chinese prefer to establish and maintain a dynamic system of *guanxi* rather than follow the Western model of exchanging goods or services for creating wealth.
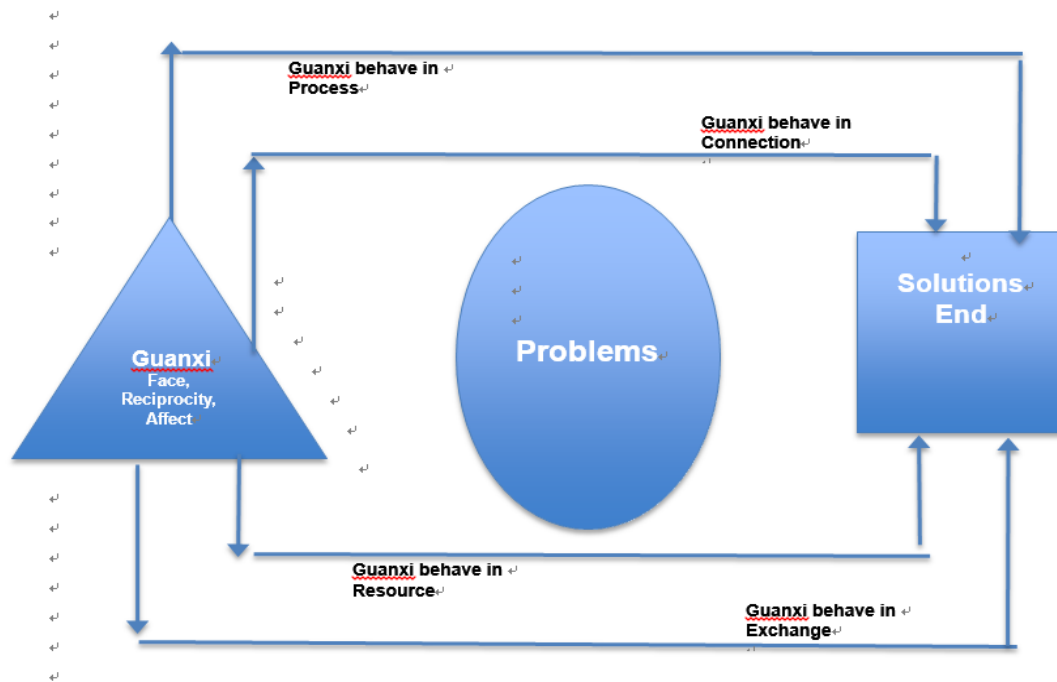
Figure 2.10: Guanxi *behavioural procedure system*

In this social system, the Chinese are fully aware of saving face, the principle of reciprocity and the affection theory in order to construct their own *guanxi*. Simultaneously, *guanxi* is the resource, the exchange, the connection and the process for obtaining solutions by overcoming the obstacles (problems). People with wider and stronger *guanxi* in society will have more resources to manage and are thus well positioned to benefit in various ways, such as life satisfaction gained from cooperation, and obtaining individual power and opportunities.

i   When *guanxi* acts as the connection, it is a dynamic and working process; just like an electric circuit, which can be activated or disconnected. 'People with *guanxi* are as

though they carry special switches with them, and if you get involved with one person, you're suddenly involved with a whole network . . . Complex personal relationships, built of layer upon layer of interlocking connections, formed a dense net' (Liu 1983). *Guanxi* lies in the multi-dimensional development; one single *guanxi* enables the development of more *guanxi* connections. Thus the more *guanxi* (connection) one has, the more doors (opportunities) are opened for the privilege of interaction.

ii   When *guanxi* acts as the exchange, it is the reciprocal process between two parties or two people for a certain purpose. The *qinq*ing (affection for the loved ones), *ganq*ing (emotion shown to friends) or *renqing* favour (human debt to acquaintances) has been considered to be the main exchange factors. The favour in the exchange process could be intangible as in information, commission or tangible as in property, jobs or any other products or services.

Guanxi exchange normally starts from the petitioner A and the allocator B (Hwang 1987) but may involve more parties later during the process. For instance, B was willing to help A, but had no resources or ability at hand. Thus B was looking for further support. In addition, *guanxi* exchange is contingent in terms of value and time.

There is neither a fixed rule nor specific value of what is being exchanged or when the exchange will be completed. It all depends on the circumstance and the relative position of the parties involved. The whole process is informal, complicated and non-transparent, which may create uncertainty in the process as the outcome of exchange is not always predictable nor what the party expected.' Thus, the consequence of *guanxi* exchange depends on the type of

nature of *guanxi*, whether reciprocity is applied and how the favour is returned.

(Yeung & Tung, 1996)

iii   When *guanxi* acts as the resource, it has been defined as 'a form of social investment or social capital, an important resource that a person can tap into when there is a need to find help or support' (Butterfield 1983). To construct and maintain this resource is like paying money into the *guanxi* account or purchasing an insurance policy for getting assistance whenever needed. In the process of exchanging a resource or favour, which has been regarded as a set of assets and liabilities linked to a *guanxi* account, each *guanxi* transaction will add to, or subtract from, the balance in the account. Xin and Pearce (1996) and Luo and Tsang (1997, 1998) cited *guanxi* as a type of organisational resource and capability that not only influences the organisation's performance, but also enables the creation of competitive advantages.

iv   When *guanxi* acts as a multi-process, it represents each process of personal interactions that initially involves two individuals (A and B). When A is looking to B for assistance (favour) in finding a solution to a problem, B may or may not have the resource or the solution, but more often, B has to seek further collaboration from his or her own connections (*guanxi*), that is, start another process.

Summary

Generally, existing *guanxi* models have focused on the application of the external way of overcoming difficulties, to obtaining information and exchanging resources in order to achieve a business goal. If business leaders can employ *guanxi* successfully outside their organisations,

they could apply the same principles in building *guanxi* inside the organisation to deal with leadership challenges. There are few *guanxi* models that refer to the implications for the internal organisation. Are there any similar studies that refer to internal *guanxi* application in leadership behaviour? The researcher reviews what Chinese leadership is and identifies the crucial features of Chinese leadership behaviour, such as Chinese personality, organisational culture and implications of *guanxi* inside organisations.

In the chapters that follow the researcher discusses current similar studies on the internal role of *guanxi* in Chinese organisations and develops three internal *guanxi* models for influencing leadership performance in the Chinese business context.

CHAPTER THREE: LEADERSHIP

Key factors for successful leadership

It is hard to capture and examine what the remarkable traits are that influence the success of leadership given the complexity of human behaviour. The trait approach not only entails 'making decisions across different cultures, circumstance, personalities and desires, but also making plans more feasible, desirable and acceptable to the organisation or followers' (Bryman 1992,). The prominent traits are determinants of the success of enterprises. A leader needs to be charismatic in the sense of being visionary, that is, to be 'future-oriented, and to have foresight, to be prepared, in a fashion that can be considered intellectually stimulating for the organisation' (Jung and Sosik 2006). Modest and patient personalities are also significant, and can arouse subordinates' aspiration and ambitions; they can allow them to take ownership of their own development. In addition, the prominent traits help leaders to provide insight into the needs and wants of team members, internal management, and external suppliers.

Furthermore, certain integral competencies are also important for the implementation of strong leadership. The following are some of the competencies required of a good leader (Phelps 2001):

i   *Exchanges information effectively and accurately:* To establish good communication, a leader needs to encourage others to speak freely.

ii *Understands the needs and characteristics of the group:* To deploy human resources optimally, a leader needs to understand everyone's resources, including people's skills, attitudes and background.

iii   *Controls the group:* To coordinate individual efforts better for collective purposes, a leader needs to deploy the people under his or her control to promote control and encourage useful participation.

iv   *Evaluates:* To inspire the group to reach higher goals, a leader constantly needs to evaluate how the group is doing and judge a situation against a standard.

v   *Shares leadership:* To accomplish greater efficiency rather than one person handling a job alone, a leader should have full confidence in the group and identify some of the generic roles that can be distributed among all members.

vi   *Plans:* To get the jobs done and keep the group together in all kinds of situations, a leader needs to use specified skills to identify the nature of a given task and to apply guidelines for determining and analysing problems in order to solve them.

Last but not least, an organisational culture should be associated with the leadership as a means of developing sustainable competitive advantage. The organisational culture is seen as an effective way to do business, which illustrates that the organisation can retain and enhance its competitiveness in the overall strategic direction of development. The culture that is more suited to small or medium organisation is a 'sharing' culture in order to deploy everyone's resources. Culture can be utilised in many dimensions including internal orientation, external orientation and human resource orientation.

In addition, Drehmer and Grossman (1984) constructed a framework to illustrate how to develop an effective leadership system in business:
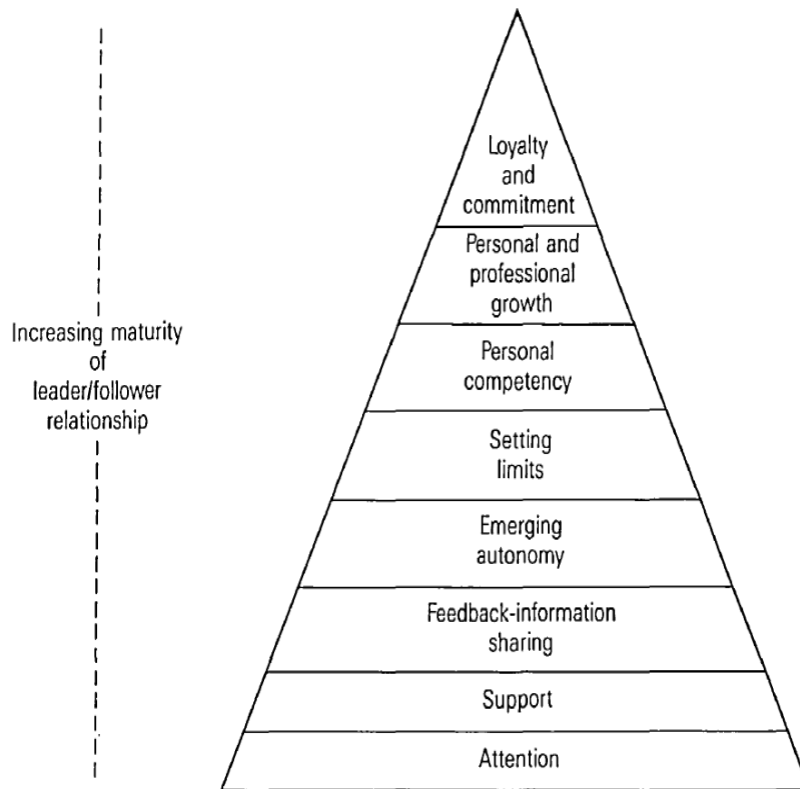
Source: Drehmer and Grossman (1984)

Figure 3.1: How to develop an effective leadership system in business.

i   *Attention:* This stage represents the leaders' or managers' willingness to provide attention and time to help resolve work-related problems.

ii   *Support:* This stage involves the leader providing managerial support for problem solving. The leader's behaviour may apply to relatively immature subordinates.

iii *Feedback information sharing:* This stage describes that it is necessary to establish a system where the subordinates view the leader as being able to give appropriate feedback and recognition, and explain information about important matters.

iv   *Nurturing:* This stage demonstrates that a leader may share ideas and interpersonal feelings with his or her subordinates. This type of strong relationship orientation is correlated with effective leadership.

v   *Emerging autonomy:* This stage focuses on relationships. It requires a process to solidify the employee's self-esteem and feeling of belonging.

vi   *Setting limits:* This stage emphasises the fact that the leader needs to control appropriate organisational roles for the employee. It is crucial that this process is not a judgmental effort on the part of the leader but a constructive one.

vii   *Personal competency:* This stage suggests that the leader should regard talented people as high achievers with good task skills and a strongly developed personal sense of responsibility towards their work.

viii *Independent personal and professional growth:* This stage illustrates that a leader needs to provide a form of intrinsic motivation, especially so that the employee can gain enough personal maturity and self-confidence.

ix   *Loyalty and commitment:* This is the final stage. There is a primary bond between a leader and employees. The employees feel that they are part of the organisation; in other words, the leader and employee become like a family to the individual in a contributory context.

Leadership practices that are successful in one culture are likely to be unsuccessful in another if cultural differences are not considered (Blunt and Jones 1992; Dorfman et al. 1997 Gao et al. 2011; Gutierrez et al. 2012; Jogulu 2008; Law 2012). As Yukl (2006: p.11) notes, 'the selection of appropriate leadership performance criteria depends on the objectives and values of the person making the evaluation'. Thus the researcher selected some of the most common but typical features of Chinese leadership behaviour to discuss. For instance, Chen and Lee (2008) considered that good Chinese leaders might be 'a model and a source of inspiration for their followers by applying persuasiveness rather than coercion; develop harmony with nature and with others; and setting a personal example by encouraging fairness'. As regards relational-oriented behaviours relative to Chinese leadership, the researcher considered Chinese leaders'

behaviours more than likely to be of the transformational leadership type. This is explained by a 'Chinese leaders' ability to transcend the individual interests of the subordinates fits perfectly with the Confucian definition of the sagely king or the superior gentleman (Yang, Peng and Lee 2008)' (Lau 2012, p.3). In studies on democratic leadership, Chinese leaders highly respect individual group members and are approachable (Gastil 1994), participative (Kahai, Sosik and Avolio 1997) and empowering (Conger 1989; Srivastava, Bartol and Locke 2006). In additional, self-sacrificing behaviour has been regarded as an effective approach to promote affiliation with the team members and the organisation (De Cremer, van Dijk and Bos 2004). *Affiliation-oriented organisational citizenship* behaviour refers to individual open behaviour which encourages or reinforces interpersonal relationships (*guanxi*) such as co-operative behaviour, respectful behaviour and altruism (Van Dyne and LePine 1998). Moreover, Gao and Shi (2011, p.787) deemed that

> Perceptions of interpersonal trust allow individuals to accept vulnerability to others and thus promote risk-taking behaviours (e.g., Colquitt, Scott, & LePine, 2007; Mayer, Davis, & Schoorman, 1995; Rousseau, Sitkin, Burt, & Camerer, 1998). Based on this central tenet from the trust literature, we argue that employees who trust their leader are likely to feel safe and comfortable about the ways in which the leader will respond to their voice, thereby increasing the likelihood that they will actually engage in expressing their opinions and ideas about workplace issues, actions of others, or needed changes.

Using Kouzes and Posner's (2012) 'How to make extraordinary things happen in organizations' and Ramakrishnan's (2013) 'Managerial leadership in multicultural organizations: Challenging the challenges of globalization', the researcher refined some key characteristics that might

make Chinese leaders rethink their leadership behaviour in future challenges. Based on the above discussion, seven features of leadership behaviour have been abstracted, namely (i) role modelling, (ii) inspiration, (iii) democracy, (iv) sacrifice, (v) initiative, (vi) vision and (vii) trustworthy.

Leadership is essential for the empowerment of the resources of an organisation or a community to achieve its desired goals. In reality, lack of good and effective leadership in all spheres of human endeavours could hamper societal development, specifically in China, which is developing rapidly. The alarming state of some of China's infrastructure, lack of progress in technology, high illiteracy rate and other societal shortcomings are as a result of flawed leadership, and thus the internal application of *guanxi* exhibits more crucial influence on the extent of the deficiency in leadership performance. Will this internal *guanxi* be another innovative measure to develop leadership performance based on culture influence theory?

The difference between Chinese leadership and Western leadership

Westerners focus on leaders but the Chinese concentrate on the collective activities of subordinates (Conte and Novello 2008). Western leadership theory has mainly focused on profit generation (Wren 2005), giving rise to specialist rather than generalist leadership practices (e.g., Hesselbein and Goldsmith 2006; Pitcher 1995). Specialist practices include establishing a clear vision for followers (e.g., Beddell et al. 2006; Pitcher 1995; Scharmer 2009; Schein 2006), introducing innovation (e.g., O'Sullivan and Dooley 2009), cultivating human relations (e.g., Chen and Tjosvold 2007; Kassing 2007) and deliberating (e.g., Mintzberg et al. 2003; Nonaka and Zhu 2012), which is considered a programmatic and thoughtful procedure (Chen and Wu 2006; Franken, Edwards and Lambert 2009). Against this background, followers

(Wang 2006; Wren 2005) are concerned about the impersonal contents of production. 'An analysis of the plethora of Western management theories suggests that the discussion of objectives is given the highest priority (e.g. Drucker, 2003) followed by command (e.g., Amernic et al., 2007), tactics (e.g., Mintzberg et al., 2003), and finally personnel' (Zhang and King 2014, p.5).

Recent studies have shown that leaders are now supposed to cope with personnel matters, for example,

> to respect their subordinates (Alban-Metcalfe & Alimo-Metcalfe, 2009; Caldwell & Canuto-Carranco, 2010; Chen & Lee, 2008; Mohr & Wolfram, 2008; Van Quakabeke & Eckloff, 2010), interact politely (Bowe & Martin, 2007; Kadar & Mills, 2011), value the contributions of subordinates (Caldwell et al., 2008; Hui et al., 2007), involve subordinates through communication (Franken et al., 2009). Such humane considerations are found in Chinese leadership approaches (Chen & Lee, 2008; Fu et al., 2007; Jung et al., 2010.) (King and Zhang 2014)

Some researchers have identified flaws in, and recommended reforms for, Western leadership practices. For example, Latham and Vinyard (2005) suggest that communication with employees is one criterion by which to measure leadership in an organisation. Transparent communication with employees helps leaders understand employees' values and fosters good leadership behaviour (Goodall 2007).

Chinese leadership theory indicates that a leader can be a model and a source of inspiration for subordinates by using persuasion rather than coercion. Chen and Lee (2008) note that the

traditional Chinese leadership philosophy in the ancient Chinese military strategist Sun Tzu's 'The Art of War' has been represented in the interpersonal influence in approximately 35% of the text, tactics features for 30%, objectives 22% and command for 13% of the text.

King and Zhang (2014, p.7) stated that '[a] comparison of 'etic' findings by Western researchers and 'emic' findings by Wang (2006), and Chen and Lee (2008) suggest that the Chinese approach leadership as 'an art and emphasise interdependent, humanistic and situational aspects''. Conversely, Westerners regard leadership as a science and focus on objective organisational results and impersonal processes supported by logic and analysis.

As the discussion above explains, the most distinct concept between a Western leadership style and Chinese leadership is personal influence. The researcher proposes internal *guanxi* as an effective measure for personal influence; especially the internal *guanxi* network in organisations which may have a significant impact on Chinese leadership behaviour. The researcher conducted semi-structured interviews and a questionnaire survey to verify the role of internal *guanxi* in Chinese leadership practice.

Chinese leadership

Historically, leadership models have been categorised into task-oriented and relationship-oriented leaders. The task-oriented leader generally applies one-way communication with emotional management oriented towards targeting the importance of self-motivation. The relationship-oriented leader, in turn, prefers to implement friendly two-way communication and focuses on emotions such as empathy to influence his or her follower's motivation. For instance, empathy has been advocated as dominant to a leader's ability to recognise and

understand the relationship between tasks and people's commitment (Wolff, Pescosolido and Druskat 2002).

According to Wong and Tam's (2000) SPACE model, one significant factor that motivates the Chinese to implement *guanxi* in their life and work is empathy. Furthermore, empathy is playing a great influential role in Chinese leadership. For example, in Confucian philosophy, the concept *shu* (to tolerate) refers to understanding others' internal feelings; do not do to others what you would not like done to you (Analects of Confucius 12, p.2); to simplify, one can understand their internal feelings. In the Analects empathy in Chinese culture is also closely related to *ren* (humanity/benevolence), which is a fundamental principle in self-cultivation and interpersonal relations. As Mencius said, 'All ten thousand things are there in me. There is no greater joy for me than to find that I am true to myself, try my best to treat others as I would wish to be treated myself, and I will find that this is the shortest way to benevolence (*ren*)' (Tu 1998, p.24). However, there are very few studies that focus on the relationship between empathy and leadership performance using Chinese leaders as samples. Cheung and Chan (2008, p.499), however, constructed an analysis of Chinese leadership styles from traditional Confucian and Daoist perspectives. Using interview data: 'they arrived at [the observation] that empathy and benevolence predict Chinese leadership effectiveness, in the form of followers' admiration, coordination and commitment to collective goals'.

From a Western perspective, Goleman (1998a, p.100) stated that 'empathy is particularly important today as a component of leadership for at least three reasons: the increasing use of teams, the rapid pace of globalization, and the growing need to retain talent'. It means 'thoughtfully considering employees' feelings—along with other factors—in the process of making intelligent decisions'.

Boyatzis (2009) and Goleman et al. (2002) believe that empathy means putting leaders in their followers' place, understanding, sensing and interpreting their feelings, behaviour, perspectives and concerns so as to get along well with their followers from diverse backgrounds.

Moreover, there are numerous theories that advise that the ability to have empathy is a fundamental part of leadership. For instance, one aspect of transformational leadership is the ability of the leader to illustrate individualized consideration to subordinates (e.g., Avolio and Bass 1995; Bass 1985), and to accurately and precisely sense emotion in others (Rubin, Munz and Bommer 2005). In addition, the authentic leadership study emphasises the ability of a leader to recognise both himself, herself and/or the situation (e.g., Avolio et al. 2004; Walumbwa et al. 2008). Some scholars argue that empathy is a crucial factor to the construct of emotional intelligence (EI) which is highly relevant to leadership (Bar-On and Parker 2000; George 2000; Goleman 1995, 2006; Salovey and Mayer 1990).

Nevertheless, Kellett et al. (2002) stated that empathy influenced the perception of an individual as a leader. Similarly, Ashkanasy et al. (2002); Cooper and Sawaf (1997); House and Podsakoff (1994); Kellett et al. (2002, 2006); and Yukl (1998) considered that effective leaders needed empathy, specifically; empathy influenced the perception of job performance for target-driven leaders. High-quality relationships stemming from empathy are likely to enhance perceptions of a leader's integrity or credibility, and engender cooperation and trust (George 2000; Lewis 2000). The knowledge and understanding that leaders glean from their sense of empathy with followers may enable them to influence followers' emotions and attitudes in support of corporate goals and objectives, including feelings of excitement, enthusiasm and optimism (George 2000; Lewis 2000).

To summarise the discussion of the literature review above, based on Wong and Tam's (2000) SPACE model, empathy is a crucial factor in motivating the application of *guanxi* in Chinese society. It has also been found that it is closely associated with leadership performance. Thus, the researcher anticipated that *guanxi* could also be applied inside organisations, and should have certain influences on leadership behaviour in Chinese enterprises.

Chinese leadership in politics

The unique aspects of the Chinese leadership model may be the most essential factors for China's economic success (Wang 2010; Roach 2011):

i   *The government strictly enforces regulation of the economy:* The enforcement of regulation mainly consists of three aspects: (i) the state-owned enterprises can dominate key industries; (ii) government directly or indirectly controls the most important economic resources; and (iii) there is a certain degree of direct administrative intervention. Although the market system is better able to mobilise individual vitality, this system has natural fragile characteristics: the allocation of resources will eventually be unbalanced if guided by price signals; it is necessary to restore balance through a cyclical downturn after a systemic crash. This is what Marx argues is a cyclical economic crisis. In the current weak foundational and fast-growing stage, the Chinese economy cannot undergo this kind of cyclical fluctuations. Therefore, China's economic system has not completely implemented a market-oriented path. However, through the above three factors, keeping the economy strong an intervention force id required to construct a unique 'semi-market' system or a coexistent system of a planned economy and market-

oriented economy. This system is beyond the function of market-oriented formulation, in fact, there is another administrative configuration in intervention: the government forcibly irons out cyclical fluctuations to ensure sustained economic growth. Administrative control also means that the government uses the force of financial and monetary instruments to stimulate the economy; the resulting side effects can be offset by proper administrative means. For example, many scholars are not optimistic about the US$4 trillion economic stimulus plan launched in 2009; it will bring inflation, waste, structural imbalances and new problems (Department of Economic and Social Affairs of the United States of America, 2011). As a result, China has successfully withstood a crisis in order to maintain growth. Some side effects are inevitable. Such a 'semi-market' system is not without flaws; it is always accompanied by issues that need to be resolved. By comparison with a 'perfect' market system, it is clear that it is more suitable for the China of today.

ii   *In the political system the emphasis is on long-term development planning and implementing efficient regulation*: In China, however, the Principal Officials Accountability System is gradually improved and officials must be responsible for their incompetence, dereliction of duty or mistakes at any time. Compared to the Western multiparty political system where each party represents different interest groups, China's sole party, the CCP, is able to implement economic policies without bias in favour of any interest groups since China has been reforming and opening up.

iii   *The positivity of the local government has the ability to bring about integration*: Economic growth and regional employment have officially been set as the most important goals. The enthusiasm and positivity of the local government often 'overwhelm' economic development; local officials are able to directly and indirectly govern and

control funds, land, tax, environmental labour costs and other elements of the integration

of enterprises to achieve economic goals. Thus, the local government shows powerful

economic integration. In the Western market system, the comprehensiveness of a variety

of essentials into the economic productivity is the mission of entrepreneurs. However, in

China local government is eager to focus on this integration. Thus, there are two

significant engines to empower the China economic growth. Although the features of this

'semi-market' system have resulted in over-investment, overcapacity and waste of

resources, China has risen step by step in global competition.

iv   *The economy is 'semi-open':* The Chinese central government always enforces strict

management of foreign exchange in order to control the economy and to keep it stable.

International hedge funds to fight the emerging economies across Southeast Asia find it

difficult to break into China's 'semi-open' economy (Yueh 2013). Although in the eyes

of these predators, there are huge economic vulnerabilities and amazing gaps in mainland

China, they have no alternative but to take advantage of the weakness. It seems to be a

wise decision for China to still insist on manipulating its currency, the renminbi (RMB),

and not to accede to the World Trade Organization (WTO) mechanisms. Mainstream

economics and academic scholars have continually criticised this measure for its

limitations and negativity, but it is an important ingredient in driving the Chinese

economy and in boosting the development of the 'Chinese economic leadership model'

on the current stage.

In this sense, the 'Chinese leadership model' is actually a 'catch-up model'. Yueh (2013) states

that it may not be 'one size fits all' (there is no such thing in the world), even in China, per

capita income is close to the level of developed countries, and may also need to alter and

explore a new path of development. The part of institutional advantages in the 'Chinese model' enables it to provide new ideas for all post-developed countries, countries in transition and emerging-market countries after all.

Chinese leadership in business

Figure 3.2: Chinese leadership model

This model shows that Chinese leadership comprises three essential ingredients: (i) personality, (ii) organisational culture and (iii) interpersonal approach (*guanxi*). This section attempts to explain how leadership has adopted these influential factors; perhaps provide knowledge and demonstrate a pilot study and personal case study to understand what personalities are suitable or effective in Chinese leadership? What is the role of leadership in Chinese culture? How does internal *guanxi* support leadership and how does it influence leadership to make changes in Chinese enterprises?

China is a significant player on the world economic stage. More recently, many foreign companies have examined the application of Chinese leadership due to its corporate strategic focus on localisation. Despite the rapid development of globalisation, there are still enormous differences in political systems and social variables between China and the West (Seah 2001). Davis (1997) suggests that effective leadership should be closely associated with geophysical traditions and socio-cultural distance. Dahlam and Nelson (1995) argue that the larger the socio-cultural distance in the process of leadership, the lower the level of intended collaboration between leaders and followers. Socio-cultural distance may give rise to uncertainty and unpredictability. Establishing and maintaining a positive relationship between leaders and subordinates is therefore a necessary approach, which may optimise organisational resources (Goodnow and Hanz 1972; Hu and Chen 1993). The socio-cultural distance may also result in different management styles between Chinese and Western leaders. For example, Western leaders habitually maintain low stock levels, whereas Chinese leaders' impulse is to 'hoard whatever resources are available, human or material, against the possibility of future shortages' (Henley and Mee-Kau 1990, p.292) Additionally, Henely and Mee-Kau (1990, p.9) find that '[i]nstead of increasing factory productivity a leader's energies were more likely to be devoted to maximising leisure, investing in *guanxi* (interpersonal relationship network) to

secure easier output quotas, supplies of raw materials and machinery from the bureaucracy, and fringe benefits not ordinarily available through the official distribution system.'

Chinese personality

What follows is an examination of the character of a Chinese personality that comprises a tendency to develop *guanxi* relationships on the basis of self-discipline, respect and harmony (Wang 2008; Yang 2012). The basic orientation of the design of the Confucian moral ideal of Chinese leadership was to develop the ideal personality 'sagely within and kingly without'. For example, 'superior human beings' who have wise moral qualities. After having cultivated these qualities, they could govern the people (Wang 2008). Although connotations of *guanxi* may change over time within a given Chinese society, certain fundamental aspects of *guanxi* may be verified against ancient Chinese philosophies, especially the writings of Confucianism (Confucius 1915). King (1991) is one of the most influential researchers on the studies of *guanxi*, having identified some of the essential aspects of the Chinese social system and its cultural roots related to *guanxi*. Based on the Confucian philosophy, the word '*lun*' had been used instead of *guanxi*, which pertains to the paramount importance of human relationships (Redding and Wong 1986). The fundamental Confucian assumption of humankind is that individuals exist in relation to others. Especially, that an individual is 'at the centre of a series of concentric circles, while socially related others were differentiated in terms of their closeness to the self' (Chen 2004, p.308). For example, in the traditional family, closeness is based on blood ties such as family members, clan members, close relatives and distant relatives. Furthermore, in a business organisation the rights and obligations of people differ, depending on the relative positions in the relationship (*guanxi*) circles; the closer, the more influential.

Moreover, according to the existing literature review of *lun* by Chen (2004), King (1991), Farh et al. (1998), Tusi and Farh (1997), and Yang (2001a, 2001b), *lun* refers to moral principles regarding interactive behaviours of related parties. No universal moral standards are consistently applied to all human relationships. Instead, each relationship operates under its own moral principles. The Confucian prescriptions of social relationships appeared to put conflicting demands on the Chinese individual. On the one hand, in a relation-oriented society, one was a socially dependent being, which made it imperative to know one's social position, to fulfil one's duties and obligations, and to observe the appropriate moral standards. On the other hand, the Confucian self was at the centre of the concentric circles and played an important role in defining, interpreting, or even constructing the *lun* relations. Except for the preordained relations such as father–son in which behaviours and responsibilities were largely fixed, the Confucian individual had 'considerable freedom in deciding whether to enter into voluntarily constructed relations' outside the family structure (King, 1991, pp.66–67). In this sense, the Confucian self is the initiator of social communication and the architect in relation construction.

Confucianism has great influence on Chinese leadership in that it features a 'soft approach', emphasises the role model of business leaders and human relationships, rather than rules or objectives (Confucius 1979). In contrast, Western management is characterised by a 'hard approach': business decisions made by top leaders will guide employees to obey the rules to accomplish objectives through organisational structure. Consequently, Chinese leaders tend to build and maintain the harmony and conformity within working processes; they greatly manifest strong organisational commitment and group goals with an effective interrelationship between leaders and subordinates (Earley 1994). There may be a bridge that links the leader and subordinates to coordinate and solve conflict in order to achieve harmony of interaction.

Moreover, Chinese employees will likely go for more structure and explicit orientation due to the big power distance. Followers are accustomed to receiving an authoritarian leadership style in which leaders afford decisive operation and clear-cut goals for everyone (Bond and Hwang 1993). Some Chinese researchers have cited the internal *guanxi* approach that supplements miscommunication resulting from the power distance in the leadership system (Le 2002; Zai 2005; He et al. 2007). Indeed, there is a big difference in the notion of *merit* of the leadership styles of Western and Chinese leaders. The Chinese implication of merit is that it is 'measured in terms of one's contribution to the work group and rewards based primarily on group performance' (Scarborough 1998, p.24). Because of this, the Chinese culture 'encourages complex hierarchically based interrelationships and interdependencies' (Reading 1980) and is 'collective-oriented' (Hofstede 1980). Trompenaars (1993) observes that the essence of Chinese culture is diffuse, with all individuals involved in different kinds of relationships and the 'private' space is relatively big and the 'public' space is smaller but cautiously protected. This concept implies that the Chinese are basically communal people, where the group's social standard takes precedence over individual needs. Furthermore, people in the same network are strongly bound, have strong and clear role obligations, and hold high levels of trust, loyalty, and altruism (Chun and Graen 1997).

Confucianism is a transmitter and a moulder of the Chinese mind, and has deeply influenced the life and personality of the Chinese people (Bary, Chan and Watson 1960, p.15). Confucianism consists of two profound concepts, *ren* and *li*, which are translated as 'benevolence' and 'humanity' respectively. Put simply, *ren* means 'love your fellow man' and *li* means 'proper conduct' (The Analects XII p. 22). *Li* implies proper conduct through each person's hierarchical position so as to maintain social control. Additionally, this proper conduct refers to 'self-polishing and comforting others'.

The research conducted by Gao and her team addresses the fact that communication is the most typical factor in Chinese leadership styles, which represents penetrating beneath the 'implicit' of indigenous Confucian cultural traditions (in Triandis 1994). Improved communication techniques in the Chinese circumstance facilitate faster and more practical incorporation into that society. The selection of interpretation is meaningful in communicating with a Chinese person, as the wrong expression may cause misunderstanding. Leong (1989) points out that due to the tortuous nature of Chinese communication, it would be wise to 'read between the lines' for dual or hidden implications: 'sometimes the Chinese may hide information in an apparent harmless statement. The way in which Chinese people emphasise their argument is not often straightforward as in the Western cultures, although they do not intentionally cover the truth.' This mode of communication is recognised as *wan zhuan*, which is described as 'non-offensive, non-provoking, non-threatening, polite, gracious and well-mannered, yet still carrying the entire meaning of the message'. Chinese leaders prefer to communicate cautiously with their subordinates, whether complimenting or criticising them, taking into account the Chinese respect *mianze* (face), where the possible loss of face from both sides (leaders and followers) should be avoided (Scarborough 1998). Leaders' excessive expressions may be seen as engendering disharmony from subordinates' point of view. Thus, the wise way for Chinese leaders to conduct themselves as a leader, according to their followers is to be appropriately modest, which will make their followers esteemed.

Zeng' (2010), provides some examples to elaborate on the distinctions in Chinese personality versus the Western character:

i   Westerners see the individual as a unit, but the Chinese see the family as a unit. For example, when Westerners see a child, they typically ask what his or her name is, but when the Chinese see a child, they usually ask who its parents are.

ii   Westerners value equality, but the Chinese attach importance to rational inequality. For example, a Western child can call his or her father by his name directly, but it is not the case in China. Chinese people believe that people are born unequal, which is a manifestation of the Chinese's ethical awareness. In the relationships of father and son, leaders and subordinates, teachers and students the people are never on the same level.

iii   Westerners' value of rights and obligations is influenced by whether or not they are God-based, but the Chinese prefer to treat one another in terms of their relationships (*guanxi*). For example, in Western enterprise subordinates are obliged to report irregular situations to their superiors. In contrast, the Chinese do not accept this consciousness; subordinates will not report everything to their superiors if they are not satisfied with the leaders. Even if they are forced to report they would do so perfunctorily.

iv   Westerners focus on the law to govern people, whereas the Chinese attach great importance to moral influences. Western law is very clear and strict on execution. However, it is quite difficult to implement a legal regulation without any flexibility in China. The Chinese regard morality as being as important as the law. They believe that all tangible things will be formalised sooner or later and should rely on invisible things (moral standards) to constraint people.

v   Westerners emphasise stakes, but the Chinese attach importance to the forces within the

relationship. In Western companies, if an employee's performance is very bad he or she

will be dismissed immediately. In China, even if an employee performs poorly, but he or

she has the necessary background to do the work, the company will retain his or her

position in order to avoid problems from the forces of his or her background. The Chinese

prefer to distinguish tactfully between the wrong and the right of a situation. There is an

old saying in Chinese organisations: 'No fish can survive if the water is too clean.'

Organisational culture

Chinese leadership culture has been consistently influenced by the Taoism philosophy of *yin–yang*. *Yin–yang* implies that one can see a dynamic duality (e.g., male/female, active/passive, forceful/yielding) in all things. No matter how fast the environment changes, there are always things to be reconciled (Fang 2014). On the basis of this philosophy, leadership in China has been inclined to partially or completely counteract the polarisation by neutralising the dissension and conflict in conformity with the changes in environment. For example, a Chinese leader is likely to size up the situation, and then act to be responsive and flexible in adjusting to prevailing conditions (Li 2010). The concrete behaviour is that the Chinese are inclined to defer and drag out the job or matter until a reasonable occasion presents itself. This is done because in the course of the delay, people have time to fully think through what the best solution is: if it is a benefit, it should be attributed to the one who is the most reasonable; if it is bad, it would be the person who is the most reasonable to bear. Thus there is no definite 'yes' or 'no', but 'maybe' is the most frequent attitude in Chinese management behaviour, so as to avoid unnecessary misunderstanding and unnecessary controversy (Wu 2002). Another typical example, Chinese leaders are good at playing the role of 'baby kisser' when implementing their

ideas. This means that they get this done through an appropriate executor who acts on behalf of a leader to carry out his or her intentions (Chen and Yan 2008). To do so, the leader effectively needs to be loved in the organisation, without hurting his or her followers' feelings and making them lose face. In addition, Chinese leaders are more tolerant of growth and different factions within organisations, and may find reasonable ways to pacify followers where there are contradictions. The leader weighs up the advantages of factional struggles to balance the strength of both sides, and ultimately retain his or her absolute power in the organisation. Consequently, Chinese leadership has been strongly associated with a *yin–yang* mindset.

Figure 3.3: Yin–yang *mindset*

As further evidenced by GLOBE, the global leadership research organisation (House et al. 2004), and later Javidan et al. (2006) the East and West have different perspectives and this is reflected in their leadership approaches. The importance of cooperation and balance (harmony) in Chinese society is likely to mean that individual authority is not utilised to gain position but influence and respect among teams and peers achieve this same effect. With globalisation and

Westernisation does this balance still remain and is it sustainable? Leaders in Chinese business must address the opportunities of the market and political transformation. But is this likely to damage the traditional harmonious practices of the nation? In firms that are state-owned do these pressures apply less than in a privately owned Chinese firm? Surely the greater opportunity (and risk) of globalisation is more likely to contradict the balance between leaders and subordinates? What about the foreign-owned firms that brings with them foreign cultures and foreign rules and norms? Is there a difference between the internal *guanxi* and leadership relationships in firms of different national origin and market exposure?

Regarding change in organisations, the leadership is an inevitable influence on determining the consequence of change. Turning the emphasis to the enterprises in the electric motor sector, there are two types of change they will face to ensure that the enterprises will grow and develop. One is organic growth, which refers to internal growth and focuses on developing its own existing business activity. For example, a leader will recruit more employees in order to increase the productivity of existing products; the leader has to redeploy resources and capital to research and development (R&D) so as to upgrade the technology of a new product. Another change is inorganic growth, which indicates the external development by outsourcing products to other parties in order to cut off cost. However, leaders have to face the resistance of employees and coordinate the conflict from their subordinates. Therefore, the leaders have to apply the concept of *guanxi* internally using interpersonal leadership behaviour to challenge the changes in the enterprise, whether organic growth or inorganic development.

Industry

Regulated   Non-regulated

	Seller's market	Cell 1 Highly important	Cell 2 Important
Market			
	Buyer's market	Cell 3 Important	Cell 4 Irrational

Source: Yeung and Tung (1996), Tsang (1998), Abramson and Ai (1999), Park and Luo (2001)

Figure 3.4: Guanxi *in a regulated market*

The *guanxi* format in Chinese businesses (Figure 3.4) will be reviewed here again. Cell 4 precisely represents the situation in the electric motor market in China. In the past 50 years of development, although the motor sector has gradually formed more complete industry systems, the overall size is still small compared to other relative sectors. More than 90% of small and medium-sized enterprises account for the entire market share. Accordingly, the cost of the unit price is too high, and the economic scale cannot play its due role in terms of support. Indeed, there is a lack of an external driver in the electric motor market due to insufficient collaboration between related industries and the product structure is quite irrational. Over the past years, these enterprises only attached importance to their own benefit, while ignoring the position of related industries. For instance, the R&D of components and supply parts has been disconnected from the productivity of the electric motor sector. As the motor industry has low barriers to entry, the low-level redundant construction is in a serious condition, competition in the industry is disorderly, and profit margins become poor. Currently, electric motor enterprises have obvious advantages in the development of low-grade electrical products, but have a distinct disadvantage when it comes to research on knowledge-intensive high-end electrical products due to a shortage of capital or technology support. More specifically, there is a certain

gap in technology between the domestic sectors and foreign players, which results in the manufacture of high-end products being monopolised by foreign enterprises.

Essentially, change is brought about in two ways in the development of private enterprises in the electric motor industry: either through organic or inorganic growth. However, both require sound leadership with internal *guanxi* to coordinate the conflict between leaders and subordinates, and to consolidate company resources in order to be well prepared for future change. Furthermore, Hofstede (1993) points out that Chinese society is long-term-oriented, features collectivism, and prefers to accept a large power distance and avoid uncertainty. *Guanxi* and saving face (*mianzi*) are two major elements that determine an effective interrelationship in the process of establishing Chinese leadership. This effective interrelationship implies that 'the relatedness or connections among sets of individuals while face refers to the act of maintaining face by keeping respect of others and showing respect for them' (Seah, 2001, p.8). Wang and Chee (2012) point to the written character of 'face': in the Chinese language it is a symbol representing 'respectability, reputation and pride'. When the Chinese 'esteem' someone, it indicates that this person evaluates his or her status in society, how he or she is recognised in public, and demonstrates pride in that person. Raphals (1994) indicates that the traditional classification has been replaced with a new mechanism, namely 'status', that is, the position of an individual which can distinguish one from another. In Chinese culture status is normally independent of a mission or particular function, and is ascribed to someone who is distinct from others. The Chinese character for 'titles', symbolises significance and accomplishment, and demands recognition. Ding (2006) illustrates that a Chinese person has 'face' when he or she is addressed by his or her job title by his or her superiors, by colleagues and similar subordinates. For example, an employee suddenly works more

positively because his or her leader has granted him or her, a title which sounds better than others, although he or she, is still doing the same job and receives the same salary.

The external role of *guanxi*

Guanxi has been considered as the most typical characteristic of Chinese culture. For a complete discussion of how it functions externally from organisations, refer to Chapter Two of this research.

Internal role of *guanxi*

Numerous scholars have identified the effect of *guanxi* in an external business context. However, as already mentioned, few studies have extended the role of *guanxi* to the work context to discover the influence of *guanxi* on intra-organisational performance, such as employees' loyalty, job incumbency, the justness of the leader and the effectiveness of teamwork. *Guanxi* inside organisations has been regarded as a consequential source; reserve capital for formal system support for organisational leadership; and processing desirable business outcomes (Xin and Pearce 1996; Tsang 1998; Chen and Tjosvold 2007). Researchers have shown that developing personal *guanxi* is the backbone of effective leadership (Hui and Graen 1997), even when leaders and followers in the leader–member relationship come from different cultural backgrounds (Chen and Tjosvold 2006).

With the integration of informal interpersonal relationships (i.e., *guanxi*) into formal organisational systems, the current researcher endorses Chou et al.'s stance and believes that Chinese enterprises are able to improve organisational effectiveness by reducing personnel

turnover, increasing subordinates' morale, enhancing subordinates' commitment, facilitating subordinates' collaboration and so on (Chou et al. 2013).

Intra-organisational *guanxi* has been regarded as a type of employee–employee relationship that is crucial for coordinating work (Adler, Kwon and Heckscher 2008; Wang, Tseng and Yen 2014). Yen and Wang (2015, p.631) describe intra-organisational *guanxi* as follows:

> [C]oordination pertains to managing task interdependence and is fundamentally a relational process (Bechky, 2006). Establishing *guanxi* occurs through frequent, high-quality communication reinforced by shared goals, shared knowledge, and mutual respect and enables organisational members to more effectively achieve desired outcomes (Gittell, 2006).

Law and John (2009) also developed a *guanxi*-oriented model to suggest its value and function are a paradoxical, interdependent, flexible, holistic, reciprocal and dynamic effect on HRM. However, according to the current literature review of relationships (*guanxi*) inside organisations, most researchers basically focus on two mainstreams of *guanxi*: (i) supervisor–subordinate *guanxi* and leader–member exchange.

Supervisor–subordinate *guanxi*

Employees are embedded in relationship networks and rely on these networks to accomplish missions. The most crucial connections are those between an employee and his or her supervisor (Chen et al. 2009; Uhl-Bien 2006; Wayne, Shore, and Liden 1997).

Trust

As regards trust, for instance, supervisor–subordinate *guanxi* is certainly connected to subordinates' trust in their supervisor (Farh et al. 1998; Hui et al. 1998; Wong, Ngo and Wong 2003; Wong, Wong and Wong 2010) and close *guanxi* ties between supervisor and subordinate were considered to be a measure of a high level of trust of subordinates in their leaders (Farh et al. 1998; Tsui and Farh 1997; Tsui et al. 2000; Wong et al. 2003). As suggested by Graen and Uhl-Bien (1995), a leader enlarges his or her inner group with high-quality interactions with stronger relationship networks; building higher organisational trust among followers. Li, Bai and Xi (2012, p.378) found that the *guanxi* phenomenon could affect many intra-organisational behaviours, such as organisational trust, 'an employee's perception about the trustworthiness of his or her organisation'.

Moreover, a good supervisor–subordinate *guanxi* positively generates a high level of in-role performance (Farh et al. 1998; Tsui and Farh 1997; Tsui et al. 2000), actively increases open-minded communication, and certainly strengthens open exchange between leaders and followers in organisations (Chen and Tjosvold 2006, 2007) Better subordinate–supervisor *guanxi* tends to result in a supervisor being viewed as more trustworthy and likable (Chen and Tjosvold 2006; Wong et al. 2010) and may therefore result in higher levels of subordinate

loyalty towards supervisors. Cheung et al. (2009, p.79) also state that 'employees' job satisfaction can translate the effects of supervisor–subordinate *guanxi* into positive work outcomes by curbing subordinates' ethical behaviours and enhancing their loyalty and commitment to the firm'.

Knowledge sharing and innovative service behaviour

Some scholars maintain that *guanxi* in social interaction is an important factor and component for implementing knowledge management in an organisation because it supports the sharing of members' information, and enhances individual and organisational performance (e.g., Geddie, Defranco and Geddie 2005). Chou et al. (2006) and Yang (1993) add that *guanxi* inside organisations could positively impact on the service effectiveness or performance of individual employees or teams. Sparrowe et al. (2001) state that positive *guanxi* as a mediator of the relationships between knowledge sharing and innovative service provides the impetus that motivates and empowers individuals in teams to improve their work performance.

Subordinates' organisational citizenship behaviour

Subordinates' organisational citizenship behaviour is determined by *guanxi* (Lin & Ho 2010; Wong, Ngo & Wong 2003). According to Wong (2010), *guanxi* inside organisations 'is developed and reinforced voluntarily by both supervisor and subordinate and creates an additional social connection and emotional attachment after the development of the contractual relationship. Different from in Western enterprises, informal *guanxi* could play a dominant role in the management process of Chinese enterprises because of the societal expectation and cultural emphasis.' Thus, subordinate–supervisor *guanxi* may play a more vital role than formal

contracts and written rules in determining followers' behavioural and perceptual reaction. Because subordinate–supervisor *guanxi* is informal and intentional, current scholars suggest that it could notably impact on subordinates' work performance and organisational citizenship behaviour (Chou et al. 2013, pp.25–27).

Cheung and Wu (2011, p.359) confirm that supervisor–subordinate relationships make it possible to strengthen the positive development of notable participatory management in both organisational commitment and organisational citizenship behaviour. Subordinates rely on a high-quality supervisor–subordinate *guanxi* to obtain valuable information, decision-making power and freedom from their supervisor.

Teamwork effectiveness

Chou et al. (2006) and Zhang et al. (2014) identified the leader–member exchange as a work-related tie and the supervisor–subordinate *guanxi* as a non-work-related tie. Both kinds of ties are positively predictive of extra-role performance aimed at sustaining an environment conductive to job performance (i.e., interpersonal cooperation). Ahmed et al. (2013, p.127) found that 'this *guanxi* network creates an inspirational perception of leader–member exchange relationships, which ultimately pays off in the form of increased levels of job involvement and increased in-role performance'. Rhoades and Eisenberger (2002) also concluded that an active exchange connection at work yielded an improvement in positive employee behaviour and job outcomes. Atwater and Carmeli (2009), and Cattani and Ferriani (2008) proved a similar ideal: good supervisor–subordinate *guanxi* impacts positively on employees' energy, enthusiasm and work effectiveness.

Perception of justice

Chen et al. (2009, p.718) noted that 'the interpersonal level *guanxi* practice is positively related to procedural justice perceptions whereas group level *guanxi* practice is negatively related to procedural justice perceptions (after interpersonal level *guanxi* practice is controlled)'. In addition, *guanxi* between supervisors and subordinates has a positive relationship with organisational commitment (Cheung et al. 2009). Cheung and Wu (2011) and Cheung et al. (2009) state that supervisor–subordinate *guanxi* not only extends the positive influence that effective participatory management has on organisational commitment and organisational citizenship behaviour, but it is also actively associated with job satisfaction, and negatively correlates to job turnover. The acceptance and support that *guanxi* provides are the main reasons for leaders' reluctance to leave their organisations (Li and Madsen 2010). *Guanxi-*generated loyalty to supervisors is more influential than organisational commitment in explaining turnover intention and job satisfaction (Chen 2001; Chen, Tsui and Farh 2000).

However, Chong and Peng et al. (2015, p.81) argue that work (*LMX*) and personal relationships (*guanxi*) both carry significant but different weights in influence strategy and organisational commitment: 'During the influence and attribution processes, the association of influence behaviour with LMX is stronger than it is with *guanxi* in real organizational settings. These results indicate that the use of persuasive or assertive behaviour significantly affects the work relationship and not the private relationship, which in turn affects an employee's commitment.'

Leader–member exchange

The relationship between a leader and a subordinate is considered to be critical in determining performance at work (Brower et al. 2000; Uhl-Bien 2006), the higher the quality of the relationship between the leader and his or her subordinates, the more positive the outcome on work will be (Gerstner and Day 1997; Cogliser et al. 2009).

Difference between *LMX* and *guanxi*

Wang et al. (2005) found that the leader–member exchange relationship stimulates followers to increase work performance and Walumbwa et al. (2011) also argued that *LMX* increased employee self-efficacy and organisational identification. Chen and Luo (2015, p.1027) stated that

> Although LMX theory and *guanxi* theory suggest that supervisors distinguish their in-group members from outsiders, and treat them differently, there is a difference in the theoretical bases of both theories. LMX theory is based on role-making system (Graen, 1976; Graen and Cashman, 1975) as well as social exchange theories (Blau, 1964), and focuses on the social exchanges in formal working relations between leaders and employees. By contrast, *guanxi* circle theory is built from categorization theory in psychology (Hwang, 1987; Yang, 1993) as well as network analysis in sociology, and places emphasis on network structural outcomes derived from differential modes of association in the Chinese workplace. *LMX* theory gives us only an approximate picture of the entire network structure of an organization (e.g., there is an ego-centred intimate network around the supervisor

and most others are outsiders to this clique), whereas *guanxi* theory gives us a richer picture of network structure than *LMX* theory by incorporating power and vertical social exchanges between leaders and their subordinates.

Zeng (2010, 2012) summaries the significance of all interpersonal relationships as being to create a relaxed, harmonious, civilised and healthy working atmosphere between colleagues, subordinates and leaders in order to mobilise the enthusiasm of people, to make people felt happy and honour to work harder, which resulting in a strong group cohesion and solidarity for achieving the expected goals.

Furthermore, as far as the present research is concerned, the internal *guanxi* of organisations indicates that it is an interpersonal process of implementing the relationship networks to cross the formal regulatory system in order to influence the expected goals or make changes inside organisations. Leadership has been interpreted as 'an interpersonal influence, exercised in situations and directed, through the communication process, toward the attainment of a specified goal or goals' (Tannenbaum, Weschler and Massarik 1961). Because Confucianism has a great influence on Chinese leadership, Chinese leaders tend to build and maintain harmony and conformity within working processes; they show strong organisational commitment and group goals through effective internal *guanxi* (relationship) approaches between leaders and subordinates (Earley 1994; Zeng 2011; Yang 2012).

More specifically, the researcher uses four mini personal case studies as illustration to support and verify how crucial the role of internal *guanxi* is to leadership performance and operational management:

Case 1: Internal *guanxi* (relationship) approaches to enhance new production development and shape operational efficiency.

Case 2: Weak internal *guanxi* (relationship) approaches would also result in the reduction in operational efficiency.

Case 3: Internal *guanxi* (relationship) approaches to improve the smooth flow of information between subordinates and leaders and perfect the human resource base.

Case 4: Internal *guanxi* (relationship) approaches to improve quality control.

(For the detail of these case studies, refer to the Appendices of this thesis.)

The researcher's personal reflection on experience, the observation of practice through mini case studies, incidental conversations with business colleagues and the literature itself proved that there appears to be sufficient evidence to suggest that there is a significant knowledge gap in the general understanding of *guanxi*–organisational, and internal *guanxi*–leadership effect which required further exploration.

To further this research, and prior to the full detailed study, an exploratory structured pilot survey was conducted with leaders from a small sample of electric-motor company's (including ABLE). This research further explored the three conceptual models suggested earlier: (i) internal *guanxi*, (ii) inter-firm *guanxi*, and (ii) inter-regulatory *guanxi*.

Three simple questions were asked to confirm the existence of *guanxi* internally and the rationale for its use. One specific question was designed to determine if internal and external *guanxi* were the same or treated differently:

Can you give an example of a particular/typical challenge, task or problem you have successfully sorted out recently? How often does your business problem get sorted out through

your internal personal connections? Can you give an example?' and *'Can you think of any examples in which you contact your external personal connections to sort out internal organisational problems?'*

Details of this and the findings are included in the Appendices. Initial analysis of the 66 responses provided weight to the existence of these internal or external forms of *guanxi*, and their implicit role and implications for leadership.

Developing three internal *guanxi* models

The literature review and four personal case studies conducted during this research have highlighted the natural tendency of Chinese workers to 'find a way' and adapt to situations in a collaborative and harmonious fashion. It is a cultural norm to find solutions and seek resolution rather than conflict. More specifically, the findings of the pilot study show that employees actively use their relationship with their colleagues, their leader (supervisor) and their other *guanxi* to 'find a way' to overcome hindrances. As this 'simple internal *guanxi* model' shows, junior staff members may rely on their internal *guanxi* with any members of the organisation to bypass the supervisor or rigid hierarchical system, and directly connect to the solution provider to get the job done when they experience difficulties in their work.

Model 1: Simple internal *guanxi* in an organisation
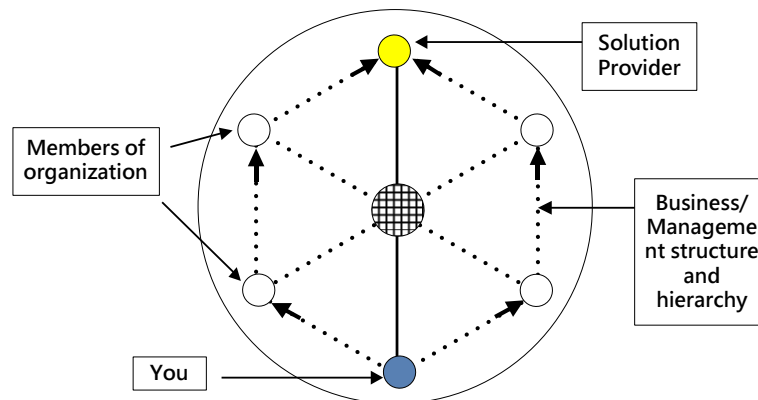
Figure 3.5: Simple internal guanxi *model*

Model 2: Internal and external *guanxi* are connected

This literature further suggests that *guanxi* is so pervasive in social systems that it is almost part of the unconscious psyche; it is embedded in the person and in society. It would be likely that all behaviours are influenced by this connectedness and desire to seek harmony, and hence connectedness internally will be extended to the external relationships and vice versa.

In Model 2 an internal problem can be solved through connections with other *guanxi* networks externally. For instance, a senior leader of organisation A has quality issue with organisation B, he is connected to his subordinate for further solutions. This subordinate has *guanxi* with a junior staff member in the organisation. This junior staff member of organisation B is able to influence his senior leader who has power to solve the quality issue for organisation A. Eventually; the senior leader has solved issues through the internal *guanxi* with his subordinate. This model illustrates how two internal *guanxi* networks from each organisation have been connected and this connection influenced a decision-maker of organisation B to resolve the

problem in his organisation. Without the effect of this inter-firm internal *guanxi*, the senior

leader of organisation A would face big trouble from the market regulator or as a result of

government inspection. However, this type of internal *guanxi* model illustrates that the

marketplace and its regulators can be bypassed as inter-firm partnerships look for solutions to

policy and resource barriers.

Direct Internal Guanxi Exchange
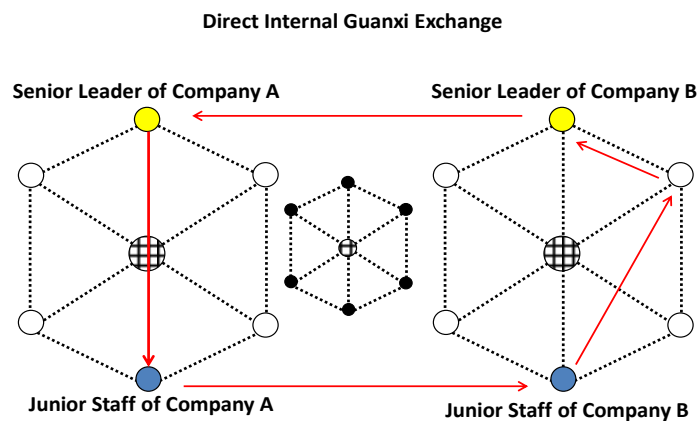
Figure 3.6: Inter-firm internal guanxi *model*

In business-to-business exchanges Model 2 suggests that close connections between businesses

can reinforce their relationships, and these are reciprocal. There is evidence from the literature

(Chen, Chen and Huang 2014) that this can have both positive and negative consequences.

Strong ties can inhibit innovation and create inflexible structures.

Model 3: Inter-regulatory hybrid internal *guanxi* model

In addition to the internal *guanxi* (Model 1), and inter-firm *guanxi* (Model 2), there may also

be an inter-regulatory connection: a connection between businesses and their policymakers or

other stakeholders. This is proposed Model 3. In this model people use their internal *guanxi* to connect with an outside regulator or policymaker so as to solve problems inside their company. It is also a hybrid model consisting of internal *guanxi* and external *guanxi*. As already stated, there is a big body of literature on how *guanxi* has been applied outside a company to strengthen organisational performance, reduce cost, and solve financial issues and so on. Basically, the leaders take action to directly employ their own *guanxi* externally to achieve the goal of the organisation. In this model the junior staffs play a crucial role in implementing the *guanxi* and help their leader to achieve their goal. To simplify, the leaders rely on their internal *guanxi* with a subordinate(s) to access external resource or assistance to solve problems inside the company.
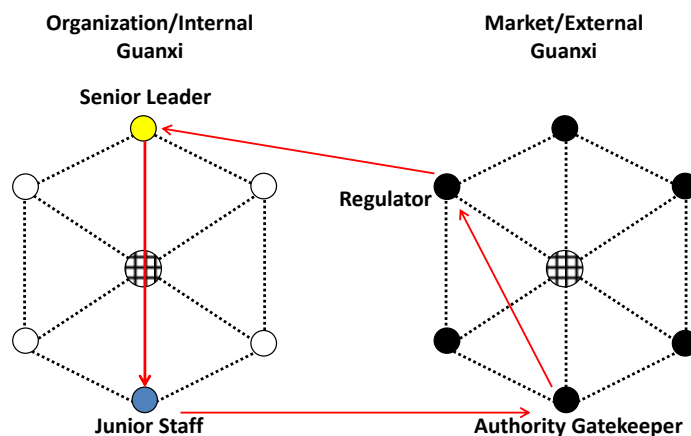
Figure 3.7: Inter-regulatory hybrid internal guanxi *model*

In addition, the pilot study was conducted involving 66 informants through short interviews, electronic mail (email) and telephone in order to test the role of *guanxi* inside Chinese companies and construct a more valid research scope for interactions between internal *guanxi* and Chinese leadership behaviour. The pilot study inspired the researcher to facilitate the

development of seven propositions, which informed the initial research questions and addressed the original aims of this research:

P1:   Good internal *guanxi* may induce employees to utilise their own social resources to strengthen leadership performance.

Employees are the most valuable assets of the organisation (Pfeffer 1998; Wimbush 2005), they not only have their own physical labour and intellectual knowledge, but also through their own social network hold a large number of social capital. 'Employees with stronger social capital earned through networks will not only 'earn higher rates of return on human capital of the organisation' (Garavan et al. 2001, p.52), but also 'facilitate the development of intellectual capital by affecting the conditions necessary for exchange and combination to occur' (Nahapiet and Ghoshal 1998, p.250). Gratton and Ghoshal (2003) believe that social capital rests on the dual concepts of sociability and trustworthiness: these rich connections and potential power might contribute substantial opportunities of value creation and competitive innovation. According to Hossain and Roy (2016, p.1022), 'the issue of what contributes to competitive advantage has seen, within the strategy literature, a shift in emphasis away from external positioning in the industry and the relative balance of competitive forces, towards an acknowledgement that internal resources be seen as crucial to sustained effectiveness' (Wright et al. 2001).

With the increasingly strong demand for social capital exchange, a good interpersonal relationship is also a motivating factor in people's relationships; especially good internal *guanxi*, which enhances people's self-mobilisation initiative and enthusiasm to explore their own potential, while their social resources have to achieve the leader's goal. This internal

guanxi is conducive to cooperation between the people and the leader, improves efficiency, and promotes new knowledge creation. Soutaris (2002) describes relationship capital as being able to promote organisations' internal resources and the exchange of information, and promote innovation.

P2:   Good internal *guanxi* is conducive to allocating more effective management to solve work difficulties and saving operational costs.

The success of an enterprise is based on the transaction cost savings achieved. However, when enterprises rely on internal administrative authority for resource allocation, due to the existence of bureaucracy, information enclosed, rigid relationship conflict, continued implementation of weakness, waste of resources, it creates huge enterprise running costs and high management costs, including the cost of searching for information, signing leases, negotiations costs, system implementation costs, uncertainty, and risk prevention costs (Wagner and Hollenbeck 2010). Wang and Chen (2004) cite that internal management costs include employee performance, supervision cost and that the biggest expense is the assessment of costs.

P3:   Good internal *guanxi* can induce people to be more co-operative and show more initiative in their work performance.

The substance of the failure of an enterprise (or organisation) is easily identifiable in two aspects through these external phenomena: (i) the people, including limited human rationality and the presence of opportunistic ideology; and (ii) the environment, which mainly refers to environmental uncertainty, because the ideology of opportunism makes the search for information, supervision and the execution of corporate events more difficult. Coupled with

improper management measures and environmental uncertainty, opportunistic thinking will be stronger, which makes employees' supervision, evaluation and coordination of activities more complex. Applying humanistic management to appeasing people's self-demand and self-management is the solution to this fundamental problem. This is the only way to implement people management of staff, to meet employees' social and emotional needs, in accordance with the principle of equivalent exchange. Corporate investment in internal *guanxi* in this case receives higher returns, especially in China. Developing a good relationship with staff means they will consciously return with ethical norms, including the constraints of their own speculative ideas, increased consciousness and initiative activities.

P4:   Good internal *guanxi* is conducive to influencing people's emotions and maintaining harmony in work performance.

Self-coordination of an internal *guanxi* network refers to the relationship between both own understanding of quality, status, role and behaviour of self-adjustment, so that employees have the subjective conditions necessary to deal with interpersonal relationships. However, without a clear understanding of their role and status, people will not follow certain norms, cannot effectively control their emotions, cannot get along with others, often exhibit extreme individualism, are self-centred, neglect the needs of others, abuse authority, and are selfish, stingy, greedy and jealous. Owing to extreme individualism, too much emphasis is placed on the freedom of individuals and freedom itself, the flouting of values, the lack of a common collective consciousness so that a high degree of heterogeneity between individuals is difficult to understand, accept and accommodate.

Jealousy is a most destructive emotional way of selfishness, it contains jealousies and jealous behaviour, the two aspects of the jealous heart is the performance of the small-minded, a jealous heart is the most vulnerable suspicion that is the triggered interpersonal trust crisis, the pole is not conducive to interpersonal communication and harmony, and thus affects internal unity and corporate performance. (Wang 2011)

However, a good internal relationship has a very positive effect on interpersonal inhibition of human selfishness and jealousy, showing more tolerance for other colleagues, even though these colleagues appear to damage a person's interest, show friendship support rather than envy and jealousy. No leaders want their powers to be neglected. Practice shows that a powerful enterprise, mainly referring to the leader, with the three most common forms of power: (i) reward Miriam mandatory rights, (ii) legal rights, (iii) reference and experts in the right, and the use of these powers often have a very direct role in interpersonal collaboration of internal *guanxi* and incentive effects. The informal power base of organisational effectiveness is greater than the formal basis (Wang 2007, 2011), which means that an effective leader must attach great importance to persuasion requiring subordinates to execute commands, and to set an example through their own expertise, rather than just relying on their administrative authority. The language is a social practice in the interaction process, and in the status and power of the powerful party itself; they often use language to show if the two sides have developed good relationships, because it contains an equal footing, intimate feelings and mutual interests, which is an outpouring of power and status; some softening and inhibiting. Therefore, the powerful party will not incur the non-powerful party's boycott through weak language performance in front of the non-powerful party. The non-powerful party is also able truly express his or her inner thoughts, rather than simply responding; in other words, the parties with power and no

power can fully exchange information between them, during which engagement there is barely a powerful intervention, thus further enhancing both interpersonal and emotional relationship (*guanxi*), shortening the sense of distance between them, which is conducive to overall interpersonal harmony and stability.

P5:   Good internal *guanxi* is conducive to cohesion in teamwork and improves loyalty.

Mehra et al. (2014) found that the density of friendship relations within an organisational group was positively related to group performance, whereas Oh et al. (2004) report an inverted U-shaped relationship between the density of socialising relationships and group effectiveness. However, Wong (2008) and Sparrowe et al. (2001) found no relationship at all, and according to Luo (2005), even a team structure with fully connected cliques can have a positive impact on performance. Belbin (2002) also argues that an effective leader must maintain a team's focus on its assignment while establishing positive relations with team members. The effects of demographic relationships (e.g., gender, age and education) on intra-team interaction and team effectiveness are well documented in the West (Riordan 2000). However, it is also well documented that *guanxi*, an 'emic' concept, plays a more important role in interpersonal interactions than the concept of relational demography in Chinese societies (Xin and Pearce 1996; Chou 2002). After reviewing about 80 studies on relational demography in organisations, Williams and O'Reilly (1998) conclude that 'the greater the dissimilarity of relational demography among teammates, the lower the satisfaction and organization commitment, the worse the quality of interpersonal communication, the more likely for inter- personal conflict to occur, and the lower the individual's job performance'.

From previous studies on 'face', *renqin* (Hwang 1987) and *guanxi* orientation (Yang, 1993), it was found that non-job *guanxi* networks have both positive and negative effects on team members' effectiveness. Chou (2002) and Chou et al. (2006, p.82) stated 'when team members have more non-job relation bases with team members, they may have more social capital and social support, which are useful for task completion and enhancement cohesiveness. In addition, a non-job relationship can reduce interpersonal or job-related conflict and improve harmony among team members.' The researcher assumed that this non-job relationship could be one expression of internal *guanxi* that has an interpersonal effect on teamwork efficiency. The effect of interpersonal relationships is defined as 'the ability to improve the quality of team member interactions through the resolution of team members' dissent, or the use of co-operative behaviour' (O'Neil et al. 1997, p.416). Interpersonal relationships are important to a team not only in minimising intergroup conflict, but also to foster team cohesiveness. McIntyre and Salas (1995) indicated that members of effective teams viewed themselves as 'connected' team members, not as isolated individuals working with other isolated individuals.

Being a member of a team has as one of its biggest advantages that in the network knowledge is easily and fully shared between players, which is helpful in the creation of knowledge (Gong 2011).

Team players have relatively good knowledge of the background to, or an understanding of, capacity, and the need to get along, which develops out of comprehension of the unique behaviour of the players and language mood. This can greatly enhance the efficiency of the transfer of knowledge between players, because they no longer need to carry out the reconstruction of knowledge, and can digest one another's knowledge connotation to contain understanding and master tacit knowledge.

In current practice the most prominent manifestations of employee dissatisfaction are reduced loyalty and the lack of professionalism. How to deal with or coordinate organisational relationships with employees is a major challenge for organisations. Organisations are impersonal entities. Developing relationships with employees is a form of personification: organisation–employee relations mainly represent the relationship between the agent of the leaders and the employees. According to the social exchange theory, the relationship between leadership and subordinates, in essence, is a kind of equivalent exchange relationship; its equivalent is embodied in the mutual exchange of economic and community interests, through the support of competent, mutual benefit, fair and interpersonal interaction in the four categories of mechanisms. As the internal *guanxi* coordination between the groups or departments, social interaction at the organisational level plays the most basic role in leadership performance. In addition, good interpersonal interaction is inseparable from leader–subordinate exchange in phased development. Furthermore, frequent interaction in the relationship between cognitive and emotional sublimation, and more substantive interpersonal support behaviour in turn promotes the phased development of the exchange, with the realisation of the benefits of economic and social exchange, both relationships are further strengthened. 'If internal *guanxi* is difficult to establish, the economic or social interests and needs cannot be content, in the relationship between them there will be a crisis' (Zhang 2011). Generally, in leadership development, leadership is a decisive determinant for maintaining the relationships between leaders and subordinates. Because of leaders' own position and role, they appear to be more active in coordinating employee relations. The employees are really mind leaders' resources and support. Employees hope to enter leaders' internal *guanxi* network so that the relevant interests would be more favourably inclined towards them. Leaders are also more willing to give their own resources and opportunities in the allocation of their own

subordinates. Once employees feel that they receive less support from their leaders, they will produce less and show no emotions, which ultimately affect their work performance. Successful leaders, in order to develop a healthy and positive relationship between subordinates and leaders, encourage employees' dedication, and cultivate a sense of loyalty, should follow the principle of fairness, use more of the economic and social means rather than administrative means, and provide economic and social support to create a self-fulfilling environment for employees, which will greatly enhance job satisfaction and feedback on leadership behaviour. This kind of leadership style also results in a lower turnover rate and rate of absenteeism, and higher organisational commitment, loyalty and enthusiasm for the work.

P6:   Good internal *guanxi* is conducive to communicating effectively.

Boies et al. (2014, p.1083) noted that effective leadership stimulates communication among team members and that through increased communication, team members are able to acquire important information about their team members, such as personal competence. This, in turn, leads members to form judgments about team members' trustworthiness. Thus, the information contained in the communication among team members would form the basis for trust to develop in these new teams. This would then lead to greater task and creative performance.

As regards the performance of enterprise groups, the realisation is that an internal *guanxi* network is a significant coordinating mechanism between people and their leader(s); good *guanxi* promotes institutional and structural coordination, reduces internal conflict, and enhances the cohesion of work performance and the initiative of group members. The primary measure of interpersonal coordination in internal *guanxi* is communication. Chinese communication depends on interpreting the meanings of intention, rather than the actual words

that have been said. Because Chinese communication is about establishing *guanxi* (relationship), it is aimed at keeping all stakeholders in balance, which includes balancing the sentimental and rational facts of any communication. Western communication is about exchanging information in order to complete tasks effectively (Wang and Chee 2012).

When the communication between the leaders and followers can be maintained at cooperation, frank exchanges during disagreements often lead to more revenue. In co-operative communication, the standing point of view in the internal network can directly express their thoughts and feelings, trying to achieve a win–win goal (Tjosvold 1998; Wan 2003). Co-operative communication is mostly problem-solving-oriented behaviour (Lovelace et al. 2001) At the same time, good interpersonal relationships is one of most essential sources of power in co-operative communication. Especially Chinese people attach great importance to prompting this *guanxi*-oriented way of solving problems. In the face of controversy, this relationship-based co-operative manner is consistent with the expectations of traditional Chinese culture. In their analysis of 163 valid questionnaires, Chen and Tjosvold (2007) found that internal *guanxi* had a significant effect on the constructive cooperation and communication between the groups within Chinese enterprises. The Chinese re-enhance people's sense of cooperation, so that the communication becomes more candid and effective, which is conducive to breaking down barriers between departments, information and knowledge sharing.

P7:   All aspects of internal *guanxi* can become negative if not in balance with leadership and organisational purpose, for example, strong *guanxi* ties can inhibit innovation, reduce communication and reduce leadership effectiveness.

Research evidence has shown that *guanxi* practised at the group level may be negatively affected by employees' shared perceptions of *guanxi* related to their perception of procedural justice (Hsu and Wang 2007; Chen et al. 2011). At a broader level *guanxi* practices might be harmful to the interest of organisations and society (e.g., Dunfee, Warren and Li 2004; Fan 2002).

For example, at the enterprise level, resistance to innovation can occur at any hierarchical level of the company and may appear with different intensity due to people believing that the old way of doing the job is more conformable or the new innovation may conflict with their personal interest. Thus those people, who do not want to change, rely on their internal *guanxi* network to unite against innovation or leadership decisions.

The next chapter will discuss the relevant methods used in leadership research, especially why and how the researcher applied a mixed method to conduct the research.

CHAPTER FOUR: RESEARCH METHODOLOGY AND DATA COLLECTION

Introduction

This research explores the nature of *guanxi* inside organisations and considers the implications for leadership at a time when Western leadership models are growing in dominance and Eastern cultural norms are still in existence. The literature and the personal experiences of the researcher draw heavily on the complex interaction of social systems, which themselves are subjective constructs of leadership, relationship and the interactions between them.

The research questions are as follows:

1.   Does *guanxi* apply internally in Chinese private companies?

2.   How does internal *guanxi* influence leadership behaviour in Chinese private companies?

The focus of the research is on exploring the dynamic and ambiguous interaction of relationships and leadership, and through a social science approach, explores the nature of leadership–relationship interaction. Consequently, the literature review and pilot study have aided the development of further propositions:

P1:   Good internal *guanxi* may induce employees to utilise their own social resources to strengthen leadership performance.

P2:   Good internal *guanxi* is conducive to allocating more effective management to solve work difficulties.

P3: Good internal *guanxi* can induce people to be more co-operative and show more initiative in work performance.

P4: Good internal *guanxi* is conducive to influencing people's emotions and maintaining harmony in work performance.

P5: Good internal *guanxi* is conducive to the cohesion of teamwork.

P6: Good internal *guanxi* is conducive to communicating effectively.

P7: All aspects of internal *guanxi* can become negative if not in balance with leadership and organisational purpose, for example, strong *guanxi* ties can inhibit innovation and reduce leadership effectiveness.

Methodology

Research philosophy

The most critical issue for successful research is to examine the ways in which people collect data to answer the research question(s) philosophically. As Saunders and Thornhill (2009 p.108) note:

> the important issue is not so much whether the research should be philosophically informed, but it is how well people are able to reflect upon the philosophical choices and defend them in relation to the alternative people could have adopted' . Guba and Lincoln (1994: 105) contend that 'both qualitative and quantitative methods may be used appropriately with any research paradigm. Questions of method are secondary to questions of paradigm, which we define as the basic belief system, or world view that guides the investigation, not only in choices of method but in ontologically and epistemologically fundamental ways.

The underpinning, reliability and quality of all research rely on understanding basic assumptions about reality and knowledge, and the influence of observation (the researcher). The following section explains the philosophy, approach and methods used, and draws clarity from the 'research onion' (Saunders, Lewis & Thornhill 2008).
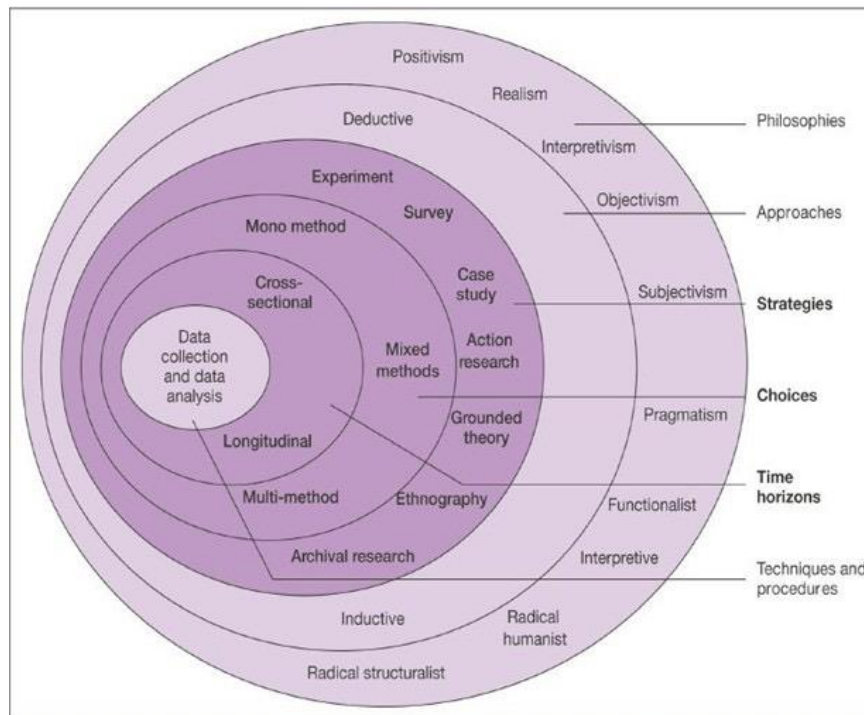
Source: Saunders, Lewis and Thornhill (2008)

Figure 4.1: The 'research onion'

Rationale for qualitative research in leadership

In past traditions, research on leadership has been based on the objectivists, positivist and quantitative paradigm since the scholarship started paying attention to the topic (Barker and Elliott 2002). Historically, quantitative methodologies identified leadership problems and formulated solutions that could be examined, validated and replicated scientifically. Positivism was applied along with the assumption that leadership could be summarised through objective methods. For example, Lee (1991, p.351) notes that 'the manipulation of theoretical

propositions, using the rules of formal logic and hypothetic-deductive reasoning so the theoretical propositions satisfy four requirements: falsifiability, logical consistency, explanatory power, and survival or the ability to survive attempts aimed at its dis-confirmation through controlled empirical testing'.

However, qualitative research has been fostered and developed since the rise of the dissatisfaction with quantitative performance (Weber 2004). For instance, what is qualitative research? Denzin and Lincoln (1994, p.1) define it as follows: 'Qualitative research is multi-method in focus, involving and interpretive, naturalistic approach to is subject matter. This means that qualitative researchers study things in their natural settings, attempting to make sense of or interpret phenomena in terms of the meanings people bring to them.'

Creswell (1994, pp.1–2) offers the following definition: 'Qualitative research is an inquiry process of understanding based on distinct methodological traditions of inquiry that explore a social or human problem. The researcher builds a complex, holistic picture, analyzes words, reports detailed views of informants, and conducts the study in a natural setting.'

Table 4.1: The characteristics of quantitative and qualitative research

Quantitative	Qualitative
Objective view	Subjective view
Focused questions: How many? Power of alliance?	Focused questions: What? Why?
Literature review should finish early in research	Literature review can be done as research progresses or afterwards
Emphasis is concise and narrow, also facts are value-free and unbiased	Emphasis is complicated and broad but facts are value-laden and biased
Measurable approaches in the way of reduction, control and precision	Interpretive approaches in the way of discovery, understanding and shared interpretation
Report statistical analysis; basic element of analysis is numbers	Report rich narrative, individual, interpretation, basic element of analysis is words
Researcher uses instruments to establish relationship and causation	Researcher uses communications and participant observation to describe the meaning and discovery
Apply the 'n' samples in order to 'count the beans'	Apply the 'informal rich' sample in order to find out 'which beans are worth counting'

Source: Anderson (2006)

Philosophical assumption underlying qualitative paradigms

Ontology and epistemology

Blaikie (1993) cites the core definition of *ontology* as 'the science or study of being' and expands this explanation for the social sciences to encompass 'claims about what exists, what it looks like, what units make it up and how these units interact with each other'. Ontology is the fundamental point for major debates among philosophers of the natural and social sciences. Realism and relativism are the most intense debates among philosophers of natural science.

Traditional realists believe that the world is concrete and external; science has only been influenced and advanced by a direct consistency in the investigated phenomena. In recent years, philosophers of science have modified this position into two views: (i) the laws of physics and nature, and (ii) the knowledge, or theories about these laws. Bhaskar (1989, p.12) identified this position as transcendental realism, which states that 'the ultimate objects of scientific inquiry exist and act (for the most part) quite independently of scientists and their activity'. Internal realists prefer epistemology (process of observation), which concentrates on the most effective method of collecting indirect evidence determined by the elemental physical processes. A typical example is the Indeterminacy Principle, defined by Werner Heisenberg in 1927 (p.5), which states that '[t]he more precisely the position is determined, the less precisely the momentum is known in this instant, and vice versa.' However, Latour and Woolgar (1979), adopting a classical relativist position, argued that scientific laws may not always be immutable; the ideas should be accepted as being 'true' after much criticism and experiment which have been closely associated with the personal profession and quality of the main protagonists. Furthermore, it is possible that the approval of a specific theory could be affected by the politics of business and social resources if the scientific debate has been limited (Knorr-Cetina 1983).

The arguments in terms of social science have been addressed by three major ontological positions: (i) representationalism, (ii) relativism and (iii) nominalism. These positions basically correspond to the internal realist and scientific relativist; they roughly indicate that the essence of social science is people rather than physical objects. Some relativists' point of view is that 'what counts for the truth can vary from place to place and from time to time' (Collins 1983, p.88). Another variant of the relativist position is critical realism, which comprises the realist ontology of Bhaskar and an explanatory thread (Sayer 2000). 'Critical realism makes a conscious compromise between the extreme consequences whether or not they are observed

and labelled by social scientists; but it also recognises that concepts are human constructions'
(Smith, Thorpe and Jackson 2008, p.80). Thus, the representationalism aims to reach an accurate
research consequence by reflecting on reality; the relativist pursues research results that should
correspond with a broad sample of viewpoints; and the nominalist is interested in how the
characterisation arises and what influences their acceptance of knowledge.

The positivist and relativist positions both define that the reality exists independently of the
observation. However, the positivist perspective is that achievement is accomplished through
the design of predetermined hypotheses; the relativist attempts to gain a multiple reality
perspective, which is based on triangulation of method and a broad view and experiences of a
broad observation.

Anderson (1993); Easterby-Smith and Malina (1999), and Cunliffe (2002) summarised
methodological implications of distinctive epistemology within social science as follows:

Table 4.2: Methodology in social science

Social science epistemologies	Positivism	Relativism	Social constructionism
Elements of methodologies			
Aim	Exploration	Disclosure	Creation
Starting point	Assumptions	Propositions	Significations
Designs	Observation	Triangulation	Reflexivity
Techniques	Assessment	Inspection	Communication
Analysis	Authentication	Possibility	Sense-making
Outcome	Causation	Reciprocity	Knowledge

Sources: Anderson (1993); Easterby-Smith and Melina (1999); Cunliffe (2002)

In addition, they demonstrated the strengths and weaknesses of three major epistemologies (Table 4.3).

Table 4.3: The strengths and weaknesses of major epistemologies

	Strengths	**Weaknesses**
Positivist	• Broad inclusion. • Substantially quick and economical. • Easier to interpret laws.	• Inelastic and contrived. • Deficient quality of the process, poor understanding of meanings and not good for theory generation. • Signification of action is not explicit.
Relativist	• Obtain value of diversified data sources. • Accredit generality beyond the existing example. • Effectiveness in outsourcing capability.	• Challenge of large research samples. • Inability to coordinate institutional and cultural differences. • Problems reconciling contradictory information.
Social constructionist	• Great quality of processes, and good understanding of meanings. • Adaptable and good for theory generation. • Data collection is more valid.	• Time-consuming cost. • Justification and interpretations are strenuous. • The authenticity of policymakers is deficient.

Source: Anderson (1993); Easterby-Smith et al. (1999)

Axiology

It is impossible to conduct a rigorous study without understanding its philosophical underpinnings. In terms of qualitative and quantitative research, the researcher's philosophical assumptions about ontology, epistemology, methodology and axiology are fundamental in constructing the research process and require transparency. People make assumptions about the nature of reality or ontology, how knowledge is constructed, or about epistemology and assume that the values (axiology) a researcher brings to the selected method, participants, data

collection, analysis, and interpretation influence the research process. Therefore, most discussions of research paradigms are on the tripartite connections between ontology, epistemology and methodology. Others, such as pragmatists, also include the role of ethical and moral values in the researcher's worldviews under the heading of 'axiology'.

Axiology highlights the role of values and ethics as being free and unbiased in scientific research (Cederblom and Paulsen, 2001). However, bias is inherent in values because it emerges from the related methodologies and 'methodology is inevitably interwoven with the nature of particular disciplines and the [study] experience of the researcher' (Lincolin and Guba, 2000, p.164), as well as his or her personal history. Values and beliefs are made explicit by the researcher so that respondents and consumers of the research know the context in which the research was conducted and that they have been exposed to critical examination. Qualitative approaches recognise the impact of the researcher's values and through reflexivity seek actively to report the values and biases of the researcher, as well as the value nature of data gathered (Creswell 1994). The value system a researcher brings to his or her study informs the research methodology. Values are a part of the 'basic beliefs' that undergird and affect the entire research process: choice of problems, guiding paradigm, rhetorical framework, data-gathering method, analysis strategy, and even the presentation format of the findings (Denzin and Lincoln 2005). Even the philosophical roots of theory are value-driven and shaped by the research's worldview (Cederblom and Paulsen 2001). In addition, values play a significant role in the study of leadership, especially as evidenced, for example, in values-based approaches to leadership (Klenke 2008, p.15).

Methodology
A theory of
inquiry

Epistemology
A theory of
knowledge

Ontology
A theory of
reality

Axiology
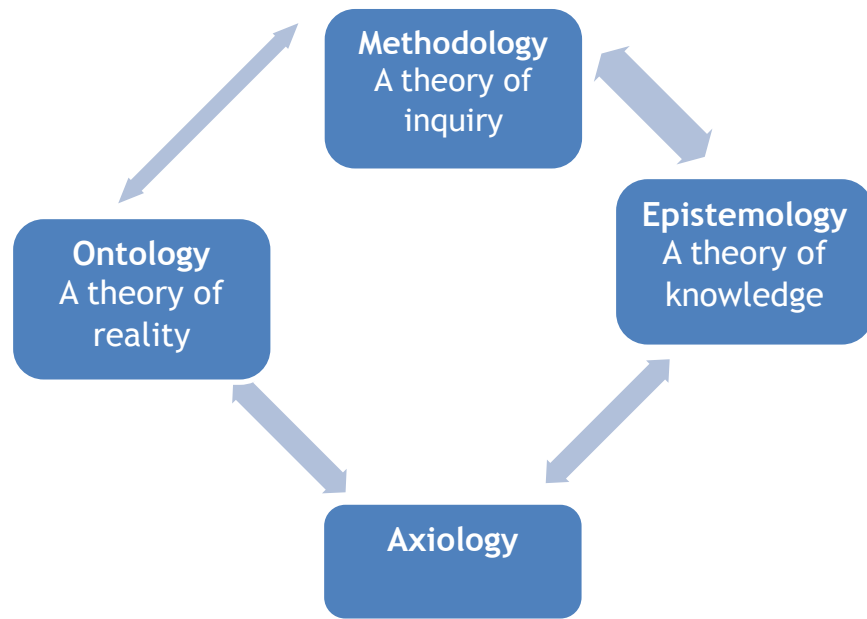
Source: Klenke (2008)

Figure 4.2: The research triangle

Table 4.4: Major research paradigms in qualitative research

Paradigm	Ontology	Epistemology	Research method
Social constructivism	Relativism, reality is determined by the society and the experience from the specific nature of the view	Knowledge comprises the comparative consensus on mental expression	Case studies, interviews
Interpretivism	Investigator and reality are indivisible	Knowledge is grounded in theoretical descriptions of significances and shaped by people's lived experience	Case studies, interviews, phenomenology, ethnography, ethnomethodology
Symbolic interactionism	Investigator and reality are intertwined	Knowledge has been adopted by the different social interactions and rising expressions	Grounded theory
Pragmatism	Reality is ambiguous, but generally based on language, biography and culture	Knowledge has been determined by the researcher's intended experience and 'objective' behaviour	Interviews, cases, surveys
Positivism	Reality is objective and comprehensible	Knowledge is based on value neutrality of acquisition and shed of moral subject	Surveys, experiments, quasi-experiments

Sources: Denzin (1992), Denzin and Lincoln (1994), Howe (1988), Joas (1993), Tashakkori and Teddlie (2003a), Wicks and Freeman (1998)

Social constructivism

Shotter (1993) and Habermas (1970) describe social constructivism an interpretive method that people use to make sense of an existing being through sharing their knowledge. The essence of social constructivism is people's experience, feeling for, and thinking about, the world, and emphasis should be placed on why people have different experiences and in what way they sense the different situations. Social constructivism has greatly reacted to the application of positivism on the view of 'social reality', which focuses on social construction and explanation by people rather than by objective and exterior factors. According to Guba and Lincoln (1989), the constructivist philosophy is idealist, pluralistic, relativistic and self-reflective. However, the social world cannot be explained without investigating how people use language, symbols and meaning to establish social practice. Guba and Lincoln (1989, pp.44–45) construct the following primary assumption about social constructivism:

- 'Truth' is a matter of consensus among informed and sophisticated constructors, not of correspondence with objective reality.
- 'Facts' have no meaning except within some value framework; hence there cannot be an 'objective' assessment of any proposition.
- 'Causes' and effects do not exist except by imputation.
- Phenomena can only be understood within the context within which they are studied; findings from one context cannot be generalized to another; neither problems nor solutions can be generalized from one setting to another.
- Data derived from constructivist inquiry have neither special status nor legitimating; they simply represent another construction to be taken into account in the move toward consensus.

Constructivist researchers value context sensitivity and tend to place considerable emphasis on situational and structural facets of the context that understands a phenomenon in all its complexities and within its particular environment. This approach contrasts sharply with the positivistic–quantitative approach which may be multivariate but which eliminates all the unique aspects of the context to apply the results to the largest number of research participants (Strauss 1990). Furthermore, constructivism applies a variety of research approaches, which include critical theory (Habermas 1972), ethnomethodology (Atkinson 1984), symbolic interaction (Mead 1928), theories of sense-making (Weick 1995), theories of truth (Kvale 1995) and a range of other epistemologies that are in opposition to positivist assumptions. Generally, as Guba and Lincoln (1989) stated, one of the primary suppositions in constructivism is that phenomena are best understood in context. This means that statistical examination is not the principal aim of socially constructed knowledge. Instead, the aim is analytical generalisation that leads to theory building. It follows that leadership, as a socially constructed phenomenon (Conger 1998), can be well informed by this paradigm.

Table 4.5: Contrasting implications of social constructivism and positivism

	Positivism	Social constructivism
The observer	Entirely independent	Indispensable element of research observed
Human interests	Certainly irrelevant	Key drivers of science
Explanations	Definitely illustrate causality	Generally, an understanding of the situation
Research progresses through	Assumption and inference	Congregating rich data from which ideas are considered
Concepts	Definitely approved and testable	Closely associated with stakeholder perspectives
Units of analysis	Convincingly apply simplest terms	Incorporate the complexity of real situations
Generalisation through	Analytical possibility	Hypothetical abstraction
Sampling require	Large numbers of random assignments	Small numbers of selected cases in specific ways

Source: Smith, Thorpe and Jackson (2008)

Interpretivism

Golfashani (2003, p.23) states that interpretivists embrace the view that all knowledge, and therefore meaningful reality as such, is contingent upon human practices, being constructed in and out of interactions between human beings and their world, and is developed and transmitted within a social context. Qualitative research could or could not be interpretive, depending upon the underlying philosophical assumptions of the researcher since classifying epistemologies into positivist, interpretive and critical, qualitative research can be done with a positivistic, interpretive or critical stance.

Interpretivism holds the following views (Klenke 2008 p.23):

- Human beings are not mechanistic and embrace multiple realities, which need to be understood in context.
- The social world cannot be described without investigating how people use language, symbols and meaning to construct social practice.
- No social explanation is complete unless it adequately describes the role of meaning in human actions.

The interpretivist paradigm denies that 'there is an objective reality independent of the frame of reference of the observer; reality is mind-minded and influenced by the process of observation' (Klenke 2008, p.23). Additionally, Klenke (2008 pp.23–24) states: 'interpretive research is committed to the broad philosophy of social construction, which sees reality as a constructed world built in and through meaningful interpretations. The goal of the researcher, therefore, is not to capture some pre-existing or predetermined reality but to understand the

process of symbolic work making (Schwandt, 1994) or constructing meaning from qualitative data.'

Pragmatism

Pragmatism is derived from nineteenth-century American philosophers' ideology, particularly William James and John Dewey. They believed all theories and frameworks should always be based on the lived experience of individuals; there is no pre-decided formulation or pre-determined theories in social society. More specifically, the essential theme of pragmatism needs to strike a balance between concretion and abstraction, but should also estimate reflection and observation at the same time. In addition, the Kolb Learning Cycle (Kolb, 1984) proposes a developed pragmatic approach. According to Smith and Thorpe (2008, p.61), 'learning takes place as a continual movement from concrete experience, to reflective observation, to abstract conceptualisation, to active experimentation and back to concrete experience'. Saunders and Thornhill (2006 p.598) define pragmatism as 'a position that argues that the most important determinant of the research philosophy adopted is the research question, arguing that it is possible to work within both positivist and interpretive positions. It applies a practical approach, integrating different perspectives to help collect and interpret data'. Thus pragmatism believes that mixed methods (qualitative and quantitative) are possibly the most appropriate strategy for one research effort. Tashakkori and Teddie (2003) suggest that a continuum philosophical position on research is much better. They also note that 'at some points the knower and the known must be interactive, while at others, one may more easily stand apart from what one is studying' (p.26). Another one of their significant views is that 'you should study what interests you and is of value to you, study in the different ways in which you deem appropriate, and use the results in ways that can bring about positive consequences within you value system' (p.30).

Based on major qualitative traditional methods for leadership research, the mixed method, case study and interviews have been chosen and considered as the most suitable approaches for the present researcher's research.

Table 4.6 is a brief introduction to major research methods:

Table 4.6: Major qualitative traditional methods in leadership research

Methodology	Description
Case studies	An exploration of elaborate in-depth data collection and sufficient context by a 'Bounded, integrated system' during a period (Stake 1995).
Content analysis	A study procedure of 'any methodological measurement applied to text (or other symbolic materials) for social science purposes' (Shapiro and Markoff 1997, p.14).
Qualitative interviewing	A way of 'generating empirical data about the social world of informants by asking questions so as to attain the authentic insights into people's experiences' (Silverman 2001, p.87).
Mixed methods	A course of applying two or more methods that draw on different meta-theoretical assumptions and can include standard positivistic- quantitative and interpretive-qualitative components or a mix of qualitative data (interpretive, phonological and visual) (Moran-Elis 2006; Klenke et al. 2008, pp.156–157).
Grounded Theory	A common qualitative method to 'uncover and understand what lies behind phenomena about which little is known' (Strauss and Corbin 1990, p.19). Glaser (1992, p.19) defines 'it is a general methodology of analysis linked with data collection to generate an inductive theory about a substantive area'.
Ethnography	'A long period of intimate study and residence in a well-defined community employing a wide range of observational techniques including face-to-face contact with members of local groups, direct participation in some of the group's activities, and a greater emphasis on intensive work with informants than the use of documentary or survey data' (Conklin 1968, p.172).
Historiometry	A way of using modified personality [that] strives to verify personality patterns from the specific (idiographic) to the general (nomothetic) across a sample of cases (Klenke 2008, p.213; Simonton, 1984, 1986, 1999).
Phenomenology	An approach to studying 'the phenomena: appearances of things, as they appear in our experience, or the way we experience things, and thus the meaning thins have in our experiences' (Klenke 2008, p.222).
Narrative analysis	A 'storied linguistic form that preserves the complexity of human action with its interrelationships of temporal sequence human motivations, chance happenings, and changing interpersonal and environmental contexts' (Polkinghorne 1995, p.7).

Research methods and instruments

Given the unique challenge of conducting research into this complex and sensitive area which included cultural sensitivities, secrecy and suspicion, and political influence, the researcher chose to employ multiple methods (mixed methodology) to explore the research questions posed. This research applies three methods for data collection: (i) semi-structured interview, (ii) questionnaire and (iii) case study. These, when combined with the pilot study and personal reflection, create a multi-dimensional knowledge base:
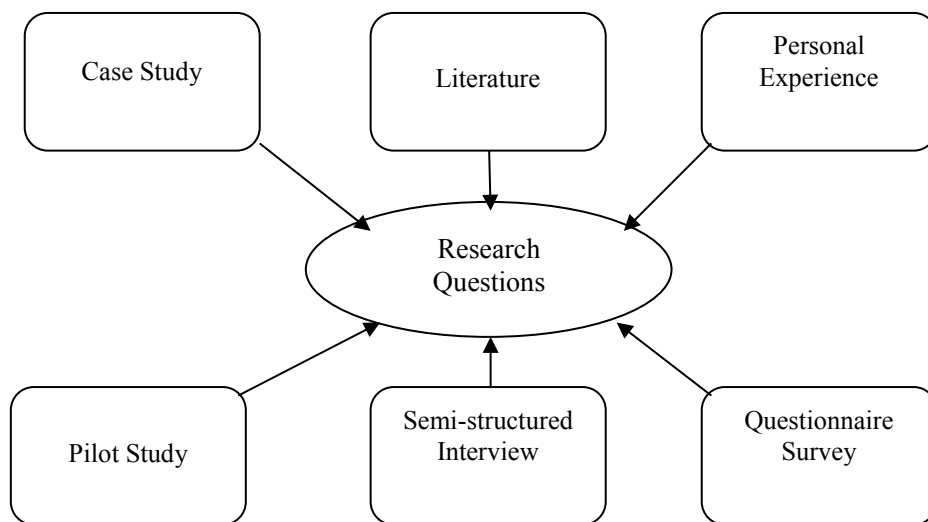
Figure 4.3: Mixed methodology applied in answering the research questions

Case study

The case study is a research strategy of establishing valid and reliable evidence for studying objectives in a practical context (Walsham 1993; Kasanen and Suomi 1987; Smith 1990). The most widely accepted definition is given by Yin (2003, p.23**)** who explains *case study* as being an empirical inquiry that 'investigates a contemporary phenomenon within its real life context and where the boundaries between phenomenon and context are not clearly evident, and in

which multiple sources of evidence are used. It is particularly valuable in answering ***who, why*** and ***how*** questions in management research' (Yin, 2003, p.23). Furthermore, Schramm (1971) (in Yin, 2003, p.12) states that 'the essence of a case study, i.e. the central tendency among all types of case studies, is that it tries to illuminate a decision, or a set of decisions: why they were taken, how they were implemented, and with what result'.

Pilot study

A pilot study implies that the study is intentional and is planned from the beginning of a proposed project and before the actual investigation (Lindquist 1991; Locke et al. 2000; Perry 2001). The principal benefit of conducting a pilot study is that it provides researchers with an opportunity to make adjustments and revisions in the main study.

A pilot study is referred to as a feasibility study that comprises 'small-scale versions of the planned study, trial runs of planned methods, or miniature versions of the anticipated research' in order to 'answer a methodological question(s) and to guide the development of the research plan (Prescott and Soeken 1989: 60)' (Kim 2010 p.191).

It can also be a specific pre-testing of research instruments, including questionnaires or interview schedules (Compare Polit et al. 2002, pp.33–44; Van Teijlingen and Hundley 2001, p.1.)

Blaxter et al. (2006, p.137) state that '[y]ou may think that you know well enough what you are doing, but the value of pilot research cannot be overestimated. Things never work quite the

way you envisage, even if you have done them many times before, and they have a nasty habit of turning out very differently than you expected.'

In addition, Welman and Kruger (1999) listed the following three values of a pilot study:

i   It is needed to detect possible flaws in measurement procedures (including instructions, time limes et cetera) and in the operationalization of independent variables.

ii   It is also valuable to identify unclear or ambiguous items in a questionnaire.

iii The non-verbal behaviour of participants in the pilot study may give important information about any embarrassment or discomfort experienced concerning the content or wording of items in a questionnaire.

In terms of the researcher's situation, based on his personal experience, he was highly motivated to choose internal *guanxi* in organisations as a research topic. Although he is familiar with the application of internal *guanxi* in the working environment and had participated in many cases involving leadership behaviour, the pilot study still needed to be conducted and would help him to define more meaningful and more effective research questions; to construct more incisive interviews and reliable questionnaire survey.

Interviews

Kvale (1983 p.174) defines the *qualitative research interview* as 'an interview, whose purpose is to gather descriptions of the life-world of the interviewee with respect to interpretation of the meaning of the described phenomena'. The interview has also been suggested as being the most useful method in social research. It includes four essential variables: (i) the respondent,

(ii) the interviewer, (iii) the schedule and (iv) interview circumstance (Seale, 1998). The well-designed and selected type of interview will enhance validity and reliability of in-depth information. According to Moir (1998), the qualitative interview has been classified into: in-depth interview, semi-structured interview and structured interviews. The in-depth interview enables the researcher to avoid bias and allows the informant to express a particular theme without the pre-designed questions. Semi-structured interviews are conducted with fairly two-way communication which allows researchers to focus on a set series of topics for a deep social understanding. Structured interviews present with exact pre-designed questions in the same order to collect informants' data for a statistical survey research. Although Silverman (1993) argues that in an in-depth interview it could be difficult for the interviewees to interpret the relevant points through non-directive questions. It is extremely time-consuming as well.

Table 4.7: Advantage and disadvantage of interviews

Advantage	Disadvantage
• Much extra information can be obtained from interviewees' social cues, such as voice, intonation and body language	• Require interviewer's skills and energy for concentration and instant capability to handle communication
• Taking notes and voice recording make it possible to collect more detailed data	• Time-consuming to transcribe
• Good for investigating a given topic, giving considerable flexibility to the analysis	• Challenge to select interviewers by personal experience and topic knowledge
• The information collected is more correct, compared to other methods	• Involves high cost, such as creating a good and comfortable environment for interviewers
• Produce high response rates	• Results are more subjective

It is necessary to employ in-depth interviews so as to cultivate trust and a feeling of comfort with informants before the researcher investigates the core ethical and sensitive questions. Thus, in this research, in-depth and semi-structured interviews seemed to be more realistic to conduct the research in order to gain rich information from different angles, and manage time efficiently and effectively (Kvale 1996). Furthermore, the following practical concerns have to be considered in the design and conduct of the interviews:

- In practice accessibility to the field of research is a key concern for successfully employing the interview in China. *Guanxi* had to be used inside and outside organisations for the research purpose.
- At the stage of designing the interview questions

  [e]ach interview question should be evaluated with respect to both a thematic and a dynamic dimension: thematically with regard to its relevance for the research theme, and dynamically with regard to the interpersonal relationship in the interview. A good interview question should contribute thematically to knowledge production and dynamically to promoting a good interview interaction by simple ways (Kvale 1996, p129).

- Fujian Province and the other cities in East of China were chosen as the primary research setting according to the following practical considerations:

  - It seemed to be unrealistic to collect data from the whole of China based on personal accessibility and current resources;

    –   Fujian Province is the largest export region in China and is also famous for Chinese entrepreneurship in the business environment.

- In the process of conducting an interview, 'the researcher must be both listening to the informant's responses to understand what he or she is trying to get at and, at the same time, need to be bearing in mind the researcher's need to ensure that all interview questions are liable to get answered within the fixed time at the level of depth and detail that research need' (Wengraf 2001, p.194). In addition, there are six important practical issues that may affect the quality of the interview: (i) obtaining trust, (ii) being aware of social interaction, (iii) using the appropriate language, (iv) getting access, (v) choosing the location for the interviews and (vi) recording interviews.

Interview briefing

The interviewees were asked to give an account of their work experience from the start of their careers to the present, highlighting any milestones or issues that had occurred and affected their life in the organisation. The interview questions included their family relationships, social connections and educational background, how they engaged with the company, what they felt about the leaders and leadership, and what their current plans and goals were.

An elite interview may be employed at the end of an in-depth interview. It is a specialised application of interviewing that focuses on the specific informants. *Elites* are defined as those people who are more influential, more prominent and better informed in an organisation or social community; especially the selected elites because their expertise in the field was relevant to the research. The elites provided valuable information to the researcher through their rich

experience of the social and/or administrative realms, such as the organisation's policies, past histories and future strategy on more senior levels (Hertz and Imber 1995).

Table 4.8: Strengths and weakness of questionnaires

Strengths	Weakness
1. It is a quick, easy and efficient approach for contacting large numbers of targeted people.	1. It is difficult to examine complex issues and opinions due to defects in the structural design.
2. The data collected is easy to code and interpret.	2. It is hard to select targeted informants by means of a postal questionnaire.
3. It is a reliable method to make data standardised.	3. The validity of information collected may be affected by the misunderstanding of questions when the researcher is not present.
4. It is a potential method to increase the validity of answers anonymous investigated and completed in privacy.	4. The response rate is quite low.

Research procedure

Pilot study process

According to the researcher's schedule, there was one year for conducting the research. The pilot study was employed in the first two months before the in-depth interviews were conducted. In the beginning stages of a research project a pilot study is able to facilitate and build up positive and trustworthy relationships between the researcher and key informants, stakeholders and gatekeepers whose authority and help are essential for the research progress to be more effective in the appropriate fieldwork.

The researcher may start with 'qualitative data collection and analysis on a relatively unexplored topic, using the results to design a subsequent quantitative phase of the study'

(Tashakkori and Teddlie 1998, p.47). The pilot study makes it possible to assess the feasibility of a full-scale study, and test whether the research protocol is realistic and workable. The researcher could identify logistical problems that might affect the in-depth interview and understand how to build a more effective questionnaire survey.

In terms of the pilot study, key informants were regarded as those people who were more experienced, more sophisticated and more respectful. Fieldwork was described as the researcher having worked with people for long periods in a native setting in order to gain a commonsense perspective to data collected on people and their behaviour. Depending on the researcher's personal resources and organisational accessibility, the fieldwork was chosen as a leading electric motor enterprise in China.

Three questions were raised in the pilot study, '1. Can you give an example of a particular/typical challenge, task or problem you have successfully sorted out recently? 2. How often do you sort out your problems through your personal connections? Can you give an example? 3. Can you think of any examples in which you contact your external personal connections to sort out internal organisational problems?'

The snowball method was used to conduct the pilot study, which involved informal contact with people in their living/working environment. Ten leaders were chosen for short interviews at the start of the pilot study. Those leaders formally introduced this pilot study to 50 other respondents who were from eight different departments in their own companies. The researcher recorded ten-minute interviews with the ten leaders, using descriptive narratives or personal cases during the short interviews. The rest of the 50 respondents only answered the pilot study questions by email and telephonic interviews.

Guanxi is an extremely sensitive topic to discuss in public in China, especially internal *guanxi* networks between leaders and subordinates. The feasibility of the research was the major concern for applying pilot study. It is important to test if the pilot study questions are appropriate for people to talk freely.

Interview process

According to *guanxi* as sensitive topic that people would not discuss in public, the researcher had to apply the snowball sampling method to conduct interviews; in other words, he relied on his personal *guanxi* with the informants of the company and set up interviews with those acquaintances first, and then those acquaintances introduced the researcher to other interviewees based on their own personal relationships with them. In relation to more personal interview encounters, Gomm (2004, p.230) states: 'The argument is that only by developing intimate, trusting and empathetic relationships will respondents feel able to disclose the truth.' 'The trust is fundamental and must be maintained through professionalism and respect for each person whose perspective through interview should be recognized as unique and valuable' (Newton 2010). Thus, the researcher believes the snowball sampling method was the most effective way to build trust with interviewees in a limited time and guide them to present the truth. In addition, the researcher wanted to ensure that the findings were valid and avoid homophily. He not only employed the qualitative research method, but applied the quantitative method in this study too because the findings of the interview were only conducted in a single Chinese private enterprise and the researcher was also an employee of this enterprise. There is possible bias toward the interview results, but the questionnaire survey verified the validity of

the qualitative findings by comparing whether the qualitative findings and quantitative findings corresponded.

Thirty-four interviewees were selected from 8 departments of one targeted company and categorised into three different groups according to their seniority: (i) senior leader group, (ii) middle management group and (iii) subordinate group. All senior leaders chose their office for the interview location. Middle managers and ordinary staff members conducted their interviews in a meeting room. Each interview took up to one hour on average and the researcher had the interviewees' permission to record the whole of their interviews. The researcher made appointments with each acquaintance two weeks in advance and brought along eight interview questions that were basically constructed on pilot study questions to see ten acquaintances. Some of the interviewees were senior leaders, some middle manager and others ordinary staff members. Although the researcher worked as an employee in the company and had some close *guanxi*, the rest of the interviewees (22) did not know anything about the researcher's personal background.

First of all, the researcher told them something about himself: educational background and his interest in the area of enquiry. He explained the purpose and nature of this study to the interviewees, and why they came to be selected. For example, the researcher briefly stressed the significance of *guanxi* for leadership performance in the Chinese business context and raised the aspect of *guanxi* inside the company for those interviewees. They were experienced in the business and, more importantly, they had rich perspectives on leadership behaviour and performance, and insightful understanding of Chinese organisational culture, especially, *guanxi* inside the company. The researcher reassured the interviewees that they would remain anonymous in any written reports emanating from the study, and that their responses would be

treated in the strictest of confidence. The researcher clearly stated that there were no right or wrong answers; the researcher was only interested in people's opinions and personal experiences. This interview approach aimed to discover the views, perceptions and opinions from both individual and groups through natural language data: Chinese. Their permission to record the interviews was needed so that verbatim transcripts of the Chinese into English could be made in order to analyse the findings scientifically.

Questionnaire process

This questionnaire method aimed to further support the findings of the qualitative research, because the qualitative research focused on limited samples from the electric motor industry. The present research aimed to discover how different forms of enterprises in the electric motor industry comprehended the role of internal *guanxi* in leadership behaviour and tested whether the findings of the quantitative research and qualitative research conducted were consistent. The questionnaire method can be used for sensitive topics that the respondent may feel uncomfortable speaking to an interviewer about. In addition, the quantitative findings verified the interview findings and ensured that the results were more valid, because the interview data were only collected from one private enterprise. Where there were any conflicts, the researcher investigated the reasons for them and attempted to explain what correlations there were with the research questions. In addition, the standardised questionnaire had already been validated. This method made it possible to compare the researcher's work directly with other studies. This study may contribute new knowledge to the academic world.

The questionnaire survey was conducted among three different types of enterprise that operate in five business functions in the electric motor industry via email survey and personal

distribution. For example, when the researcher conducted the email survey, he asked someone who had private *guanxi* with him in an enterprise, and forwarded the blank questionnaire to survey people. These respondents sent completed questionnaire directly to his mailbox in order to protect their personal privacy. As regards personal distribution, it may be difficult to reach targeted respondents. In this case the researcher was introduced by someone whom he knew in an enterprise, he briefly explained the purpose of this research questionnaire to respondents and left the questions with the respondents for half hour. The researcher then collected the questionnaire by himself. If some respondents were busy at that time, normally the researcher went to collect them the next day. The researcher believes this method of distributing and collecting the questionnaire validated the data and made them reliable.

Qualitative analysis process

i   Review the data

The researcher read and re-read interview transcripts until he had a general understanding of the content.

ii   Organise the data

Data from 34 interviews tended to be very lengthy and complex: there are about 8 000 words in each interview transcript. Once the researcher was familiar with what he had, the data were organised by the interview questions asked so that they were more manageable and easy to navigate.

iii   Code and categorise

The findings, ideas and concepts from the pilot study and in-depth interviews were systematically organised by assigning labels or codes to key text. A variety of coding strategies were employed, including line-by-line coding to facilitate close inspection of the data and initial conceptualisation, and more focused coding to separate and synthesise initial codes into higher-order categories. Theoretical coding was used to specify possible relationships between categories developed during focused coding. Each of the response categories had one or more associated themes that gave a deeper meaning to the data. Different categories were collapsed under one main over-arching theme.

iv   Ensure reliability and validity

The accuracy with which a method measures what it intended to measure (Schopper et al. 1993) and yields data that really represent 'reality' (Goodwin et al. 1987) is imperative. Validation does not belong in some separate stage of the investigation but, instead, as an ongoing principle throughout the entire research process. Ensuring reliability requires diligent efforts and commitment to consistency throughout the process of interviewing, transcribing and analysing the findings; more specifically, searching for negative examples of the patterns that are called 'outliers'. It is easy to ignore these since they do not fit into the patterns and themes of the data, but it is important that they are carefully examined and that possible explanations for these outliers are thought out.

v   Compare constantly

Constant comparative methods were used to make comparisons between data, codes and categories. The meanings of individual categories were compared and contrasted with one another both within and across participant interview transcript material. The intention was to enhance conceptual understanding of the data and to subject the emerging category systems and theoretical framework to rigorous scrutiny.

vii   Audit

An auditing strategy was employed to check the procedural dependability and trustworthiness of the analysis. This involved the supervisory panel for this thesis having access to examples of the raw interview data, theoretical notes and memorandums, and how emerging categories were grounded in participant experiences.

In the next chapter, the general qualitative and quantitative findings are presented and discussed; for example, the general analysis of eight interview questions posed to 34 interviewees and the questionnaire survey distributed to 337 respondents drawn from the electric motor industry. The initial analysis is used to respond to the research questions and the seven propositions.

CHAPTER FIVE: QUALITATIVE RESEARCH

This chapter aims to present the general data by means of 34 semi-structured interviews conducted in order to investigate further information to answer the two research questions:

1. Does *guanxi* apply internally in Chinese private companies?

2. How does internal *guanxi* influence leadership behaviour in Chinese private companies?

This chapter has been divided into three sections in order to investigate the two research questions through the data findings.

Section 1: The general findings for all interview questions are set out.

Section 2: The eight interview questions are classified into three aspects that relate to the two research questions.

Section 3: Conclusions are drawn on some of the implications from each interview question in order to explore the influence of internal *guanxi* on leadership behaviour in Chinese private companies.

Eight questions were asked in each interview with 34 interviewees who were chosen from random positions in a Chinese private company in the electric motor sector. Of these interviewees, 60% are leaders and 40% are subordinates. The findings of the interviews include the interviewees' gender, education background, professional experience, leadership traits, their perspectives on how *guanxi* has been applied internally and externally in relation to the

company and their motivations for using a *guanxi* network. All interviews were divided into two groups for discussion: (i) the leader group and (ii) the subordinate group. The specific interview questions were as follows:

1. *How long have you been working in the company? What are you mainly in charge of?*

2. *What kind of challenges or difficulties do you always have at work?*

3. *What kinds of abilities or leadership skills are critical at work according to your experience?*

4. *Have you ever felt that some rigid rules or regulations of the company restrict you from doing your job or managing the team? If you have, could you please give me an example?*

5. *Have you ever used your internal* guanxi *network within the company to solve work-related problems?*

6. *How do you define your internal* guanxi *network within the company? Do you think the network is a supplement to the formal management system of the company or a network that could affect operations of normal management and have a negative impact? Could you please give me some example?*

7. *Generally, what makes you or motivates you to use your internal* guanxi *to solve work-related problems?*

8. *Have you ever used internal* guanxi *outside the company to solve problems that occurred within the company?*

The main themes of the finding for each interview questions

Q1: *'How long have you been working in the company? What are you mainly in charge of?'*

Of the two major groups selected for interviews, most senior leaders have been working for the company for over 10 years, the longest is 22 years. Middle managers have worked for the company for at least 8 years; the longest is 14 years, and only one manager from Sales has been working for 4 years. They are in charge of the Finance Department, Sales Department, Technology Department, Logistic and Supply Department, Production Department and Human Resources Department, respectively.

Most subordinates have been working for the company for at least three years, and they are mainly from the ERP department, Workshop, Administration Department, Quality Assurance Department and the Human Resources department.

Q2: *'What kind of challenges or difficulties do you always have at work?'*

The responses from the leader group can be categorised into three different types of challenges or difficulties: (i) operational challenges, (ii) management challenges and (iii) strategic challenges. For instance, the leaders viewed operational challenges as referring to being 'unable to deliver product before deadline', 'production efficiency is low', 'manufacturing cost is high', 'norms of accounting are difficult to manage', 'challenge for customer development', 'instability of production', 'deal with customers' complaints', 'verify potential suppliers', 'control the capital flow', and 'challenge in collaborating with multi-departments'.

The leaders noted the management challenges as being 'recruitment of new workers' and 'prevention of brain drain', 'how to manage staff well', 'manage cooperation among major business divisions' and 'motivation of employee performance'.

Challenges related to strategy were 'investment in unfamiliar business environment', 'new product development' and 'unification of ideas of shareholders'.

Consequently, in the following interview questions, the leaders illustrated examples to explain how they used their internal *guanxi* internally and externally in the company in order to deal with these three types of challenges.

Conversely, findings from the subordinates group can be divided into two types of challenges: (i) operational challenges and (ii) management challenges. For instance, as regards operational challenges for the subordinates group, they generally reported, 'change people's perception of ERP', 'shortage of accessories in hardware', 'convince people to train in the new project', 'lack effective communication', 'difficult to understand everything at work', 'how to deal with trivial matters, 'make all work organised', 'dealing with emergencies in operations', 'encounter conflicts of coordination between departments', 'production limitation', 'shortage of workers', 'imbalance between supply and demand among sections', 'uncooperative action from other colleague or departments', 'evaluate the candidate's potential in a short interview' and 'training course budget for new staff'.

As regards management challenges, they gave examples such as 'encourage staff to work overtime when promoting a new project in a workshop', 'manage staff', 'someone refuses to co-operate with the work', 'resistance from people when need to co-operate at work', 'deal

with employees' problems and disagreements, and observe relationships among employees'

and 'evaluate influence of employees' different characters on the work'.

Q3: 'What kinds of abilities or leadership skills are critical at work according to your experience?'

This question was posed to discover how people evaluated the leadership skills in their experience and verify if there was any relation to the application of internal *guanxi*. If yes, what was the role of *guanxi* in leadership behaviour, such as how did internal *guanxi* work with people, how did it integrate resources and manage change to help people to achieve goals? The researcher tried to find out what the distinctions were between Chinese leadership and Western leadership, because the biggest difference could be the perceptions of *guanxi* in their respective leadership behaviour. The expectation was to see how the different leadership layers defined the important capabilities from their point of view and how they perceived the implications of the internal *guanxi* network in the company?

All the interviewees were categorised and divided into three different levels of seniority in order to identify their insights into critical leadership abilities from different organisational levels. The researcher assumed that different people had various perceptions of leadership quality based on their own work experience. In comparing the Chinese philosophy of leadership and Western leadership, the researcher distinguished themes of leadership quality, adapted them and applied them to a multinational company in China.

Table 5.1: Themes of critical leadership ability

Interviewee	Frequency of theme						
	Teamwork	*guanxi* Build and maintain	Professional ability	Effective communication	Mobilise resources	Discover the strength of people	Deal with emergencies
Senior leader	8	6	7	2	2	3	1
Middle manager	2	1	2	4	3	1	1
Subordinate	0	5	2	13	3	0	0
Total	9	12	11	19	8	4	2

Q3: What kinds of abilities or leadership skills are critical at work according to your experience?

From the responses it is clear that, for example, the senior leaders believed 'teamwork', 'build and maintain *guanxi*' and 'professional ability' were the most important leadership qualities.

The senior leaders, in turn, believed 'effective communication' and 'mobilising resources' were critically important. The subordinates considered 'effective communication' and 'build and maintain *guanxi*' decisive leadership qualities.

As Table 5.1 shows, the senior leader group is more concerned with how to build a team and apply a great *guanxi* network and professional ability in their leadership performance. The middle manager group is more concerned with how to communicate with people effectively and how to mobilise resources to complete tasks. The subordinate group also expected effective communication, a good *guanxi* network between them and leaders' support in their work.

The most frequent theme stressed by the interviewees is 'effective communication' (19 times in total), especially the subordinate group (13 times). For the Workshop employees, communication is part of influencing team members to collaborate and facilitate customer interactions. This ability to facilitate effective communication is decisive at every level of leadership. An early Harvard Business School study on successful leadership in an organisation found that it is a leader who 'is able to communicate, to make sound decisions, and to get things done with and through people' (Bowman et al. 1964). The more effective the communication, the more chance of success. 'Build and maintain *guanxi*' and 'professional ability' are the second most frequent theme indicated by interviewees (12 times respectively). Based on the interview transcripts, 'professional ability' can be interpreted to mean 'professional knowledge' and 'professional ethics', such as positive attitude on the job when under pressure. In addition, the theme of 'build and maintain *guanxi*' is the most significant finding for this qualitative research and also has a decisive influence on exploring the research questions.

The researcher not only found that the *guanxi* network was applied in the company, the findings also confirmed that *guanxi* was as one of the most important leadership abilities by all 34 interviewees. Moreover, compared to 'build and maintain *guanxi*', it was the key distinction between Chinese leadership behaviour and Western leadership behaviour. How *guanxi* is built and maintained and how internal *guanxi* influenced leadership behaviour will be described in the rest of the interview transcripts. 'Team building' is one of the top four most frequent themes, (according to one senior leader and one middle manager). The leader interpreted this ability as 'helping people', 'giving assistance to co-operate with one another' and 'improving cohesive power to collaborate'.

In the next section, the research illustrates interviewees' responses to explain their most crucial leadership ability according to the different levels of seniority.

The senior leader

As regards the senior leaders, their insights focus mainly on 'teamwork', 'build and maintain *guanxi*' and 'professional ability'.

For instance, in respect of 'teamwork', recent studies have investigated the relationships between team composition and team effectiveness or members' effectiveness. The effects of relational demography (e.g., gender, age and education) on intra-team interaction and team effectiveness are well documented in the West (Riordan 2000). However, it is also well documented that *guanxi*, an emic concept, plays a more important role in interpersonal interactions than the concept of relational demography in Chinese societies (Xin and Pearce 1996; Chou 2002).

Chou et al. (2006, p.85) noted that

> Mediating effects of centrality of the trust network on the relationship between *guanxi* networks and teammate's effectiveness. A team member's intra-team *guanxi* networks reflect previously established *guanxi*, and the effect of relationship bases on the member's effectiveness may be mediated by his/her teammates' trust in him/her.

A Factory Director specifically outlined the role of *guanxi* in the process of teamwork as follows:

> *In a labour-intensive enterprise like ours, a* guanxi *network between people is important, which could directly influence the success of team building and gain the trust from my followers. If we do not have a proper form for the team and make it efficient when it comes to implementing orders, it would not work. As we have hundreds of workers in our factory, we would fail to make it work if we solely depend on a factory director and few Workshop directors.*

Huang and Bond (2012, p.236) constructed the updated model of team effectiveness that Cardona and Wilkinson (2010) labelled the 'four stages of developing good teamwork, namely (i) forming, (ii) debating, (iii) organising and (iv) performing teams'. Without sufficient trust, people may not be willing to share critical information or to accept the risk associated with relying on others or leaders (Salas et al. 2004). Chua et al. (2009) found that, affective- and cognitive-based trust are more intertwined for the Chinese than for American leaders based on Chinese familial collectivism (Yang, 1998), because the Chinese are mutually dependent on one another not only for instrumental resources, but also for socio-emotional support. Consequently, *guanxi* may play a more prominent role in the team-building process to foster trust in Chinese organisations. Additionally, Chou et al. (2006) demonstrated that in the Chinese context, intra-team *guanxi* (rather than relational demographics in the West) is critical to establishing a trust network, which in turn relates to teamwork effectiveness.

A Factory Director observed:

Unlike foreign-funded enterprises, Chinese private companies like our company are very different in implementing regulations. We have to supervise employees by guiding and coaching them as well as checking their work and giving the necessary assistance all the time.

This leader pointed out the different ways of managing people in the operations of Chinese and Western enterprises; the role of *guanxi* inside organisations is supportive of leadership behaviour.

As regards 'build and maintain *guanxi*', the Chief Financial Officer used someone's successful *guanxi* as an example:

Wherever he goes, he is able to build an internal guanxi *network quickly. Therefore, everyone is keen to help and follow him. I think that is the reason why he succeeded in his leadership behaviour.*

This example indicates the effects of *guanxi* in determining whether people become successful in companies and that *guanxi* could be helping people receive more assistance.

A General Manager also stressed the following:

We should have some skills in management, especially in management of human resources and management of guanxi *networks. In Chinese companies it is important to cope well with all kinds of* guanxi *as problems could occur in any link. Compatibility of leaders, colleagues and subordinates determines efficiency and final result of your work.*

In addition, he provided the example of when he was a technician:

The process of designing a product should be based on process flow in principle. However, it depends on how fast your colleagues can finish their work and how you communicate and coordinate with them. At least, you should have a good internal guanxi *with them in order to get your job done well. Thus, internal* guanxi *among employees is very important for teamwork performance.*

This leader's discussion reveals that *guanxi* is a determining factor for influencing people's efficiency and enthusiasm in work performance.

In terms of 'professional ability', the senior leader divided it into 'professional knowledge' and 'professional attitude and ethic'.

For example, the Chief Financial Officer said:

> *In my opinion, one with great knowledge may be successful if he devotes himself to*
> *his career. Second, attitude is important. What does that mean? Chairman Mao said*
> *that one will be successful as long as one is earnest about what one does. It is a*
> *very powerful thing. If one is earnest about what one does, one can accomplish a*
> *lot.*

This leader pointed out that professional ability consisted of two key elements: (i) people should have sufficient knowledge about their career and (ii) they need to be in earnest about what they do.

In addition, A Production Director provided some detail on *'professional ability'*, such as:

> *I believe that a sense of responsibility, commitment, appreciation, inspiration, trust*
> *and giving are more important.*

The theme of 'discover people's strength' is interpreted as *'give full play to everyone's initiative and realise their potential'* and *'offer more opportunity to those employees who are capable and enthusiastic about sales'* by two senior sales managers.

The middle manager

The middle managers considered 'effective communication' as the most important theme. These managers see 'effective communication' as a very useful way of solving problems

between them and subordinates; it is an effective approach to influence people to complete tasks.

A Sales Manager noted:

I need to be able to communicate with people effectively. Knowing real difficulties my subordinates have through formal or informal communication, I will be able to help them solve the problems.

This manager perceived the importance of communication for his leadership performance. Therefore, he not only used his authority to communicate with people, he also used informal ways to communicate with them. The internal *guanxi* could be one of informal ways.

Moreover, a Manager from the Public Relations Department mentioned:

If one wants to be good at mobilising resources, it is essential for one to have good communication skills and the capability to use internal guanxi.

This manager believes good communication skills involve the capability to mobilise resources by using internal *guanxi*.

'Professional ability' ranks among the top two frequent themes identified by the middle managers.

For example, a Manager from the Sales and Production Department stressed the following:

I think professional ethics are important to a section chief. It is essential for us to have a right attitude towards this job. If one section chief holds a positive working attitude, he could do a very good job, and vice versa. Thus, it is important for us to adjust attitudes.

This leader believes a positive professional attitude towards work is important to manage people well.

A Manager from the Public Relations Department also emphasised the following:

First, professional proficiency is essential without a doubt. A professional background assists you when looking into an issue from a bigger picture; we are able to operate better, which is required in strategic supervision.

The 'team building' and 'mobilise resource' themes were identified twice. Especially, the 'mobilise resource' is interpreted as using internal *guanxi* to do work by mobilising necessary resources, such as human, financial and technological resources and so on. More detail is provided in the discussion on how people use private *guanxi* to do a job.

The subordinate

The theme of 'effective communication' was identified 12 times by subordinates. Thus, effective communication plays a significant role in people's daily operations.

For example, a staff member from the IT Department said:

As for leadership skills, because I am not a leader but an employee, effective communication with colleagues and leaders to get help or resources when problems occur is the most important skill to me.

This staff member believes that effective communication helps to bring him the assistance he needs to solve problems.

A Monitor from the Workshop noted*:*

Communication refers to how one communicates with one's staff, namely how one convinces staff members to work towards a goal . . . usually I try my best to get along with them. For example, I will pay attention to my attitude when I contact them.

This example shows this Monitor pays attention to her attitude when communicating with people to collaborate with her on a job.

A Human Resources employee learnt a lesson from a previous mistake:

Communication skills are critical and the ability to communicate with others is important. When I took this job in the beginning, I worked based on my thoughts. However, everyone has his or her own ideas, which could lead to various circumstances. If one shows negative feelings, one will leave a bad impression on

the other party, which is like a bomb because no matter how well one does one's job, one will be denied by the other party for one's earlier negative feelings. As a result, one will mess things up.

From this example it can be inferred that a good way of communicating is crucial for people to get the job done, because those subordinates are unlikely leaders, they do not have executive power to force others to co-operate with them in their job, when communication does not work well.

In addition, a Quality Engineer stressed how important communication was in her work:

The ability to communication and coordinate is important. We should be approachable and have a good internal guanxi *network. In other words, we need to maintain good* guanxi *with colleagues and leaders, and gain their trust and recognition so that we are able to have effective communications while dealing with problems and gain their support.*

One can see that the internal *guanxi* network has a positive impact on people and enables effective communication to gain support.

A Secretary added:

The ability to communicate is an ability to effectively build a mutual trust internal guanxi *network with colleagues from all departments.*

She believes the mutual trust internal *guanxi* is one of the important components of the ability to communicate effectively.

A staff member form the Human Resources Department gave one more example to prove the importance of communication in her job:

> *I think the ability to communicate and express is the most important ability for me. First, when we recruit new employees, we need good communication with them which allows us to listen to their real thoughts, express our recruitment requirements on behalf of our company and discuss salary issues and so on.*

From the discussion above about the role of effective communication in people's job, one can deduce that internal *guanxi* is a crucial factor in determining whether communication is effective.

As regards the theme of 'building and maintaining *guanxi*', for example, a Secretary from the Workshop explains the importance of building and maintaining *guanxi* in her daily job; she considered internal *guanxi* as an ongoing power based on mutual trust and reciprocity:

> *I need to build an internal* guanxi *with colleagues based on mutual trust. Because only with a good internal* guanxi *network am I able to adapt to my post and do my job effectively . . . When colleagues ask me for help, even if it is beyond my ability, I could use my internal* guanxi *and seek help to help them. Thus, by taking care of others' feelings, I am able to build an internal* guanxi *network based on mutual trust, which enables me to always get help in the future.*

A staff member from the Administration Department also mentions this aspect:

When I need collaboration from other departments, I am always able to get help as I am an easygoing person and have good internal guanxi *with most of my colleagues. It is essential for me to mobilise resources, get help and work out a solution. The most important of all is to react and respond fast when an emergency comes.*

Based on this employee's case, one can see the wide range of *guanxi* in that there are more resources to solve problems.

An Assistant from the Workshop said:

It should be organising and coordinating ability which focused on how we handle interpersonal relationships, build internal guanxi *networks and become influential to others.*

The internal *guanxi* has been used for one effective approach, namely to influence people to get cooperation and support.

Moreover, a Secretary said:

If there is any problem, one should try to get the resources one needs, gather information and use this internal guanxi *network to get the job done without disturbing the leaders.*

This example indicates how Chinese employees try not to disturb leaders when they are experiencing a problem, but try to use internal *guanxi* to solve it first. This phenomenon may be different from the Western leadership culture.

The above discussion of the findings of interview Q3, to a certain extent, provided significant information in answer to the research questions. First of all, internal *guanxi* has been proven to exist in the company based on the interviewees' explanations of the role of internal *guanxi* on leadership abilities.

'Build and maintain *guanxi*' has been considered as one of most important components to determine whether or not people are doing their job successfully. Everyone, whether a senior leader or ordinary staff member, all believed building and maintaining *guanxi* strengthened their communication with others in order to mobilise the necessary resources to solve problems and complete tasks. The theme of 'communication' was stressed 19 times, which indicates that internal *guanxi* determines whether communication is effective or ineffective.

In the end, the theme of 'teamwork' and 'professional ability' are a further two important abilities that employees needed to possess. People pointed out that internal *guanxi* positively impacted on trust and the effectiveness of teamwork.

Q4: 'Have you ever felt that some rigid rules or regulations of the company restricted you from doing your job or managing the team? If you have, could you please give me an example?'

This question was posed to investigate how people appraised the formal regulation system on their company, what were the difficulties they faced when the formal system failed to govern people to do their work. What specific difficulties did they have with their own seniors or posts? Were they able to overcome these rigid regulations to complete the task? Was there an alternative way to help people to overcome difficulties? This question closely corresponds with interview questions 5 and 8: 'Have you ever used your internal *guanxi* within the company to solve work-related problems?' and 'Have you ever used internal *guanxi* outside the company to solve problems that occur within the company?' Is *guanxi* a supplement to the formal system to operate company? If yes, how will they overcome or go around these rigid regulations by using the *guanxi* network? The researcher expected to see that employees used internal *guanxi* to deal with the rigid regulations to accomplish their task.

The 34 interviewees were classified into three different levels of seniority, respectively the senior leader, the middle manager and the subordinate in order to demonstrate the themes of rigid regulations by each interviewee's responses.

Table 5.2: Themes of regulations restricting people from doing a job

Q4: Have you ever felt that some rigid rules or regulations of the company restrict you from doing your job or managing the team? If you have, could you please give me an example?

Interviewee	Excessive procedure	Rigid financial regulation	Impractical training programme	Inconsistent synchronisation implementation	Negative incentive	Lower compensation system	Slow response to an emergency	Impractical inspection	Lack of specific regulation
					Frequency of themes				
Senior leader	2	1	1	1	2	2	0	1	0
Middle manager	2	1	1	1	0	0	0	0	0
Subordinate	0	3	2	1	0	0	1	0	4
Total	5	5	4	3	2	2	1	1	4

From Table 5.2 one can see that the interviewees discussed nine themes. 'Excessive procedure' and 'rigid financial regulation' are the most frequent themes, having been mentioned 5 times respectively. People have diverse reasons to complain about excessive procedures that restrict the efficiency of their work, such as purchasing equipment, reviewing sales orders and verifying the supplier. Their responses will be demonstrated in the next section. Furthermore, they gave individual reviews of how financial regulation impact on their work performance. In addition, the 'training regulation' and 'lack of specific regulation' have been stressed 4 times each. Especially, 'lack of specific regulation' is the most serious and frequent problem for the subordinates group. According to the findings in the table, the middle manager group and senior group do not address 'lack specific regulation' at all.

In the next section, the researcher illustrates each interviewee's response to explain individual cases of rigid regulation by respondents at different levels of seniority.

The senior leader

The senior leaders emphasised the theme of 'excessive procedure' twice. Excessive procedure was criticised in the purchasing of expensive equipment and vetting of potential suppliers.

For example, the Chief Financial Officer said:

> *As the system restricts it, I need to report it to the chairperson of the board and wait for his approval if the budget is over 1 million Yuan* [100,000 pounds sterling] *. . . needed urgently if we cannot replace a new machine; and one day of shutting down could cause us a 5-million-Yuan loss. I had no choice but to wait for the chairperson's approval.*

A Deputy General Manager noted:

> *I have some difficulties in verifying potential suppliers, which constrains supply chain performance. As there are excessive processes within the company, we have low management efficiency . . . though the rules were set to ensure quality of our products; the efficiency was so much lower than our competitors as there are too many steps to take in the process. Therefore, we would lose a lot of excellent potential suppliers to the competitors.*

These two examples indicate the 'excessive procedure' may not only restrict people's leadership performance, but also makes the company suffer huge losses.

The 'negative incentive' is another quite serious regulation.

For example, one General Manager pointed out:

> *As for the incentive mechanism, it was a mechanism of negative incentives in my opinion . . . Then 40 per cent of it would be taken into consideration in performance assessment . . . However, employees believed a certain percentage of their salary was what they deserved and the company had no right to take it away based on the result of the assessment.*

A Factory Director also stressed that the incentive was unfair:

> *There is an insignificant difference between doing well and not doing well . . . the Purchasing Manager did not get any punishment for not supplying resources in time, and the Technical Department did not get any punishment for technical flaws et cetera.*

These two examples imply that the negative incentive system has negatively impacted on people's work life and reduced their work performance.

Some senior leaders also remarked that the 'lower compensation system' was another issue in the rigid regulation of the company.

For example, a General Manager said:

As Head Office had a compensation system, the stipulated salary was much lower than the salary paid to talented people who were hired from companies in the same industry. Thus, we were unable to hire excellent employee from among our peers.

Moreover, a Senior Sales Manager noted:

New employees must work as assistants for two to three years before they have the right to tout orders by themselves. So their reward and salary are much lower than that of an independent customer manager, which greatly reduced these potential employees' positivity at work.'

Apparently, this lower compensation system restricts the development of human resource and may result in serious strategic negligence in future because human resource has always been considered as an invaluable asset of a company.

Attention should also be drawn to the theme of 'inconsistent synchronisation implementation', although only one senior leader mentioned it, middle managers and subordinates discussed it. People viewed this as happening between different departments or divisions, which is very difficult because cooperation and effective communication are lacking.

For example, a Factory Director said:

I would say that regulations of the supervisory review process are not very synchronised and deliberate, which leads to different implementation of these regulations. As a member of senior management, implementation of regulations will influence us greatly.

A Middle Manager added:

I think that regulations should agree with one another instead of being contradictory to one another . . . regulations set by someone from the Production Department might not be coordinated with regulations set by someone from the Logistics Department.

Based on the above three examples of 'inconsistent synchronisation implementation', one can deduce that there are some design flaws in regulations that weaken operational performance and hinder people from co-operating with one another.

The middle manager

As regards the middle manager group, the most frequent theme is 'excessive procedure', which many of the senior leader group also noted.

A Sales Manager pointed out:

Usually, customers request three or four days for delivery. When we receive an order, it might take us a week to start manufacturing as we have to assign the order to the Orders Department. Having been signed by the Technology Department, the order will be sent to the Production Department, Monitoring Department, and then the Sales Department . . . Thus, the delivery time will be delayed for one week at least. The cycle of internal review of orders is too long.'

Another manager similarly suggested:

Some rules and regulations are repeatedly redesigned. They upset some employees from different processes or make them irritable . . . If our customers complain about one product that is inferior, we should send them a new one and scrap the inferior one . . . I start in the morning and do not finish until late in the afternoon after going through all the processes.

These two examples of the excessive procedure for replacing faulty products and reviewing sales orders show that regulations have been designed over elaborately and incur negative emotion from some employees.

Two managers responded that 'rigid financial regulation' and 'impractical training programme' restricted the way they managed people to complete tasks.

For example, a manager from the Supply and Logistic Department noted:

The company's current financial system is strict on the expenses of each department. Thus, the process of getting money is prolonged . . . Then, no one would want to go on any business trip anymore because they would not get back the money they spent during their trips easily.

Based on this example, they believed financial regulation was too rigid and not humanised enough; its inefficiency certainly restrains peoples' enthusiasm for work.

In respect of 'impractical training programme', a Human Resources Manager observed:

There are many rules and regulations made based on the will of the bosses of private companies . . . For instance, if we put the item 'one-year training of graduates in workshops' in regulations based on the boss's idea and show it to graduates, it may not be practical. If we show this one-year-training regulation to candidates, they would turn away immediately.

These managers explained why the training programme was impractical, and revealed the gap between realities and ideals. Thus leadership must be concerned with how to make practical decisions and what communication approach would be more effective, and to understand the realities.

The subordinate

'Lack of specific regulation' is the most frequent theme emphasised (4 times). A subordinate observed that there were no specific regulations to get effective cooperation from others which even stopped them from completing their tasks.

A staff member from the IT department responded:

> *For example, workers and section chiefs are against ERP because they do not understand what benefits ERP could bring to them; also there is no specific rule for people to enforce ERP. Thus, they often make mistakes. As a result, I often have hindrances to completing my job.*

One can see that this employee understands the current situation in the company but he indicated the difficulties he had when he lacked the necessary regulation to support him in his work.

Similarly, a Secretary in the Workshop mentioned the following:

> *There is always a flawed system link to impact on my work performance. With participation of multiple departments or little supervision, it might be hard to define responsibilities and the person who has to take responsibility. In the end, the procedure might not be carried forward because of how complicated it is.*

These subordinates have to rely on the formal system to implement the task assigned by their leader in addition to their hard work and professional attitude. If the formal regulatory system is not working, their work performance will be dramatically reduced by non-cooperation or inefficient operation, which not only harms people's individual interest, but also the interest of the company.

For instance, the Secretary of a General Manager said:

> *In piecework in the workshops, regulations failed to give team leaders priority to process parts that are less time-consuming to process and easy to produce. Compared to those parts that are more time-consuming with a more complicated process, these parts could bring them more bonuses. Thus, it causes confusion among management of the workshops and me; difficulties in supervision. Because they often changed parts to process and there are often mistakes in data.*

The subordinate group reviewed 'rigid financial regulation' as the second most frequent theme. Because people believe the financial regulation system is not humanised and flexible for their daily work.

For example, a Workshop Secretary observed:

> *A client needed to go through formalities of repayment. As he was abroad and could not present himself in person to sign some paperwork, he had to submit the application form via fax. But the parent company disapproved and only gave approval when the client presented himself in person at the company. In this case,*

the rules of the company were not very humane and failed to stand in the clients'

shoes. If this client fails to pay, it could directly affect his credit in our company. If

it happens, I would be the first one that he files a complaint about.

Moreover, an employee from the Human Resources Department discussed a similar example:

There must be two employees who participate in the purchasing activity to

supervise each other and avoid embezzlement. This rule is very necessary while

purchasing bulk commodities which could involve a great amount of money being

spent and a large price range, such as printers, computers and so on. But we also

have to send two employees to buy small items such calculators. In this case, the

rule would be so rigid that it wastes our human resources and interrupt our working

plan. Things like this happen almost every week.

The two examples given indicate that the financial system is too strict to play an active role in operational management and generated difficulties for clients and employees.

An Administrative Officer noted:

Budgets of all departments are not enough, and when they come to our department

to reimburse the spending, we are unable to reimburse the parts that are beyond

budgets. Last month, even though all departments of the company in Ningde City

saved 3.8 million Yuan (380,000 pounds sterling), they had not budgeted

scientifically. Money saved this month that was supposed to be spent will have to

be spent next month. Thus, next month's spending will exceed the budget. Thus, I

will not be able to reimburse for the part that exceeds the budget. If not, those

colleagues will be very upset and may feel that I am spiting them.

One can see that the fundamental purpose of implementing regulations is how practical and effective, and not how strict and rigid they should be. Sometimes formal systems should be adapted to suit the change in the times and people's behaviour.

An aspect of 'rigid regulation' discussed by the subordinate group was a 'slower response to an emergency'.

An Engineer from the Quality Department explained:

For example, there was a rule that when compensation related to a customer's

complaint exceeds a certain amount; we should report it to the General Manager

at weekly meetings which could be without an authorised person present.

Sometimes when the General Manager is out of the country or when we have

emergency complaints, we are unable to provide an emergency plan to the

customers who require that the problems be solved in a short time. Thus, they would

report it to the media and the image of the company would be damaged after the

hype in the media.

This example exposes the serious flaws in leadership in communicating and managing the situation at a primary level. The primary level is where there is the most contact with customers and the channel yields the most direct information, if the leadership is unable to understand the real situation at primary level on time, the consequence would be disastrous.

The theme of 'impractical training programme' is the last rigid regulation that needs to be discussed: the three groups all responded that they had difficulties with the training programme.

For instance, one IT staff member noted:

All employees should attend a certain number of training courses. But it is difficult for them to do that because they always have their hands full. Thus, they are uncooperative. If they do not take those courses, my performance appraisal is affected.

Based on the example, leadership should alter the regulation to change times and also help employees by flexibly adapting the formal regulatory system.

In summary, leaders' opinion about rigid regulations in the company can be classified into operational and management. In terms of rigid operational regulation, such as 'excessive procedure', 'rigid financial regulation', 'impractical training programme' and 'slow response to an emergency', these defective regulations restrict people in their daily work, especially the leadership performance. Management regulations, such as 'inconsistent synchronisation implementation', 'negative incentive' and 'lack of specific regulation', do not support people effectively to co-operate with others to complete cross-department task. Most subordinates responded that they had more operational problems, such as 'rigid financial regulation' to follow, 'impractical training programme' to implement and 'slow response to an emergency' from the top of leadership. The management regulations they had to adhere to refer to lack of specific regulations to ensure that people co-operated with one another.

Q5: 'Have you ever used your internal *guanxi* network within the company to solve work-related problems?'

This question was posed to investigate the role of internal *guanxi* in the company: Does it play a positive role in solving work-related problems or does it have a negative role in reducing the efficiency of work performance? How do people evaluate the role of *guanxi* when they have difficulties at work? In addition, the researcher expected to see how employees used internal *guanxi* to solve these difficulties in individual cases. Especially, in respect of those difficulties caused by rigid regulation (refer to Question 4), did people apply internal *guanxi* to overcome them? Specifically, what type of problems did they have to overcome at work, such as operational problems, or problems related to strategy? If employees did not use internal *guanxi*, how different would the results be?

Of the leaders, 10% said that they did not have an internal *guanxi* network inside the company, because the internal *guanxi* would have negative effects on their organisational performance. However, they do admit that internal *guanxi* exists in the company. The rest (90%) of the leaders illustrated their own examples to explain how they applied *guanxi* internally to solve the different problems they encountered.

As regards the subordinate group, 100% provided examples to prove the effects of internal *guanxi* on solving operational and management problems. The leader group and the subordinate group are discussed separately.

Table 5.3: Themes of using internal guanxi *to solve problems in the company*

Q5: Have you ever used your internal *guanxi* network within the company to solve work-related problems?

Interviewee	Shorten formal procedure	Communication	Influence people	Improve regulatory system	Obtain assistance/ resources
		Frequency of themes			
Senior leader	2	5	2	2	4
Middle manager	0	3	5	0	1
Subordinate	0	2	3	3	8
Total	2	10	10	5	13

As Table 5.2 shows, all interviewees used their internal *guanxi* to focus on four themes in solving strategic, management and operational problems in the company.

i   *'Shorten formal procedure':* This theme was only stressed by two senior leaders. They employed internal *guanxi* with their colleagues or subordinates to skip routine regulation so as to improve leadership effectiveness and enhance cohesion of teamwork. These senior leaders shorten the formal procedure of regulation to cope with an emergency.

ii   *'Communication':* This theme has been emphasised 10 times by 34 interviewees, they usually consider internal *guanxi* as an effective approach to communicate with people who have a misunderstanding or disagreement so as to clear the air and solve conflict. In addition, communication optimises the limited production resource, speeds up

production progress, and enables an understanding of people's real thoughts and so on. As senior leaders, they employed internal *guanxi* to convince their followers to accept their decisions and help them executive them effectively. More specifically, Chinese leaders mainly prefer to apply a soft approach to manage people due to the Chinese value of saving face in their culture.

iii   *'Influence people'*: This theme has been mentioned 10 times, people used internal *guanxi* as an effective influence to motive subordinates; convince people to work overtime when it comes to urgent jobs; stimulate people to work hard; and to comfort colleague. Specifically, with the help of internal *guanxi*, subordinates have the power to influence their leader to make things change. This is the most distinguishing feature of leadership behaviour between Chinese organisations and Western ones.

iv   *'Obtain assistance or resources'*: This theme has been stressed 13 times by 34 interviewees. They normally apply internal *guanxi* to obtain the necessary assistance or resources to accomplish a goal, such as to obtain human and financial resources to support the development of new projects; get priority in financial examinations; claim bigger budgets for expenses to serve clients; seek more effective collaboration from leaders or colleagues to complete tasks.

Moreover, the researcher has verified that some propositions were right and corresponded with the themes in the findings above. For example, people responded the most to the theme of applying internal *guanxi* to 'obtain assistance and resources'. This result proves that Propositions 1 and 2 were right: 'Good internal *guanxi* may induce employees to utilise their own social resources to strengthen the leadership performance' and 'Good internal *guanxi* is

conducive to allocating more effective management to solve work difficulties and saving operational cost.'

In addition, the second most frequent theme is 'communication', which also corresponds with Proposition 6: 'Good internal *guanxi* is conducive to communicating effectively.' In addition, another high-frequency theme is 'influence people': 'Good internal *guanxi* is conducive to influencing people's emotions and maintaining harmony in work performance.' Finally, employees mentioned that they used internal *guanxi* to shorted and improve the regulatory system. This result verified Proposition 3: 'Good internal *guanxi* can induce people to be more co-operative and show more initiative in work performance.'

The next section is a summary of the frequency of themes given by the 34 interviewees; who have been classified into three levels of seniority in order to demonstrate their perspectives on the use of *guanxi* to solve problems in the company.

The senior leader

The senior leaders stressed the theme of 'communication' five times. They believe that internal *guanxi* could be used as a communication approach to deal with the misunderstandings between leaders and subordinates in order to make subordinates accept their decisions and help them execute them effectively.

For example, a General Manager said:

Some employees might not understand or are not willing to accept the performance measures we have taken . . . Under this circumstance, to help them understand better, I would build an internal guanxi *with them . . . if some people are too stubborn to change their views no matter if we apply pressure from an administrative level or communicate with them by using internal* guanxi.

A Senior Manager added:

It is not easy for one department to co-operate with another, especially when work-related problems occur so that you will have to use your internal guanxi *with colleagues and communicate with them.*

A Factory Director used internal *guanxi* with subordinates to communicate in order to reflect his leadership behaviour and improve leadership performance:

If I notice that some worker or group leader is slowing the work process, I would reach him and talk to him by using my internal guanxi *with him in order to figure out what is wrong . . . I can take necessary measures to give staff rewards or punishment based on performances at times to keep up morale within the team . . . By building good internal* guanxi *with my team members, not only can we get to know one another better, but they can understand my leadership purposes and skills better. Thus, they would work more efficiently when tasks are assigned to them.*

This typical example implies that the senior leader used internal *guanxi* to communicate with subordinates in order to strengthen leadership performance, especially to make employees willingly follow the leader to achieve a goal.

The second most frequent theme for using internal *guanxi* to solve problems in the company is to 'obtain assistance'; the senior leaders mentioned this four times. This theme indicates people try to obtain necessary resources or assistance to make their work performance more efficient, such as getting financial and human resource to support new projects, get priority in financial examinations and receive more agreements on the board.

For instance, the Chief Financial Officer gave an example:

> *When regulations lag behind, it's time for internal* guanxi *to came into play and take the initiative for success . . . I predicted a trend in the market, as well as needs for new technologies and markets. But the future was uncertain. According to regulations, I knew that no one would assist me (with both human and financial resources). Thus, I used internal* guanxi*, persuaded some key personnel and bypassed the regulations and personnel who were against this idea. With support of key personnel, I made efforts and succeeded. The success was a win–win for both the company and myself.*

This leader used internal *guanxi* to achieve assistance to accomplish his goal and successfully overcome strategic problems.

The CEO gave an example where he also used internal *guanxi* to solve a problem related to strategy:

> *At the beginning of promoting a new equity investment company, the company intended to benefit key personnel. However, everyone was hesitant as they were not sure if the plan would be beneficial to them. Therefore, I communicated with some personnel with whom I had good internal* guanxi *and persuaded them to sign the agreement. Then, as a result, it led to the full implementation of the plan as the rest of them followed suit.*

These two examples show how leaders used internal *guanxi* to solve problems with strategy by obtaining the necessary assistance.

Furthermore, senior leaders stressed the other three themes of using internal *guanxi* when they had difficulties at work, namely (i) 'shorten formal regulation procedure', (ii) 'influence people' and (iii) 'improve regulatory system'.

Two senior leaders explained the 'shorten formal procedure' in order to deal with emergencies:

> *As the system restricts it, I need to report it to the Chairperson of the Board and wait for his approval if the budget is over 1 million Yuan. He may delay it for ten days or half a month. If we have this type of emergencies to deal with, they would not be called emergencies following the rules. More frequently, you realise that you do not have enough time to do it if you follow rules. Thus, you need to deal with it through shortcuts, meaning through an internal* guanxi *network . . .*

Additionally, a Deputy General Manager discussed a similar example to explore how she shortened formal procedure to cope with emergencies in production progress:

> *Sometimes if we lack materials and have an emergency in making progress with production, I would have no choice but to break rules in dealing with the problem. I would use my internal* guanxi*, reach relevant personnel of core departments and take measures . . . The effect of an internal* guanxi *network is that I could skip branches of reviewing processes, save a lot of time and be able to ensure that production runs smoothly.'*

As senior leaders who have the power to make the right decisions in dealing with emergency issues, they should also be able to make the right changes to improve performance.

They 'improve the regulatory system' through the effect that their *guanxi* network has.

A General Manager observed:

> *Head Office has a compensation system where the stipulated salary was much lower than the salary paid to talented people who were hired from other companies in the same industry. Thus, we were unable to hire excellent employees from peers. Therefore, I had to report it to the Director of the Human Resources Department at Head Office. Because I had a good internal guanxi with him, after explaining the importance of talent to the company and the practical situation to him, he supported me in removing restrictions on the salary standard of senior management.*

Moreover, a Sales Manager expressed how he improved the training regulation system through his *guanxi* network:

> *I used my internal* guanxi *with directors of workshops and asked the head of the Human Resources Department to shorten the training programme in the workshops. After six months of hard work, improvement has been made and seen. If I did not have a good internal* guanxi *with these leaders, I would not have been able to make it.*

This case implies the two features of using internal *guanxi*. One is that *guanxi* has many ways of influencing people to co-operate. Another is *guanxi* has long-term effectiveness.

The last important theme of using *guanxi* is 'influencing people' to accomplish a goal. The leader interpreted 'influencing people' as encouraging them, motivating them and convincing them though the role of internal *guanxi*.

For example,

> *Once, a batch of electrical machines that should be manufactured by workshop No. 1 was supposed to be packed and delivered by 12 am. However, workers of this workshop failed to fulfil the task. Therefore, I had to use my internal* guanxi *to ask six workers from workshop No 2 and 5 to help under such urgent circumstances. They were woken up during the middle of the night to lend a hand. If I did not have a good internal* guanxi *with these workers, they would not be willing to help out*

during the middle of a cold winter night. Therefore, with personal charisma and

good internal guanxi*, I am able to mobilise resources to fulfil tasks in time. That*

night made me think about internal guanxi *networks a lot.*

This typical example proves how leaders successfully influence people to accomplish the assigned task by applying their internal *guanxi* network. This leader demonstrated his invaluable leadership ability in bringing about cohesion in teamwork due to the role of *guanxi* in this case. The researcher can infer that the effect of *guanxi* is powerful beyond measure and strengthens the cohesive force on teamwork.

Another Factory Director gave a further example:

Generally, building and employment of internal guanxi *are indispensable. They*

would work overtime and overnight willingly if I am told by my followers that we

have some goods to be produced right away. In this case, rules or regulations would

not work as no one would respond to rigid rules and work overnight. Moreover, we

are not able to measure the system . . . But if I tell the Section Chief to work on

weekends, he will lead workers to work overtime. As I am the Factory Director and

he is the Section Chief, it is a result of the influence of administrative rights. But it

is also the result of the influence of good internal guanxi*. Let's assume that I had a*

bad internal guanxi with them and asked them to finish tasks in time, they would be

resentful so that they would not able to guarantee the quality of products. In the

long run, it would have a negative influence on us.

This example shows that internal *guanxi* has a more effective influence and power than authority on job performance, especially where Chinese leaders implement affective ties in leading their followers rather than only applying a transactional leadership approach to complete tasks.

The middle manager

The middle manager group suggested, 'influencing people' as the most frequent theme when they used internal *guanxi* to solve difficulties at work. Those managers used internal *guanxi* mainly to deal with management difficulties, such as motivating people to work hard, convincing people to complete tasks, comforting them to remain in their position and supporting them to overcome hindrances.

For instance, a Manager from Supply and Logistic noted:

> *Some employees are very concerned about the reimbursement issue. Thus, they would have no initiative to work when it comes to this because the company always takes longer to pay out claims. As we cannot force them to participate in social activities with the client, I have to talk to them and persuade them in person. Generally, I would go to subordinates with whom I have a good internal* guanxi *and ask them to do it. Because of the trust and good internal* guanxi *that they have with me and also because of the face issue, they cannot refuse me.*

This example indicates one typical feature of using *guanxi*, namely the saving face issue, which has been considered as part of returning favours when people are looking for help from others who received a favour earlier.

A Sales Manager gave an example of how he influenced people and supported his subordinates to achieve their goal:

> *As salespeople, we always aim to offer a better service to customers. When we are unable to provide our customers with good service being influenced by productivity of the plant or other internal causes, I have to use my internal* guanxi *by turning to my colleagues to solve problems such as being unable to deliver goods on time, meet customers' requirements of technology or improve products. In this circumstance, we cannot solve the problems in a short period depending on the regulations of the company because regulations are unable to evaluate the importance of a customer or value of an order, or guide people to solve emergencies. Sometimes when my subordinates fail to effectively communicate with colleagues from other departments and get the help we need, I have to use my internal* guanxi *to help them solve problems. (It is because the internal* guanxi *network of a leader is more influential than that of general staff).*

Using this example, it was found that the more senior the person, the more powerful his or her *guanxi*. This manager used his internal *guanxi* to support his subordinates to complete tasks, especially when the subordinates could not overcome hindrance by means of their own internal *guanxi*.

The following is one more example given by a Human Resources Manager:

Another company offered one employee 50 per cent more on is salary, but he did

not leave the company after I had spoken to him. I successfully used my internal

guanxi *to persuade him to stay. I told him that if he needed help, everyone in this*

office would give him a hand without hesitation. We have strong guanxi *with each*

other and our feeling is unbreakable.

This manager disclosed that one of the implications of an internal *guanxi* network is that feelings and strong relationships may determine people's decision, because people see a strong *guanxi* as an asset, a type of fortune, as valuable as his salary. This Human Resources Manager used informal ways to influence his subordinate rather than rely on his administrative power to communicate.

'Communication' was mentioned 3 times by middle managers during the discussion on how to apply internal *guanxi* to solve problems in the company.

For instance, a Finance Manager used his *guanxi* to communicate with the Sales Department in order to control cash flow healthily:

I do use internal guanxi *when I coordinate conflicts. Sometimes when we have*

misunderstandings and stand our ground, I have to use my internal guanxi *to clear*

the air. Without breaking any rules, we are flexible and work effectively together.

For example, if I found we had some difficulty in the turnover of capital, I would

reach leaders of relevant departments via my internal guanxi *and ask them to be*

more flexible by allowing the trading of products in small batches in order to

maintain a stable cash flow even though it could increase their workload and bring

them more cumbersome tasks. Moreover, sometimes I need to use my internal guanxi *to learn details of products and professional knowledge in some departments so that we are able to help them analyse costs and price to keep sustainable growth in profit.'*

This manager gave a typical example of how *guanxi* plays a role in communication. He not only uses internal *guanxi* to solve misunderstanding but also mobilises the necessary resources to optimise his leadership performance and company profit.

Moreover, a Manager from Sales and Production regarded the regulation of replacing faulty products as being too rigid and excessive, he had to use his internal *guanxi* network to push people and communicate with them through the whole procedure:

If I did not use my internal guanxi*, it could take me three days to get it done. There are many examples like this, and the low level of efficiency is because of the ambiguity and imperfection of some rules.*

The subordinate

Most subordinates believed that to 'obtain assistance or resources' was the theme that concerned them the most and where they used internal *guanxi* to solve difficulties at work (stressed 8 times in total). Some subordinates replied that they relied on their internal *guanxi* network to reach senior leaders to get support to fulfil their task. Alternatively, some subordinates contacted senior leader to influence another leader who was unwilling to co-operative with them in their work; some of them used internal *guanxi* to obtain the necessary

resources from other colleague to complete assigned tasks. The resources could be effective collaborations or suggested information.

An IT employee observed:

> *In most cases, I had to use my internal* guanxi *to fulfil my tasks. Though leaders had told all departments to support my work, I often had obstacles at work . . . When faced with this problem, I had to use my internal* guanxi *with Mr. Han who was in charge of several projects of the plant . . . With Mr. Han's help, I had fewer obstacles. On the one hand, I used administrative power to ask some employees to abide by operating standards of the system because it was a task assigned by leaders. On the other hand, I used my internal* guanxi *with colleagues to ask them to co-operate with me.*

This example illustrates how important the role of *guanxi* is for people to accomplish their tasks. The employees in this company achieve administrative power from leadership by using internal *guanxi* with senior leaders and also influence another colleague to co-operate in the workplace.

Sometimes, *guanxi* offers a more flexible and effective way to deal with lack of operation, especially where the hindrance is the leader.

A Human Resources Department staff member cited an example:

His department must archive documents, plan periodic training, evaluate old and new employees, and so on. He was very uncooperative and resistant. Although I also rely on other internal guanxi *to communicate with him, his colleagues, his best friend, we did not see significant improvement from him . . . Finally, I reached out to his former leader, with whom I had a good internal* guanxi *as we worked on several projects before. I asked him to do me a favour by talking to this manager and persuading him to do his job actively and co-operate with me. Since then, this manager has been very co-operative and finishes tasks assigned by our department very efficiently, which improves efficiency in building an overall system.*

For a rapidly developing company, the formal regulatory system always lags behind when it comes to change, which creates difficulties for people in doing their job. Without the effect of *guanxi*, sometimes it is impossible to accomplish tasks assigned by leaders.

A Monitor from the Workshop observed:

Personally I believe that small-sized and medium-sized enterprises rely more on interpersonal relationships, which can be clearly seen among peers and departments. Because regulations are stipulated and operated by us, interpersonal guanxi *is not only contrary to regulations, but is also complementary to some phases of the fast development of the company . . . Currently, we almost always rely on using internal* guanxi *to coordinate the production of Aichi aluminium covers due to insufficient production capacity to produce the No. 5 cover.*

This Monitor almost always relies on internal *guanxi* to coordinate and seek assistance to carry on with his job during insufficient production capability. From this example the inference may be drawn that *guanxi* could be a supplement to the formal system to make small- and medium-sized enterprises operate well. This internal *guanxi* network may not be contrary to the formal regulation when it plays its own role if the circumstances are appropriate, such as in emergencies or the regulation policy is defective.

According to the interview findings, the researcher is surprised to find that not only senior employees have the power to make changes, such as amend and improve the formal regulatory system, but junior staff members also have the potential to make regulation more efficient and more practical.

For instance, a Monitor from the Workshop discussed a typical case:

> *There is a main work system to assess production quality on the assembly line that*
> *I think is not fair. There were substandard products on our assembly line because*
> *the bearing designs were too big. We put these materials on the metalworking*
> *assembly line and gave them an opinion of this situation. However, they refused to*
> *bear the cost of this damage. As the work system stipulated, the assembly line that*
> *damaged the product should compensate for the damage, but I think this system is*
> *very unreasonable. It is unfair . . . At the beginning, I tried to use my internal* guanxi
> *with another team leader in order to help me control the quality of parts during*
> *inspection, but we still received lots of failed parts from the previous work line.*
> *Finally, I had to connect with the Director of Workshop No. 5 (Mr Lin) and look for*

help . . . I solved the problem by using my internal guanxi *with Miss Li and Lin Shaorong . . . Later, leaders specifically organised inspectors to verify the accessory quality. And the loophole in materials management had been found, namely those accessories were easily damaged in the process of being transported. Finally, the company modified its system, and strengthened the supervision and inspection mechanisms. And the problem is completely solved.*

In this example, the Monitor tried to solve a problem by herself through internal *guanxi* with her colleague. However, she had to connect with a more senior leader to intervene in the investigation when she realised it was related to a flaw in the regulatory system. It may be inferred that *guanxi* has an impact on leadership in offering solutions, in other words, different results to solve problems can be generated by the different levels of seniority; the more seniors in the *guanxi* network, the more influential the solution to the problem.

The subordinate group discussed the last theme in using *guanxi* as 'influencing people'.

An IT staff member gave an example of how to influence people to compete his task:

All employees should attend a certain number of training courses. But it is difficult for them to do that because they always have their hands full. Thus, they are uncooperative. If they do not take those courses, my performance appraisal would be affected. Therefore, I have to ask colleagues with whom I have a good internal guanxi *to persuade those with whom they have a good internal* guanxi *with to take those courses . . . As a result, my job is a lot easier to do.*

This case shows that *guanxi* can be transmitted; that it is a multi-process to influence employees involved. The effect of losing face ad returning favours allows *guanxi* to influence people effectively to co-operate together.

In summary, the finding of Q5 illustrates how employees use internal *guanxi* to solve different types of difficulty in their work. The senior leader mainly focuses on communication for solving management problems: they use internal *guanxi* as a communication approach to make people understood their leadership behaviour and guide people to improve their work performance. In addition, the senior leader obtains the necessary assistance or resources to cope with strategic problems through the *guanxi* network, such as obtaining financial support for new projects of production processes, and receives more agreement from the board. Furthermore, the senior leader improves the formal regulatory system in order to strengthen organisational performance. The middle manager group usually uses internal *guanxi* to influence people and communicate with subordinates to solve management problems, such as motivating people to work hard, convincing them to accomplish tasks and offering support to improve work efficiency. The subordinate group exposed the invaluable influence of *guanxi* in their work performance. They not only use internal *guanxi* to obtain the necessary assistance or resources from the leader in order to effectively accomplish their tasks, but they also improve the weakness of the regulatory system. Internal *guanxi* network strengthen the subordinates' work performance and increases their capability of solving operational problems.

Moreover, in respect of Q5, staff members have illustrated examples of how internal *guanxi* is used to overcome the difficulties and challenges they experience, which are related to what they discussed in Q3. This is proof that employees do use internal *guanxi* successfully to solve problems in the workplace.

Q6: **How do you define an internal *guanxi* network within the company? Do you think the network is a supplement for the formal management system of the company or a network that could affect operations of normal management and have a negative impact? Could you please give me some examples?'**

This question was posed to understand how people perceived the role of a *guanxi* network in the company. What influences does *guanxi* have inside a company? Does it have a positive effect on work performance or a negative effect on leadership performance? Are there different expressions of using internal *guanxi* from the point of view of different levels of seniority? The expectation is to see why *guanxi* exists in Chinese enterprises? Why it is important for employees? Why do employees consider *guanxi* as supplementing the formal system in a company? What reasons do employees have for declining to use internal *guanxi* in their company? Are there any negative influences on employees and the company?

Most people think that the internal *guanxi* network within a company could be regarded as a supplement to the formal management system and should be able to have a positive effect on improving work efficiency, implementing effective communication, mobilising more resources and receiving helpful cooperation to get jobs done if people do not abuse it and only use it in the interest of the team and company. Even though two senior leaders do not think they have an internal *guanxi* network in the company examined, they still applied internal *guanxi* externally to solve their work problems. People not only interpreted the positive side of *guanxi*, but also pointed out the negative aspects of *guanxi*.

The next section is a summary of the frequency of the positive and negative themes identified by the 34 interviewees; who have been classified into three levels of seniority in order to demonstrate their perspectives on the role of *guanxi* in the company.

Table 5.4: Themes used to define internal guanxi

Q6: How do you define your internal *guanxi* network within the company? Do you think the network is a supplement to the formal management system of the company or a network that could affect operations of normal management and have a negative impact? Could you please give me some example?

Interviewee	Exist	Double-sided	Communication	Management	Solution	Influence	Efficiency	Resources
	Frequency of positive themes							
Senior leader	5	1	2	3	3	2	3	2
Middle manager	2	1	1	3	0	1	2	1
Subordinate	1	2	5	1	2	2	4	1
Total	**8**	**3**	**8**	**7**	**5**	**5**	**9**	**4**

People rated 'efficiency' as the most important theme for defining the *guanxi* network in the company. They believe the *guanxi* network is able to boost working efficiency, speed up the operational procedure and solve problems more quickly.

The second most frequently cited theme is 'communication'. Employees considered *guanxi* as an effective communication approach to help them attain more cooperation from others, to deal with disagreements and conflicts, and to receive greater assistance in the workplace.

Furthermore, most employees believe *guanxi* could supplement the formal regulatory system to manage the company, which is a meaningful, helpful and beneficial management approach, because *guanxi* is objective and historically exists everywhere, especially in Chinese enterprises. Some people define *guanxi* as a type of invaluable resource, which helps them to be successful. Others regard it as double-sided sword or coin and should optimise the effects of its positive side on leadership and employee performance, avoiding being affected by its negative effects when individual interest conflicts with the collective interest.

The themes identified in internal *guanxi* also correspond with the researcher's research propositions: for example, employees in the company believe that internal *guanxi* is an approach used to improve the efficiency of organisational performance. This result corresponds with Propositions 2 and 3, 'Good internal *guanxi* is conducive to allocating more effective management to solve work difficulties and save operation costs' and 'Good internal *guanxi* can induce people to be more co-operative and more efficient in innovating the formal system.'

There are thorough investigations into how people value this relationship between internal *guanxi* and leadership from their different job positions.

The senior leader

The most frequently identified theme is 'exist'. The senior leader emphasised the fact that *guanxi* is a deep-rooted culture that has always, historically and objectively existed everywhere, especially in Chinese enterprises.

For example, the Chief Financial Officer noted:

> *Of course* guanxi *exists objectively . . . A deep-rooted culture of companies in Western countries is that people must follow rules without talking about feelings. But in a company like ours, it will not work. Confucianism and culture value people's feelings, which was passed down from generation to generation for thousands of years in China. As long as we live in human society and among people,* guanxi *exists everywhere, which means we cannot deny it.*

A Vice-Chief Financial Officer also defined the existence of internal *guanxi* as having been determined by Chinese culture. This culture is interpreted as follows:

> *It is our culture that one does not fear someone in a senior position, which is a very important guideline in leadership management. Leaders must set a good example to all and employees should get along with others to maintain a harmonious working environment which is known as an internal* guanxi *network.'*

The senior leader group observed that *guanxi* could be used to supplement the formal system to manage people and operate the organisation; the theme of 'management' ranks as the second most frequently used position (mentioned four times by senior leaders).

For instance, a General Manager observed:

The system is a general rule, which might not cover everything. As long as we do not violate the principle and spirit and get the job done efficiently by solving problems, internal guanxi network can be seen as a supplement of the formal management system.

This General Manager stressed one important point: do not violate the principle when using internal *guanxi* to complete a job. What is this principle? Is it that individual interest should not contradict the interest of the company?

Further implications of Q8 are: What are your reasons (motivations) for using private guanxi?

A Human Resources Director stated:

Internal guanxi *within the company is a type of normal personal relationship beyond work relations, which is an important supplement of daily management; thus, it is called a 'network within the company'.*

Moreover, a Senior Sale Manager emphasised the role of *guanxi* in management:

I do not think we should copy regulations of the foreign-funded corporate and manage the company by following rules rigidly. Instead, facing the current situation that mechanism has yet to be improved and perfect; we should deal with problems

more flexibly. Moreover, as with the rapid development of the company, an internal

guanxi *network is an effective supplement of management.*

Leaders also explained *guanxi* as a conducive way to boost work efficiency.

For example, one General Manager said:

Internal guanxi *within a company is public relations, as well as interpersonal relationship. Everything is related to people. Good* guanxi *is conducive for us to increase work efficiency.'*

An Investment Director believes *guanxi* strengthens people's work efficiency:

Internal guanxi *enables people to work more efficient together as the saying goes 'one co-operates better with his father and brothers on the battlefield.*

Some of the leaders viewed *guanxi* as an impressive pattern of influencing people to overcome difficulties and achieving goals. Normally, senior leader uses these ways to influence people, such as uniting teams and making members more reassured; gaining their trust to solve disagreements; and fighting for the interest of the team.

One leader who uses *guanxi* to influence people makes the team more cohesive:

However, things could be very different if we have a good internal guanxi as I can encourage them, unite them and inspire them. Sometimes, I do some group activities with them to get close to them, win their trust, and build a positive and effective internal guanxi *with them. From those activities, I get to know their needs so that I can try my best to help them meet those needs. By doing so, they are able to concentrate on work and stay in the company for a long term.'*

A senior Sales Manager pointed out the important principle of *guanxi* in influencing people:

> *Thus, I require team members to build a good internal* guanxi *network. There are two sentences that explain my point of view. One is that you should treat others in the way they want. The other one is that you should treat others in the way you would like to be treated. Though they sound easy to understand, they tell a profound truth. First, you need to communicate with others effectively. Then, you need to derive a conclusion of how they think, how they would like to be treated and what their needs are, which is the same as what I said earlier about bringing people's subjective initiative into play. Lastly, you gain trust and build a good internal* guanxi *with them by treating them in a way they want to be treated on the basis of mutual respect, fairness and mutual assistance. Thus, you shall have a good internal* guanxi *network effortlessly.*

In addition, senior leaders noted the double-sided effects of *guanxi*, which is likened to the double-edged sword. For example:

> *If one can use the internal* guanxi *network well, the network can benefit one. If not, it can hamper the development of his leadership performance. Subordinates may be dilatory and turn him down with all kinds of excuses, which could harm the company greatly.*

The Chief Technology Officer analysed *guanxi* as follows*:*

> *There are two types of internal* guanxi *networks. One is* guanxi *with personal interests, which conflicts with the interests of the company or has nothing to do with it. We cannot be tolerant of this kind of* guanxi *because it only has negative impacts on the company. The other one is that personal interests and interests of the company are consistent, which is exactly what the company needs. It could be* guanxi *without personal interests like trust and friendship between people that needs mutual admiration and common interests. This kind of* guanxi *is a supplement to the normal management system of the company. Many employees are willing to follow those leaders who are excellent and capable, which cannot be stipulated by rules.*

He emphasised the positive side of *guanxi* as being great at helping to strengthen leadership performance compared to the effect of a formal system. However, they also stressed the negative effect of internal *guanxi*: it is inevitable that employees might choose their interest when there is conflict with that of the interest of company.

The senior leaders also see *guanxi* as an invaluable resource, which helps people to fulfil tasks in time and deal with emergencies.

The middle manager

These leaders most frequently defined *guanxi* as 'management'; they think *guanxi* is beneficial to daily management, such as:

Speaking of the internal guanxi *network, I think it is very meaningful and helpful to the daily management of the company. We would reach out to colleagues with whom we have a good internal* guanxi *instead of leaders when it comes to difficulties. If we go directly to leaders, they would think that we are incapable of solving problems and have a bad impression of us. Moreover, it is meaningless to seek help from leaders as they care about results more than processes. I think the better the internal* guanxi *is and the bigger the network, the more efficient my management will be. Internal* guanxi *can determine the process and results.*

This manager clearly distinguishes the obligations between leadership and management.

The middle managers also defined *guanxi* as other themes, such as, '*guanxi* inevitably exists', *guanxi* is like a 'double-edged' knife, depending on how people applied it.

For instance, a manager from Public Relations viewed it as follows:

A company is like a family or a mini-society as people are most important. As long as there are people, there are networks, which is inevitable. Therefore, we can say that a good internal guanxi *network within a company is the key to success.*

In addition, a Human Resources Manager explained:

Certainly, I think internal guanxi *is ubiquitous in Chinese companies . . . I think it is not a bad thing. We ask team members to socialise with others and to build an internal* guanxi *network. Chinese are different from Westerners. Westerners value*

law, moral sense and then sentiment. But the Chinese value sentiment, moral sense and then law. If we cannot work things out through personal relations and moral senses, we go to court and seek help from the law. Therefore, the national condition of China is different from other countries, and internal guanxi *is important.*

This manager believes that the Chinese value sentiment as most important, which is closely related to the philosophy of *guanxi* in people's lives.

Regarding the 'double-sided effect', a Human Resources Department Manager said:

I think they are like kitchen knives. They are good when you use them to cut vegetables, but they are not if you use them to hurt people. What I am trying to say is that we should use internal guanxi *networks properly. It would be okay to use internal* guanxi *as long as it can benefit the company. We encourage employees to use private connections properly to benefit the company. If someone abuses an internal* guanxi *network, it shows that he has a bad character. The abuse of internal* guanxi *should be stopped.*

A Manager from the Public Relations Department discussed 'efficiency' as follows:

I prefer to solve problems on our own rather than ask help from supervisors. And the premise of this is to be able to analyse the problems from different angles, ask opinions from relevant colleagues and coordinate resources in order to solve them. However, the process is time-consuming as well as efficiency consuming. But internal guanxi *can boost the efficiency of these procedures.*

The subordinate

The subordinate group highlighted 'communication' 5 times as the most frequent theme. They interpret *guanxi* as an effective communication tool to assist people with gaining assistance at work, coordinating collaboration and dealing with disagreements, such as an *'internal* guanxi *network is very important. At least, it enables you to help and encourage others and learn from them through effective and smooth commutations . . . In many cases, I use internal* guanxi *to communicate with people when I deal with the problems of, or disagreements among, employees.'* A Human Resources Department staff member described the role of *guanxi* as communicating with people in order to deal with conflict.

An employee who works with ERP noted:

> *I think internal* guanxi *is good and that an internal* guanxi *network is helpful to your work as in most cases, you need to use it to influence people and solve problems at work and fulfil tasks.*

A Human Resources Department staff member stated:

> *Personnel could be resistant to new regulations when we reform or better our systems. So they would be less resistant if we have a good internal* guanxi *with them. We expect the support of colleagues from the perspective of work no matter whether we have good internal* guanxi *with them. However, the truth is they would be more*

co-operative, have a better attitude and do their job more efficiently if we do have

a good internal guanxi *to influence them.*

This employee received a more positive working attitude when she communicated with others to complete a job with the help of a *guanxi* network.

A staff member from Administration described *guanxi* as follows:

I cannot find a specific word to define the guanxi *network within the company. But*

to me, it brings us benefits using internal guanxi *to find shortcuts to problem solving.*

Under the circumstance of not breaking any rules, this is harmless and conducive

for us to improve working efficiency and performance.

A Human Resources Department staff member explains *guanxi as* follows:

We cannot write internal guanxi *in regulations to promote it. To us Chinese, it can*

be understood but cannot be described. To leaders, it is a managing skill, and to

employees, it is an effective way of solving problems.

One staff member believes that *guanxi* does exist everywhere in Chinese enterprises:

[It] is like an invisible hand to influence people . . . I use internal guanxi *very often,*

because if I want to speed things up, I need to either be in a senior position or have

a good internal guanxi *network, which is an unspoken rule that can be seen*

everywhere.

Negative theme of internal *guanxi*

Employees explained that *guanxi* could cause individual interest to contradict the interest of a team or company; some people who have a close *guanxi* network may unite together to threaten the company.

For example, a Manager from Public Relations pointed out:

> *Internal* guanxi *must be used for the interests of the team and company . . . individuals' characters, qualities and abilities are decisive. We need to differentiate the concept of* team *from the concept of* small group. *The difference lies in the purpose for using internal* guanxi. *If internal* guanxi *is used for the interests of the company instead of personal gains, this could be called 'a team'.*

A General Manager observed:

> *On the other hand, we have to manage employees who are doing scarce types of work in case they become so proud that they unite with one another, and bargain with the company to ask for a salary raise or start a strike to threaten the company as they are easily united to do such a thing. Actually, it is a negative impact of internal* guanxi *among employees.*

Employees also pointed out that if abused or overly relied on, a *guanxi* network in a company would impact on leadership prestige and judgment, and result in people abusing power for their

individual interest. Moreover, this negative result verifies that research Proposition 7 was right, 'All aspects of leadership–*guanxi* relationship can become negative if not in balance with leadership and organisational purpose; for example, strong *guanxi* ties can inhibit innovation, reduce communication and reduce leadership effectiveness.'

Q7: 'Generally, what makes you or motivates you to use your internal *guanxi* to solve work-related problems?'

This question was posed to discover employees' purposes for using internal *guanxi* to solve work-related problems. It might determine some implications in terms of how to develop leadership behaviours through the effect of an internal *guanxi* network. The researcher expected to see employees use internal *guanxi* not only to accomplish tasks assigned by leaders, but they have more significant motivations, such as assist leaders with achieving their goal, fighting for team performance, striving for personal interest and supporting peers.

Table 5.5: Themes of motivation for using internal guanxi

Q7: Generally, what makes you or motivates you to use your internal *guanxi* to solve work-related problems?

Interviewee	Frequency of themes					
	Benefit of company	Task	Efficiency	Personal interest	Team leadership	Favour
Senior leader	6	8	2	2	5	0
Middle manager	3	4	3	1	2	0
Subordinate	1	11	4	0	1	3
Total	10	23	9	3	8	3

Table 5.5 shows that the most frequent theme of motivation is the 'task', people used internal *guanxi* to accomplish tasks; they tried to get the job done well and to enhance work performance. Besides that, people applied their *guanxi* network to strive for the benefit of company. Conversely, some people admit they also fight for personal interest if there is no conflict with the interest of the company. To strengthen team leadership and increase efficiency, another important reason to use internal *guanxi* is to fight for team honour, to unite team members, encourage team members and shorten excessive procedures for increase working efficiency.

The senior leader

The majority of senior leaders mentioned as one of their motivations for applying internal *guanxi* to complete tasks.

For example, a Deputy General Manager said:

> *I use it to overcome capacity bottlenecks but not to maximise profits. Basically, facing limited production capacity, I do it to meet the requirements of key customers . . . I use* guanxi *for self-interests more or less . . . it is for the fulfilment of the task. As more tasks are completed, the more commissions I will get.*

A Human Resources Department Director stated:

> *Usually, when I cannot achieve the goal or objective in the normal exercise of the company's rules and regulations or when I cannot risk my relations with key personnel, I use my internal* guanxi, *as a supplement, to solve the problem.*

The second frequent theme of motivation is to gain benefits for the company.

For example, the Chief Financial Officer responded:

> *I use it solely for the benefits of the company and for getting the job done well.*

A Senior Sales Manager valued it as follows:

We should make sure that we are doing it for the interests of the company instead of ourselves, which is the key. Motives for using the internal guanxi *network should be supervised by all employees.*

A Production Director said:

I use internal guanxi *solving work-related problems only for the protection of corporate interests and reduction of loss.*

Another significant theme in motivation is to improve team leadership.

For instance, a General Manager said:

I use internal guanxi *in order to achieve better team building and leadership performance.*

A Senior Sales manager said:

I use internal guanxi *to motivate team honour, so the [team members] will be more united and help one another to create better achievements.*

A Factory Director explained:

Another reason for using internal guanxi *would be honour for the honour of the team . . . I motivated them to work hard.*

The middle manager

Most middle managers used internal *guanxi* in order to accomplish tasks effectively. They tried to fulfil the task assigned by senior leaders and used internal *guanxi* as impressive communication channels to coordinate with colleagues in order to avoid making mistakes and completing tasks on time.

For example, a Manager from Sales and Production said:

> *It is for the fulfilment of tasks assigned by leaders. As I have to finish whatever tasks assigned by my superiors, I have to use internal* guanxi *to solve problems sometimes. These two points are equally important. When a task is assigned by my superiors to me and I have difficulties in fulfilling them, I would reach out to my colleagues or use my internal* guanxi *to look for solutions horizontally.*

Regarding 'benefit of company', a Sales Manager noted:

> *Well then, personally, I want to do my job well for the benefits of the company, for my goals at work and for the honour or interest of my team.*

'To improve efficiency' is another motivation for using internal *guanxi*.

A Manager from Supply and Logistics valued how *guanxi* improved his work efficiency:

Generally, I use my internal guanxi *for the interests of the company and for higher working efficiency. We did not have a good internal* guanxi *with each other, as we did not know each other well. Thus, you would not tell me if there were defects in my working methods. As a result, I may make mistakes. However, if we did have a good internal* guanxi *with each other, you would remind me of problems so that I could correct them right away. Thus, we would be able to improve the working efficiency soon.*

A Sales Manager said:

I use it to work more efficiently, get guidance and help at work, build internal guanxi *network and get more resources to fulfil tasks.*

In terms of 'team leadership', a Human Resources Manager discussed it as follows:

Basically, I only use personal relations for company interests. I want to do a better job and be more efficient in order to encourage employees to do a good job, make them more united and improve their efficiency.

The subordinate

Some subordinates have to accomplish tasks received from their superior when she gets into difficulties, *guanxi* will be one measure to overcome them. Especially, since the theme of 'task'

has been stressed 11 times by those subordinates, one may infer that *guanxi* has been applied as an informal way but effective and common pattern to help people accomplish tasks in their company.

For example, one staff member from the Workshop said:

> *I prefer not to use it unless it is necessary. Personally, I use it when I have to fulfil some tasks and don't want to bother leaders.*

One more example was given by a Monitor:

> *For now, I have not come across such a problem in this company. Sometimes, when I have to use internal* guanxi*, it means I can't deal with the problem by myself. That's the reason why I need other capable people or some* guanxi *to help me solve the problem quickly.*

Another employee believed *guanxi* made it possible for him to improve his work performance and gain his leader's approval:

> *Sometimes, internal* guanxi *could help me greatly at work. Sometimes it even becomes a part of my ability, which enables me to get my job done well and get the approval of leaders.'*

One ERP staff member stressed his motivation for strengthening team leadership performance:

I do it mainly for the interests of the company. I also do it for my team because I hope everyone in the team gets along with others and has a comfortable working environment, which is harmonious guanxi *with one another.*

The theme of 'favour' has only been mentioned by the subordinate group. They explained that sometimes they had to use their internal *guanxi* to help other's request, which calls for a favour in return because the Chinese value saving face and feeling extremely important in daily life under the influence of Confucianism.

A subordinate noted:

I use the network for fear of hurting their feelings when people with whom I have a good internal guanxi *ask me for a favour.*

Another employee also stressed this returning of favours in her example:

I think that maybe I need his help in the future, or we can help each other.

Thus, *guanxi* is built on the principle of reciprocity, which is a multi-process of doing favours for one another.

Some subordinates tried to simplify and speed up the excessive regulation process in order to accomplish tasks efficiently.

For instance, one employ gave the following example:

> *Thus, all we need is to do our job diligently and conscientiously. I think the purpose of using internal* guanxi *is to simplify cumbersome procedures at work and speed up the process.*

In summary, the findings of Q7 the researcher discussed above implied what the motivations are for using internal *guanxi* in a company. Most people focus on accomplishing tasks efficiently and timely, especially the senior leaders and subordinates. More than 40% of the interviewees stressed their purposes for applying *guanxi* as being for the benefit of the company, some of them also admitted that they strove for personal interest as well, without violating principles, which means sometimes personal interest does not conflict with the interest of the company in Chinese cultural circumstances. The senior leaders also apply *guanxi* to strengthen their team leadership functions. The subordinates group pointed out sometimes they use their internal *guanxi* to return favours for those people who provided them with assistance earlier in order to avoid hurting people's feeling and making them lose face.

Q8: 'Have you ever used internal *guanxi* outside the company to solve problems that occurred within the company?'

Table 5.6: Themes of using internal guanxi *externally*

Q8: Have you ever used internal *guanxi* outside the company to solve problems that occurred within the company?

Interviewee	The frequency of themes					
	Efficiency	Obtain assistance or resources	Strengthen management	Influence	Communicate with local authority	Accomplish operational task
Senior leader	1	7	3	1	10	5
Middle manager	0	4	1	0	2	3
Subordinate	0	5	0	0	2	4
Total	1	16	4	1	14	12

This question was posed to investigate how people valued another aspect of internal *guanxi* in their company, namely a hybrid *guanxi* that internal and external *guanxi* connected with each other in order to achieve the necessary support for solving work-related problems in the company. The researcher also tried to identify what different roles leadership played in applying internal *guanxi* outside the company; what types of difficulties have been solved by the effect of *guanxi* outside the company; whether *guanxi* applied externally empowered or restricted leadership functions.

In Table 5.6 the most frequent theme in using internal *guanxi* externally is to 'obtain assistance or resources', which has been emphasised 16 times. Employees also noted 'gain effective support from local government', 'take out make a loan from a bank', 'attain large funds for new project', 'seek information for technology innovation' and so on.

The second most frequent theme is 'communication with local authority', to ensure more efficient work with the government, communication with policymakers, and coordination with the Tax Bureau and Customs. The top three themes are 'accomplish operational task', To do so, internal *guanxi* is used to connect outside resources to accomplish operational tasks, such as place more sales orders, make sure production progress work well and cut down expenditure.

Moreover, the researcher has identified that his propositions also correspond with the qualitative findings. For example, people noted that they applied the leadership–*guanxi* relationship externally to accomplish operational tasks. This theme verified Proposition 2, 'Good internal leadership–*guanxi* relationship is conducive to allocating more effective human resource to solve work difficulties and saving operation cost.'

In the next section the three categories of employees (i.e., senior leaders, middle management subordinates) are analysed in order to demonstrate their perspectives on using their own *guanxi* externally.

Table 5.7: The percentage of leaders who use internal guanxi *externally in problem solving*

Problem area	Percentage
Operational problem	33
Management problem	–
Strategic problem	67

As Table 5.7 presents, 100% of leaders responded that they did use internal *guanxi* externally for solving strategic and operational problems. It is unlikely someone would refuse to build and apply internal *guanxi* inside a company. In terms of problems related to strategy, such as, to examine and verify high-technology projects and obtain significant support from the central government; to improve technology innovation; get fund support from a local bank; to speed up the procedure of approving land certificate from the local government; to make communicate effectively with policy-makers; to solve problems with the Quality Inspection Bureau; and to make things easier with the tax office. As regards operational problems, such as, strengthening cooperation with suppliers; solving weak employee performance; mobilising the labour force to improve productivity; and attracting more sales orders.

The senior leader

The most frequent theme in using internal company *guanxi* externally by the senior leaders is 'communication with local authority', which accounts for ten times in total. Those leaders connected with their external *guanxi* network to deal with problems in the company.

For example, a Vice-Deputy General Manager helps the company to get land certificates and real estate licences from the local government:

> *Therefore, we often have problems handling documents . . . it is an institutional issue and our government needs to make some improvement in this. Fortunately, I have a good internal* guanxi *with many leaders working for the government. If our*

company has some problems, they would help me to solve them willingly as long as the law is not broken.

Similarly, another senior leader, a Production Director, does not use internal *guanxi* inside the company, but he uses it externally to communicate with the local authority to reach someone in the Tax Bureau in order to avoid tax legally:

Based on the local tax system, one of our sub-companies should pay 4–8% tax a year. If the percentage is 8%, we shall pay RMB280,0000 more compared to 4%. Thus, I contacted a friend who worked in the Tax Bureau and solved the problem. As a result, we systematically avoid tax with an amount of RMB280,0000 (US$400,000) annually.

In addition, one Deputy Chief Financial Officer responded that he used internal *guanxi* externally very often to communicate with local authorities for the business of the company:

Examples are countless. I use it several times a month . . . I use my internal guanxi *network outside the company in various aspects, such as in finance, tax, industry, commerce and audit in order to coordinate or communicate with managing departments and governmental agencies. Sometimes I have to use it to communicate with policy-makers or people who are in charge to get strategic things done well.*

Nevertheless，a Senior Sales Manager who is in charge of the European market used her internal *guanxi* network externally to gain important information for the company:

I used my guanxi *with my old classmates who worked in the Bureau of Customs to consult and solve problems in big business projects. I also used my* guanxi *with the Tax Bureau to solve problems and know more about the tax policies of the state as well as detailed preferential treatment so that we could strategically secure more profits for our company.*

In terms of 'obtaining assistance or resources', a Vice-President used his internal *guanxi* network to improve the efficiency and save time on examining and verifying one high-technology project for the company through several governmental authorities in a very short time. He also helped the company to win a national reward and obtain significant support from the central government:

Though we have passed the prototype testing . . . other companies reported their programmes, and they are several steps ahead of us . . . Thus, when it comes to this, we should let the internal guanxi *network play its role . . . Yes, because of my connections (private* guanxi*) . . . If there was not a good and dynamic internal* guanxi *between the company and the government, it would be impossible for us to get it done in such a short time and the project would be stifled in the cradle. Eventually, our company has been assessed as an excellent project reward and also received significant support from central government . . . We can see that no matter whether in the government or corporate, a* guanxi *network is significant.* Guanxi *networks can make up for some deficiencies and play the important role of optimising processes and improving efficiency.*

One more example was given by a General Manager who used his internal *guanxi* outside the company to solve technology innovation:

> *We invested in this kind of equipment last year. However, the equipment operated imperfectly and we failed to realise the desired outcome. Thus, I contacted my classmate and asked for help from a leader of the Technical Department of his company. An engineer of his company was sent to us to debug the line and readjust the parameters. Then, the electromagnetic acoustics dropped below the level of the standard and the problem was solved. If I did not have the internal* guanxi*, our company would consume a lot of energy, time and money setting up a special team to solve the technical problem. It may take us three to five months to solve it . . . There is one more recent example. Even though the Technology Department redesigned the structure of motor base 132 and improved the process flow, we failed to lower the cost. Then, I used my internal* guanxi *with one of my former colleagues so that I was able to have a face-to-face communication with the general manager of his company to talk about cost control with him. Finally, we found out that they had two methods to control the cost effectively.*

A General Manager used his internal *guanxi* outside the company to solve the problem of financing from a local bank. It is often difficult to understand information trending in the industry and technology through internal *guanxi* network with the business associations.

> *I have used* guanxi *with the government to solve the problem of financing from a local bank . . . I had to use internal* guanxi *with a friend in the Industrial Development Bureau, Ministry of Economic Affairs [MOEAIDB] and reached a president of the*

local bank . . . I got special approval for bank loans and solved the problem. Moreover,
I often get information on trends in the industry and information technology through
guanxi *with the Business Association, which brings the entire company first-hand*
information for strategic adjustment of the Taiwanese market, as well as the Southeast
Asian market.

The Chief Technology Officer used internal *guanxi* to attain essential information for research funding, technology development and to solve technical obstacles:

When we report on scientific programmes, I need to get information through
internal guanxi *with my college classmates who are working in state-owned*
enterprises and who are working for government institutions, for example, skills to
get approval for scientific programme funding. Sometimes, I need to invite experts
from state-owned enterprises to help us solve some technical obstacles or
difficulties.

One Investment Director, although he denied using internal *guanxi* inside the company, does use internal *guanxi* externally very often to deal with problems related to strategy in the company. For example, he used internal *guanxi* outside the company to obtain large amounts of funding from the government to support new projects:

As you know, we got 50 million Yuan (US$7 million) in funds for the Shanghai
Project which was valued by the National Development and Reform Commission of
Shanghai and Science and Technology Commission of Shanghai . . . But to be
honest, I have a classmate who works in the NDRC [National Development and

Reform Commission] as a prestigious leader, and I have a good internal guanxi

with him. He suggested that the National Development and Reform Commission of

Shanghai should give us some support on this case . . . As a member of the senior

leadership, I should mobilise all resources to serve the company and the team.

In relation to the theme of 'influence', one senior Sales Manager gave an example of how to influence people to offer a stable business relationship with the company:

One of our biggest clients, Wilo, just had an order of RMB60 million (US$10 million)

not long ago. They had a new Korean CEO and decided to give the order to their

Korean factory in China. I contacted their Vice President and Purchasing Manager

as I had a good internal guanxi *with them and had known them for five or six years,*

and asked them to persuade their CEO to give the order to us to produce.

Considering we produce good-quality products and provide the best service, they

decided to give the order to us in the end. There are many examples like this . . . In

a word, we hit on what they like and do what they expect to maintain this internal

guanxi *network in the long term.*

With reference to 'accomplish operational task', a Factory Director has been using internal *guanxi* with leaders of other factories or vocational schools to hire some technicians and front-line workers to help out in production during a period of labour shortage.

During labour shortages I have been using my internal guanxi *with leaders of other*

factories or vocational schools to hire some technicians and front-line workers to

work for me. Meanwhile, I also use my internal guanxi *to get to know offers made*

by our competitors to workers. Then, I would make a better offer to those capable

workers and ask them to work in our factory based on their working efficiency and

types of work. I mainly use my internal guanxi *network in production in our factory.*

As for 'strengthen management', a Senior Sales Manager needed to use internal *guanxi* to resolve problems with subordinates' irregular management mistake:

> *Furthermore, sometimes we need to use internal* guanxi *to deal with problems in the workplace due to irregular management. For example, because of irregular management of one of our branches in Guangzhou City, we were not able to get payment back for goods as we did not sign a contract and they did not sign for receipt of the goods. Therefore, we had no choice but to seek legal help. However, as we did not have any favourable proof, I had to use my own* guanxi *to solve the problem. I contacted the local officials and asked them to put pressure on them because I knew that we would not be able to get the money back though legal means for mistakes we had made.*

The middle manager

In relation to 'obtain assistance or resources', a Finance Manager commented that he used his own *guanxi* to solve financing issues for the company:

> *I used my own* guanxi *in banks and other financial institutions to help the company solve financing difficulties in a short time.*

A Sales Manager used internal *guanxi* to introduce talent to company and find some good service agents with which to co-operate:

I sometimes recommend friends with talent to the company. Compared to other companies of the same size, they are more willing to come and work in our company because of the internal guanxi *we have. The internal* guanxi *will enable them to display their talent here fully and to do a very good job. Moreover, I recommend shipping agents to the company to lower transportation cost as well as competitive suppliers to get the most cost-effective contract.*

With reference to 'accomplish operational task', a Production Manager asked his friend from a neighbouring factory a favour when the factory was short of workers in the production line which resulted in low working capacity:

Weeks ago we were short of workers in the production line and we had low working capacity. Therefore, I asked friends from a neighbouring workshop a favour. Also I used my internal guanxi *with the Head of Human Resources to arrange special payment for those workers, paid in time. If I could not finish the production capacity index set by my superiors in time, they would blame it on me and care less about a shortage of workers, poor equipment or any other reasons. Superiors want results.'*

Moreover, a Manager in Logistic and Supply used internal *guanxi* to mobilise a labour force from other factories to improve productivity:

I need more workers to participate in the production. As I have a good guanxi *with some workshop directors of other factories, I borrow workers from their workshops to help us. Because our company is the leading company in this region, demands for our products exceed supply . . . Therefore, when we need more workers to work overtime, I would assign the work to other factories with which I have a good* guanxi *and ask them to help me out.'*

The subordinate

Only a few subordinates used internal *guanxi* externally to obtain assistance or resources for supporting their leader to complete work. However, most of them (79% in total) have to use their own *guanxi* to complete operational tasks under pressure.

Table 5.8: The percentage of subordinates who use internal guanxi externally in problem solving

Problem area	Percentage
Operational problem	70
Management problem	–
Strategic problem	7
Not used externally	23

With reference to 'obtain assistance or resources', an ERP staff member gave examples to illustrate how he used *guanxi* outside the company to look for technical support and consulting solutions for the IT programme, when he has a problem that is beyond his ability and his colleagues would not be able to help:

Generally, if I have problems in management at work, I prefer to use my personal guanxi within the company or external guanxi I have with leaders outside the company to solve them.

Furthermore, a Regulation System Inspector always seeks assistance from her own *guanxi* network outside the company. If some professional knowledge is beyond her cognitive level, she also consults to find a solution for the difficulties in her work by using external *guanxi*:

If some professional knowledge is beyond my cognitive level, I always seek help from co-workers from my previous company or organisations that I have internal guanxi with . . . For example, we aimed to make items that were environmentally friendly, such as energy-saving, cost-reducing and pollution-preventing, and need to match evaluation goal of your products. Thus, I had to consult experts outside the company, and ask for some suggestions and to train our employees on these matters. Besides, they could analyse the situation objectively and professionally. Colleagues see these matters from a different perspective. They will be more objective . . .

As for 'accomplish operational task', an ordinary staff member in the Administration Department noted that she used *guanxi* outside the company to help with completing the decorations of the office with good quality and at a very rational price:

During the decoration of offices, I would contact construction teams that I am familiar with to ensure the quality. Also, I make sure that they do not price

themselves out of the market. Moreover, if there is anything wrong with the

decoration, I am able to easily track them down and ask them to rework.

An ordinary staff member in the Human Resources Department used her *guanxi* outside the company to strive for the best advertising deal on television and get free extra services on product design without a special budget from the company. She thinks that in China if one does not know how to handle things flexibly and use resources and internal *guanxi*, one will be excluded by society:

> *When we needed to design a code for advertising, the task was assigned to me. But*
>
> *the company didn't agree to grant me special funds. So I turned to a friend of mine*
>
> *who worked in an advertising company. As a result, the design department of his*
>
> *company designed one for me free of charge. In China, if one doesn't know how to*
>
> *handle things flexibly and use resources and internal guanxi, one will be excluded*
>
> *by society and washed out by life.*

As regards 'communication with local authority', some subordinates also effectively assisted their leaders with solving certain problems related to strategy by using their external *guanxi* network. For example, an ordinary employee used his *guanxi* outside the company to help the manager of his own company's Sales Department to make up for a job mistake. Because that manager's subordinate forgot to clear one batch of goods through Customs, the company could not get the duty drawback which was about US$1 million, according to regulations.

> *Because my colleague forgot to clear one batch of goods with Fuzhou Customs, we*
>
> *could not get the duty drawback which was about 1 million US dollars according*

to the rules. The Manager of the Sales Department asked me a favour as one of my relatives worked in Fuzhou Customs. With the help of my relative, we completed the relevant paperwork and got the refund.

In summary, the senior leader group mainly focuses their internal *guanxi* network on achieving assistance, communication with local authorities and accomplishes operational tasks. The middle managers use their own internal *guanxi* externally to obtain assistance and resources to accomplish tasks. The subordinate also has to achieve assistance from outside company to help their leaders to do job, such as make up for management mistakes with Customs, or gain key information for a new project from the local authority.

In the next chapter the quantitative findings will be discussed. The 337 respondents gave their perceptions on the influence of internal *guanxi* on their job performance and leadership behaviour, such as people's preference to solve problems when they have work-related difficulties, if they, in fact, have leadership problems and how they overcome them and what is their motivation for applying internal *guanxi*.

CHAPTER SIX: QUANTITATIVE ANALYSIS

Introduction

The questionnaire survey used in this research was applied in three different types of enterprises that operate five business functions in the electric motor industry. It was distributed by email and personally. For example, when the researcher conducted the email survey, he asked someone with whom he had internal *guanxi* in an enterprise to forward the blank questionnaire to survey employees. These respondents sent completed questionnaire directly to the researcher's mailbox in order to protect their personal privacy. As regards personal distribution，the researcher was introduced by someone with personal *guanxi* in another enterprise, the researcher briefly explained the purpose of this research questionnaire to employees and left the questions for them for half an hour and then collected the questionnaire personally. If some respondents were busy at that time, he collected the questionnaire the next day.

The information the researcher surveyed consists of two parts: the first section contained information on the type of company; its size; length of time it had been in operation; who the executives, managers and immediate supervisors were; and the main business areas. The second part comprised respondents' personal information: their age, education, gender, work experience in the company, job title, department, area of responsibility at work, and whether they had a personal relationship with the leadership. Three hundred and thirty-seven questionnaires were distributed among 51 enterprises, which come from three types of enterprise (i.e., foreign enterprises, privately owned enterprises and state-owned enterprise) in eastern China. Fifty-two per cent of the country's electric motor business is located in Eastern

China. The enterprises surveyed covered relatively comprehensive samples and the researcher believed that it was a representative questionnaire survey.

As regards whether or not the populations of the samples for the questionnaire were representative, one issue on the selection of these samples needs to be clarified. Based on the situation of the electric motor industry in China, the survey was conducted among manufacturers or relevant suppliers. Generally, the proportion of workshop workers to managers is 7:3 in those companies. Most foreign companies chose the high-end industry market to invest in and choose the electric motor market and they would not set up a wholly owned company. The electric motor sector is a labour-intensive industry: most junior worker and officials have low levels of education and are young. In addition, the worker turnover rate is high due to lower technical requirements for posts. That is why manufacturers have to keep recruiting inexperienced employees to meet productivity targets. The samples demonstrate that there are more males than female, more 'lowly educated' employees, more employees younger than 35 years of age, more Chinese workers, more inexperienced employees, and more employees with short working experience in their companies.

In this questionnaire the researcher identified certain elements that would have an impact on the application of internal *guanxi* in the company, such as company type, current position and department for the selection and the nationality of the leader. He further analysed the above elements and found more detail. In addition, the findings of the 337 questionnaires proved that internal *guanxi* networks do exist in companies and that employees perceive effects of internal *guanxi* on work performance. More than 89% of respondents admitted that they have used internal *guanxi* internally or externally to solve problems. The main reasons of using *guanxi* related to two aspects, which are (i) for the collective interest and (ii) for solving problems

between them and their business leaders. The researcher tested different factors that possibly influenced employees who experienced difficulties at work: they used internal *guanxi* internally and externally to solve problems. He also surveyed the reasons for using internal *guanxi* by means of the 'weighted arithmetic mean'.

The researcher hoped that this questionnaire analysis would help to answer the research questions: (i) 'Does *guanxi* apply internally in Chinese private companies?' and (ii) 'How does internal *guanxi* influence leadership behaviour in Chinese private companies?'

General findings of each questionnaire question

SECTION 1

Company

Q1: What type of company do you work for?
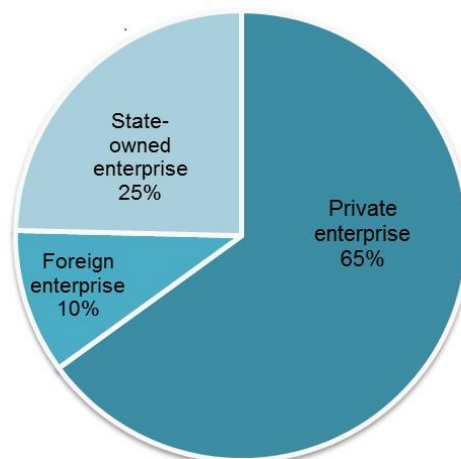
Figure 6.1: Respondents' type of company

This question was asked to establish how different types of companies employed different leadership styles in their business operation, or whether they adopted different organisational

cultures in management, such as using the *guanxi* network interaction. The researcher expected to see whether employees in different types of companies used internal *guanxi* for their work; was internal *guanxi* applied internally in private enterprises more often than in foreign enterprises; do state-owned enterprises use internal *guanxi* externally more often than foreign or private enterprise; and how does the application of *guanxi* impact on leadership in different types of companies.

Generally, there are three main types of enterprise in China. Of the 337 respondents, 65% of them are from private enterprises, 25% from state-owned enterprises and the rest (10%) from foreign enterprises. According to the State Administration of Industry and Commerce's statistics 2014 (http://www.saic.gov.cn/), there are 10,966,700 private enterprises in China, which account for almost 80% of the total number of 13,748,800. There are 439,800 foreign enterprises, which account for 3.2% in total. The rest (27%) are state-owned enterprises. In fact, the number of foreign enterprises that have engaged in the electric motor sector is more than the average number of 3.2% in other sectors. Entry into the electric motor market for foreign companies is comparatively lower than in other sectors, and they have more advanced technology and more efficient production management than the Chinese enterprises. Eastern China is the largest area in China that produces electric motors: it contributes more than 60% of the annual production output in China. The researcher tried to select samples to be surveyed that were consistent with reality. Owing to his limited resources, it is very difficult to achieve. However, the validity of the samples was reasonable.

Q2: What is the size of your company?

Table 6.1: Size of respondents' company

Size of company (Number of employees)	Respondents
5–50	7
51–200	29
201–1,000	247
1,001–2,000	28
2,000 or more	26

The researcher asked this question to compare leadership performance and operational aspects between small- and large-sized companies. Normally, small enterprises are more flexible in their reaction because of their informal leadership behaviour and are more entrepreneurial in business development. Small enterprises mostly lack structured formal regulation systems and may use internal *guanxi* more internally to obtain business resources and key information from members of staff. As regards large enterprises, they are characterised by bureaucracy and slower responses but have massive social resources that they can be wielded to achieve business goals. They may use internal *guanxi* externally more often than small enterprises do.

There were 247 respondents from the company that has 201–1,000 employees; this group of respondents account for 73% of the total. According to the size of company as classified by the State Administration of Industry and Commerce, this type of company is a middle-sized company. There were 8% of respondents from the large enterprises. These companies are usually state-owned companies or foreign enterprises. The companies that have 51–200 and 5–50 employees belong to small-sized companies, which represent 11% of the total. This size of

company is usually a private enterprise. The researcher expected to see whether small enterprises used internal *guanxi* internally more often than large enterprises; are large enterprises more likely to use internal *guanxi* externally than small enterprises; and do medium-sized enterprises perceive internal *guanxi* being used internally and externally?

Q3: For how many years has your company been operating?
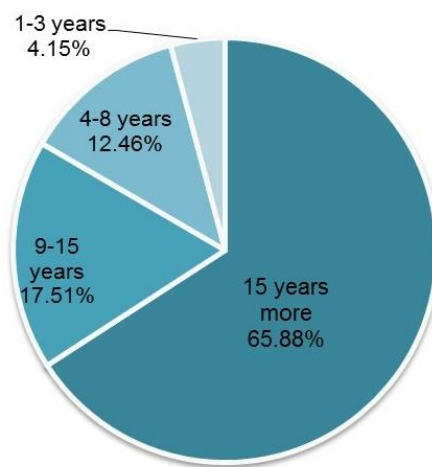
Figure 6.2: Number of years respondents' company has been in operation

The researcher asked this question to identify how different companies who have been in operation for different periods reacted to difficulties in their own business. For example, a young company might meet certain market demands quickly at a lower cost and have a simpler leadership structure to lead employees to meet their targets. However, they may rely on their external resources to start up the business and survive through their external *guanxi* network. As regards companies that have been in business for a long time, they have more social resources to strengthen their development and have stable customers to keep their business going. However, they may have more complicated and inefficient leadership managing the organisation.

As Figure 6.2 shows, there are 222 respondents whose companies have been operating for over 15 years, which accounts for 65.88% of the total; 17.51% of respondents whose companies have been operating for 9–15 years; and only 4.15% of the respondents come from companies that have been operating for no more than 3 years. The researcher expected to see what the different roles of internal *guanxi* between the young companies and more established companies were; and whether the older companies used internal *guanxi* as often as the young companies.

Q4: Where does your CEO come from?
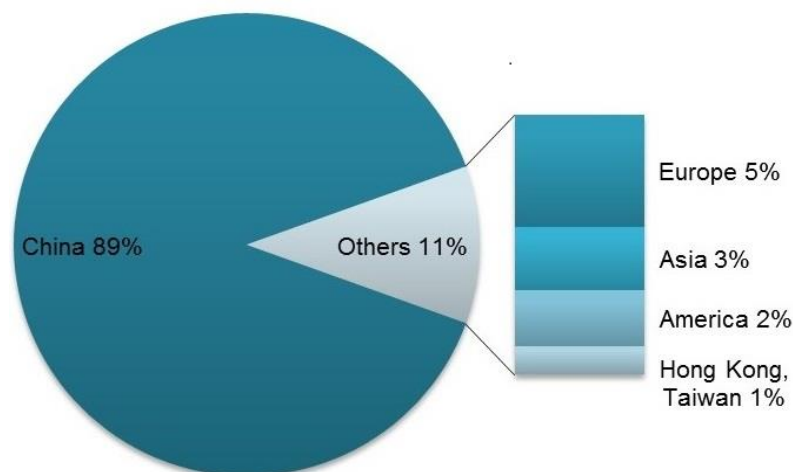
Figure 6.3: Origin of respondents' CEO

The researcher asked this question to find out if different CEO's nationality and culture created different leadership behaviour and organisational regulation among their subordinates; and how employees absorbed their senior's way of managing, especially Chinese employees. For example, a CEO from China would try to decentralise and keep the organisational structure flatter. Chinese leaders 'have also picked up the crucial ability to play roles that Westerners often view as contradictory: They are strategic yet hands-on; disciplined yet entrepreneurial;

process oriented yet sensitive to employees; authoritative yet nurturing; firm yet flexible; and action driven yet circumspect' (Harvard Business Review 2011). The researcher also attempted to establish the following: Does *guanxi* play a significant role in strengthening Chinese CEO's leadership traits? What about Western CEOs, will they directly transfer their Western leadership philosophy to Chinese business contexts? Do they discipline employees through the rigid formal system? How do these Western leaders comprehend the application of *guanxi* in their leadership behaviour?

As Figure 6.3 shows, 89% of respondents reviewed said that their CEOs came from China. Only 7% of respondents replied that their CEO's came from Europe and the United States. The researcher expected to determine whether the different CEO's nationality and culture impacted on the development of employees who used internal *guanxi* in their enterprise.

Q5: Where does your departmental manager come from?
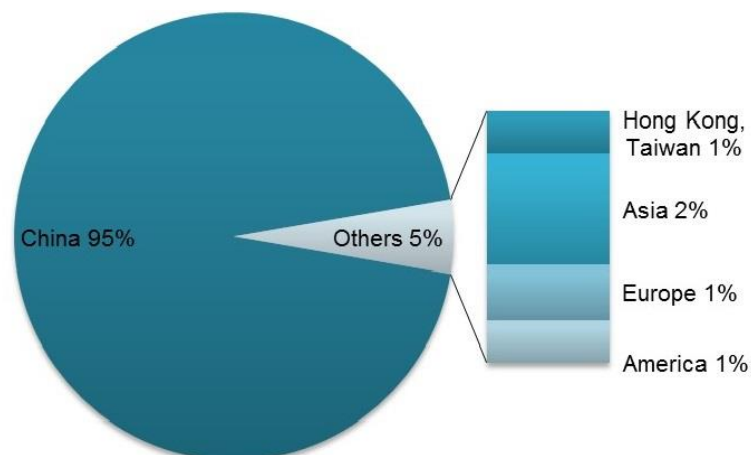
Figure 6.4: Origin of respondents' departmental manager

The researcher asked this question to compare the difference in influence or power between the senior leader (CEO) and middle management; to understand the role of leadership in their

position; and to establish how employees adopted their leaders' influential power through a formal approach or informal approach.

Of the respondents, 319 replied that their departmental manager came from China, which accounted for 95% of the total. Only a few managers came from the rest of the world. For example, 8 managers (2%) came from Asia. Managers from the West accounted for only 2%. The researcher expected to see whether senior leaders' nationality and culture was more influential than middle managers' origin on employees who worked in the company?

Q6: What is the main field or function of your business?
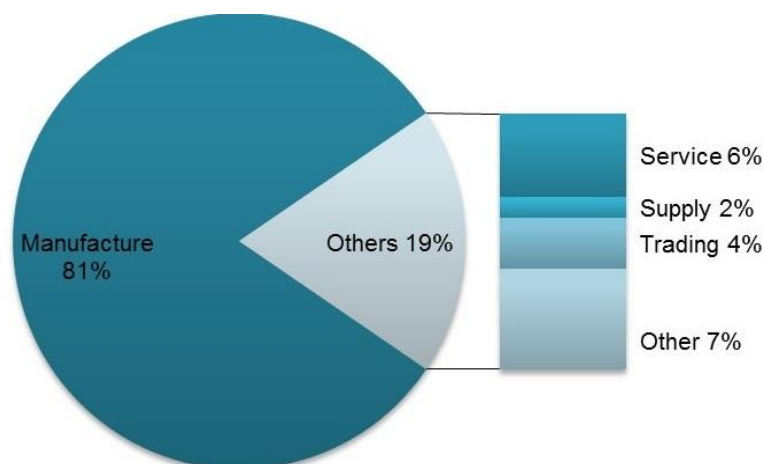
Figure 6.5: Respondents' business field

The researcher asked this question to determine what specific businesses were operating in the electric motor sector from the 51 enterprises selected; how they valued the effects of internal *guanxi* in their business field; did they apply internal *guanxi* to help their business performance; and do they apply internal *guanxi* internally or externally based on their business functions? The researcher planned to conduct a semi-structured interview study among a signal electric motor company so as to find out what the interaction between internal *guanxi* and leadership

behaviour was, but he needed to ensure that these qualitative findings were valid by applying a quantitative survey on other related enterprises in the motor business. If those related enterprises in the motor business had similar perceptions of internal *guanxi*, the finding would be valid and objective.

The 337 respondents come from 51 different companies in the electric motor sector. These companies operate five types of businesses: 273 employees were from manufacturing companies, which accounts for 81% of the total; 6% of respondents' companies engaged in services businesses; and 7 % of respondents were from companies that have multi-function businesses, and they therefore selected the 'other' option. The researcher aimed to see whether different business functions impacted on employees in their choice of how to use internal *guanxi*, namely externally or internally.

SECTION 2

Individuals

Q7:   What is your age?
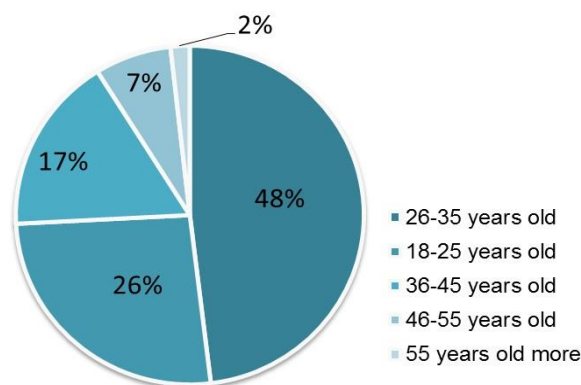
Figure 6.6: Respondents' age

The researcher asked this question to test whether employees perceived that the effect of *guanxi* could be influenced by their age. For example, the younger the employee the less he or she was

inclined to manage *guanxi*; the more junior the position, the less power to obtain resources (*guanxi*); and the older the employee the older his or her social way of completing the work, such as utilisation of *guanxi*.

Of the respondents, 162 are between the ages of 26 and 35 years, which accounts for 48% of the total. The second largest group is employees in the range 18–25 years: these 88 respondents are basically junior staff members, such as factory workers, which accounted for 26% in all. The rest (30) of the respondents are 46–55 years of age or older: they are all from senior leadership, which accounts for 9% of the total. The researcher expected to see if older respondents had more knowledge and power to manage *guanxi* to do work; and if the younger respondents may have less influence in using *guanxi*.

Q8: What is your highest educational background?
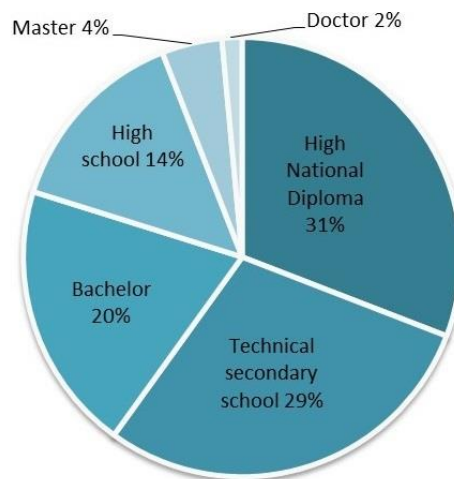
Figure 6.7: Respondents' level of education

The researcher asked this question to verify if there was a relationship between the usages of *guanxi* in the workplace between employees from different educational backgrounds. For

example, the researcher assumed that employees with higher education had more knowledge and understanding of the application of *guanxi,* and used it more often to solve problems. Employees with a lower educational background may have less capability to apply *guanxi* in the workplace.

Of the respondents, 98 have Technical Second School Certificates and 48 respondents have High School Certificate, which accounted for 29% and 14% respectively of the total; 90% of the respondents work in junior positions, such as front line workers and Monitors. The largest group of respondents (31%) has a Higher National Diploma (HND) degree, some of whom are on management level and most of them work in the Workshop. The 67 respondents who have Bachelor's degree are ordinary officials or managers, which accounted for 20% of the total. The researcher wished to test whether different educational backgrounds affected employee's use of *guanxi* in their company.

Q9: What is your gender?
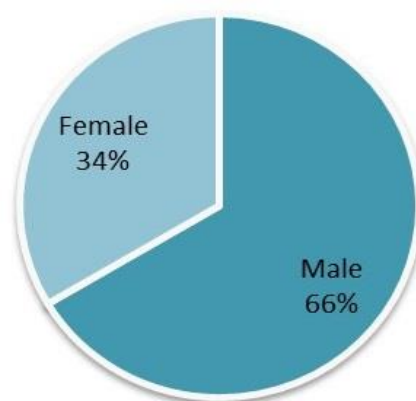
Figure 6.8: Respondents' gender

The researcher asked this question to discover what difference there was in the power between female leaders and male leaders in the Chinese business context. Women have some advantages

in typical leadership style but suffer disadvantages from prejudicial evaluations of their competence as leaders, especially in Chinese organisational contexts. The researcher examined the following: Will female leaders use *guanxi* to overcome difficulties to do their work? How do female employees comprehend the role of *guanxi* in the company? Do male leaders have more potential to manage *guanxi* to solve problems in Chinese organisational context?

Of the respondents, 224 were male, which accounted for 66% in total; the rest of the respondents (113) are female. The researcher expected to verify whether the different genders impacted on employees when using internal *guanxi* to do work in their company.

Q10: How long have you been working for your company?
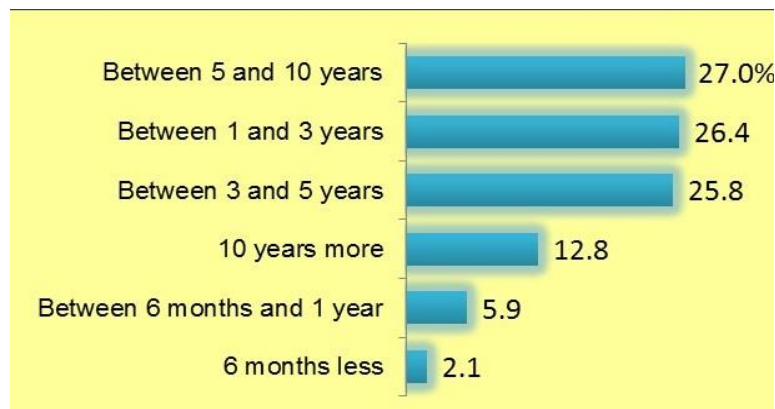
Figure 6.9: Respondents' period of employment

The researcher asked this question to explore how leadership behaviour is influenced by employees who have different working experience. One of the essential components of the quality of *guanxi* is trust: 'trust underlies the differentiated order of one's *guanxi* net: the higher the level of trust between two individuals, the better the *guanxi* quality will be' (Chen 2004, p.313). The Chinese are inclined to deeply trust only employees with whom they have a very

close relationship (Littrell 2002). It is difficult to gain the trust of others at work in a short period. Moreover, according to Chen's (2004) *guanxi* development model, there are three stages to developing *guanxi* network: employees (i) need to identify and create a *guanxi* base through familiarisation; (ii) have expressive and instrumental interactions and then (iii) operate long-term equity. Thus the researcher assumed that the Chinese were capable if fostering internal *guanxi* in the process of their work. The less working experience they had, the less their chance of possessing *guanxi* connections in the company; the more working experience, the more opportunity to have networks.

Of the respondents, 91 have 5–10 years' work experience, which accounted for 27% of the total; 89 (26.4%) of respondents have 1–3 years' work experience; 25.8% of respondents have 3–5 years' work experience; 12.8% of respondents have over 10 years' work experience. The researcher expected to establish whether employees who had more work experience were more likely to have more opportunities to build internal *guanxi* networks and a greater ability to influence employees; and whether employees who had less work experience also had the power to have an influence on leadership if they already had close *guanxi* before joining the company.

Q11: What is your job position?

Table 6.2: Respondents' position in the company

Job position	Number	Percentage (%)
Monitor	28	8.3
Ordinary worker	171	50.7
Supervisor/Engineer	66	19.6
Assistant	15	4.5
Manager	45	13.4
Director/General Director	12	3.6

The researcher asked this question to investigate what the role of *guanxi* was in employee's different job positions. Different job positions indicate that there are different authorities' employees can exercise: the more senior, the more powerful; the more junior, and the less influential. However, how do junior staff members use their informal system to complete tasks? What problems do they encounter and how do they solve them by using internal *guanxi*? What about senior leaders and middle managers? What role does *guanxi* play in senior leaders' leadership function in managing the enterprise?

Of the respondents, 171 are ordinary workers, which accounted for 50.7% of the total. Supervisors and Engineers formed 19.6% (66) of all respondents. In terms of the management layer, which involved Assistants, Managers and Directors, 72 (21.5%) of the respondents fell in this category. The rest (8.3%) are Monitors. In summary, almost 80% of the respondents were from junior positions. The researcher expected to see whether different leaders from different levels of seniority impacted on employees using internal *guanxi* to solve problems in the company.

Q12: For what job are you responsible?

Owing to the lack of answers, this question was very difficult to analyse. The respondents were concerned about their privacy and left this question blank. They could be recognised by the department or job for which they were responsible. However, 98% of the respondents noted down the department for which they worked.

Q13: Which department do you work for?

Table 6.3: Respondents' department

Department	Number	Percentage (%)
Finance	24	7.1
Workshop	82	24.3
Human Resources	27	8.0
Sales	60	17.8
Supply Logistics	42	12.5
Administration	33	10.1
Quality	33	9.8
Technical	35	10.4

The researcher asked this question to verify whether employees had different requirements for using internal *guanxi* to overcome difficulties or to enhance leadership performance in different departments.

Generally, 337 respondents from the eight main departments replied. Of these respondents, 82 worked for the Workshop, which accounted for 24.3% of the total. The Sales Department is the

second largest department with 60 employees, which accounted for 17.8%. Of the respondents, 42 worked for the Supply Logistics Department, which accounted for 12.5%. The Technical, Administration and Quality departments all roughly accounted for 10% of respondents in total. The researcher expected to see whether employees applied *guanxi* differently to do their work in their different departments.

Q14: Do you have any internal guanxi *in the management layer? If yes, what type? A. Family. B. Friendship. C. School friend. D. Fellow-townsman. E. Cultivated by work friend. F. None*
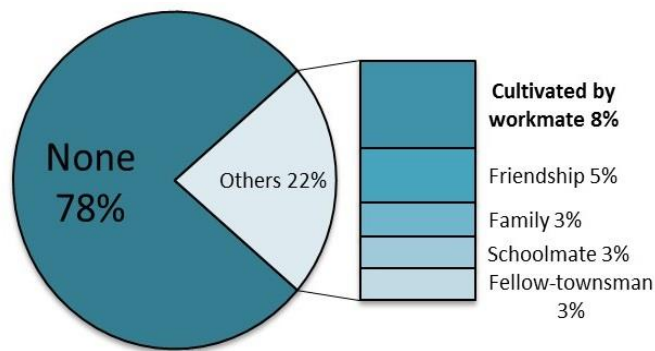
Figure 6.10: Respondents' different types of internal guanxi

This question was asked to verify whether internal *guanxi* objectively existed in the company? If it did, it would prove that *guanxi* applied internally in Chinese companies. Alternatively, it may establish what relationships (internal *guanxi*) existed between leaders and staff, or staff and their colleagues, except formal hierarchy. Furthermore, the following was determined: Does *guanxi* improve the performance of the formal system as a supplement to the management approach? If employees do not have internal *guanxi* in management layer before they joined the company, what do they do when they have difficulties? Do they perform work worse than employees who have closer *guanxi* to the leadership? Or do they have a chance to build internal *guanxi* in the course of their work?

As Figure 6.12 shows, 78% of respondents thought they did not have any internal *guanxi* with the management layer, but they (85.97% employees) still used internal *guanxi* to solve problems at work (see Q22). Based on this contradictory finding, the researcher believed that there were three reasons for this result. First of all, 85.97% of respondents had employed internal *guanxi* to solve problem, which does not mean that they had direct internal *guanxi* with the leader or management layer, they may have internal *guanxi* with their friends outside the company, but their friends had internal *guanxi* with the senior leaders of the company. Alternatively, those respondents may have internal *guanxi* with their colleagues in the company, which colleagues may have internal *guanxi* with the management layer. That is why 78% of respondents do not think they have internal *guanxi* with their leaders. Secondly, 85.97% of respondents thought they had applied internal *guanxi* for coping with difficulties in the workplace. This result not only involves employees using internal *guanxi* with their leaders, but also with their colleagues or friends outside their company. Although 78% of respondents who do not have direct internal *guanxi* with the management layer, the majority of 85.97% respondents (according to findings of the Question 27) may use their internal *guanxi* with colleagues or friends outside the company to overcome difficulties. Finally, Chinese respondents were concerned about their individual privacy in relation to their relationship with leadership. They considered internal *guanxi* as a symbolic asset which should be low profile. The rest of the private connection related to friendship, which accounted for 5% of respondents. This private connection indicates that they were friends before working for the same company. Of the respondents, 3% have family connections with leadership: they either work for state-owned enterprises or private enterprises, because foreign companies in China do not allow any family members to work together. Schoolmates and fellow-townsman both accounted for 3% of respondents. These types of relationships are very common in China.

Q15: Who do you think are the most powerful people in your company except for the owner?

Most respondents did not answer this question. There are two reasons for refusing to answer. Firstly, employees are unable to figure out who the most powerful employees are except the owner. Secondly, they were concerned about their personal privacy. However, the rest (20%) of the respondents believed the boss's wife or family members were the most influential employees and 7% of respondents thought the head of their departments were the most powerful person. Thus, lack of sufficient data for this question prevented further analysis.

Q16: Do you have any difficulties at work?
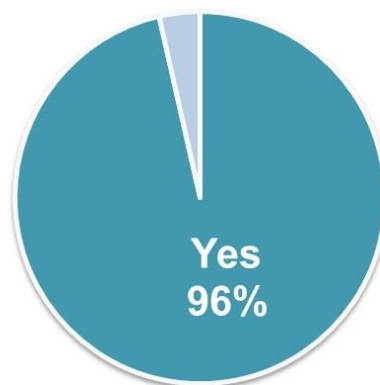
Figure 6.11: Respondents' difficulties at work

The researcher asked this question to discover what difficulties employees encountered in their work and what caused employees to have these difficulties. The researcher designed three dimensions to investigate what difficulties employees may have in the course of their work based on 360-degree feedback system (see Sections 3, 4 and 5). The purpose was to try to find out how employees overcame these difficulties between themselves and their colleagues or leaders with the help of internal *guanxi*. Especially, how employees solved difficulties their leaders brought about?

Figure 6.11 indicates that 96% of respondents think they have difficulties and unpleasant experiences at work, and only 4% believe they do not have any difficulties. Based on this finding, the researcher aimed to discover what caused these difficulties. The following questions revealed the answers from three dimensions, namely respondents' (i) colleagues, subordinates and leaders. The researcher assumed that the internal *guanxi* had been considered as an efficient solution for overcoming difficulties at work.

Q17: Who causes difficulties for you at work? (Multi choice) A. Leader. B. Colleague.
   C. Yourself. D. Subordinate

This question was asked to understand who caused difficulties for employees in their job. All possible reasons were categorised into four groups: (i) leader, (ii) colleagues, (iii) you and (iv) subordinates. The purpose was to find out if there are any leadership problems between employees and their colleagues or leaders and their subordinate.

Table 6.4: Respondents' multiple reasons for experiencing difficulty at work

Reason	Choose 4 options	Choose 3 options				Choose 2 options					
Leader	√	√	√	√		√	√	√			
Colleague	√	√	√		√	√			√	√	
Yourself	√	√		√	√		√		√		√
Subordinates	√		√	√	√			√		√	√
Total:	**100**	**169**	**1**	**1**	**5**	**15**	**8**	**0**	**21**	**0**	**0**

Table 6.4 shows that 100 respondents chose 4 options. 'Choose 4 options' means that employees had chosen 'colleague', 'yourself', 'leader' and 'subordinates' when they were asked what kinds of reason caused difficulties in their job. Those employees who chose 4

options believed their colleague, themselves, their leader and their subordinates created difficulties for them in doing their job. Of the respondents, 169 chose 3 options, namely their leader, their colleagues and themselves. In general, most respondents thought their colleagues and themselves were the main reasons why they experienced difficulties at work. The 'subordinates' option was the least chosen option, because only 166 employees had subordinates.

In summary, after testing certain factors that may have an impact on whether employees had difficulties at work, the conclusion can be reached that 96.4% of the respondents thought they had difficulties and unpleasant experiences at work. The researcher inferred that there were certain potential leadership problems between leaders and subordinates in the 337 respondents' companies.

SECTION 3

The relationship between employees and their leader

Q18 (a): Have you ever experienced the following situations? (Multi choice)

The researcher asked this question to discover what difficulties employees experienced between them and their leader and what the most frequent situation was that they faced when the leadership became the problem. The purpose was to see how respondents completed their work when they faced these problems. Do they solve them by using internal *guanxi*? How often do employees use *guanxi* to solve problems? If they do not use internal *guanxi*, do they look for help from the leaders?
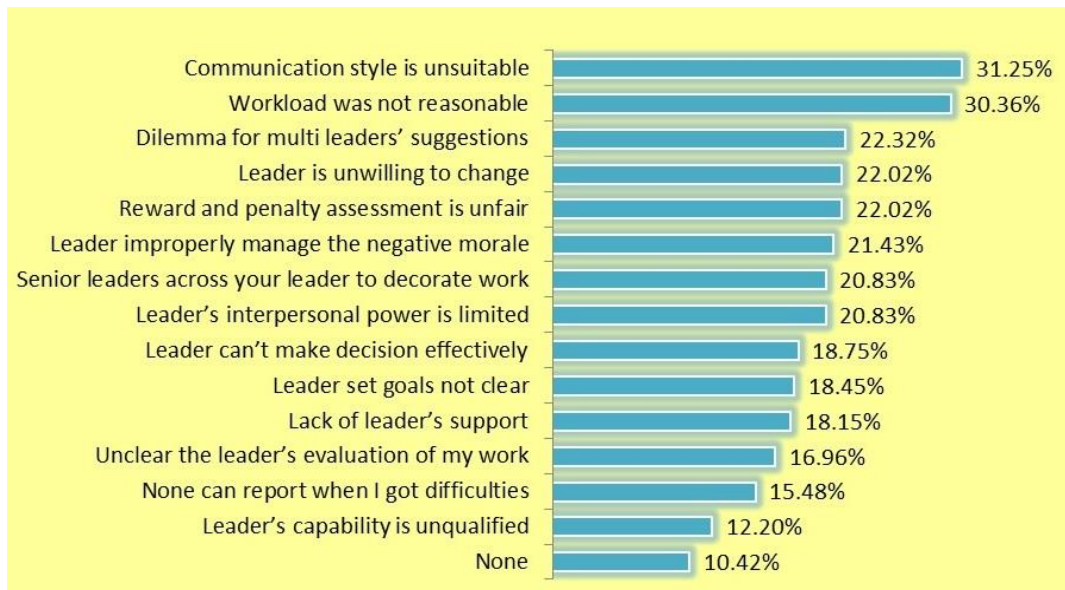
Figure 6.12: Situation respondents experienced between them and their leader

Most of the 337 respondents considered 'communication style is unsuitable' and 'workload was not reasonable' as the most frequent problems (31.25% and 30.36% respectively). Only 12.20% of the respondents believed their leaders' were not qualified. Therefore, it can be inferred that employees do not deny their leader's capability, as the figure shows, but 22.3% chose 'leader is unwilling to change'; they want to make changes, such as different forms of communication or workload redistribution. As regards 'dilemma for multi leaders' suggestions' this situation indicates that employees are not only influenced by their direct leader, but other senior leaders or middle managers could have an impact on their work. Sometimes leaders do not follow the formal system to lead employees but use informal ways, such as internal *guanxi*. From this point of view, the role of *guanxi* has a double-sided effect on leadership performance, which improves efficiency and could also have a negative impact on operational management.

Q18(b): Which of the situations above happens to you most often? Please rank these situations with the most common first.

Figure 6.13: Situations respondents experienced the most between them and their leaders

Figure 6.13 shows by a weighted arithmetic mean the frequency of problems employees had between them and their leaders. The researcher can rank each problem from the highest rate to the lowest. The table shows that the top three problems are (i) 'reward and penalty assessment is unfair', (ii) leader's interpersonal power is limited' and (iii) 'leader is unwilling to change'. These results show that employees do not understand leaders' decisions, such as their reward and penalty assessment. It may be due to lack of effective communications between them. In addition, they believe that leaders should make changes to help them to do work under leader's internal *guanxi* network (the 7.42% rate shows 'leader's interpersonal power is limited') when employees face multi-departmental cooperation.

SECTION 4

The relationship between employees and their colleagues

19(a): Have you ever experienced the following situations? (Multi choices)

The researcher asked this question to discover what difficulties employees had with their colleagues and what the most frequent situations they faced at work were; how they solved these difficulties; whether they used internal *guanxi* to complete their tasks; or did they ask for help from their leader. The researcher expected to see that they used internal *guanxi* to solve problems in order to complete their tasks and achieve their leader's goal.
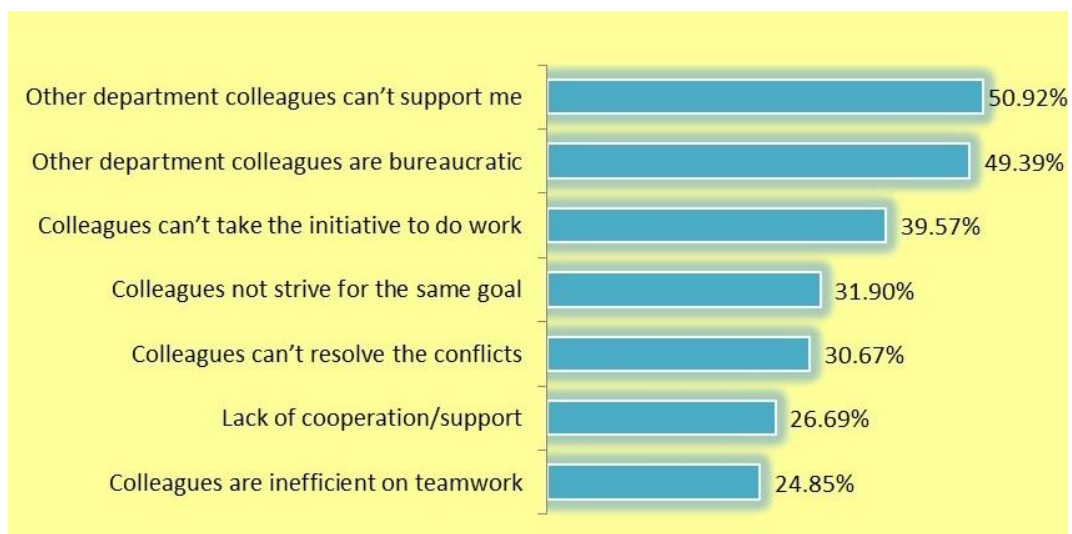
Figure 6.14: Situations respondents experienced between them and their colleagues

Figure 6.16 shows that the most frequent problems among colleagues are 'other department colleagues can't support me' and 'other department colleagues are bureaucratic'. The smallest problem is 'colleagues are inefficient in teamwork'. Therefore, one should be able to infer that most employees believed that the major problem lies in collaboration among departments；

there are fewer problems in the same department. There may be several reasons such as that employees lack effective communications and/or their leaders are unable to help them in multi-department cooperation.

Q19(b): Which of these situations happens to you most often? Please rank these situations by the most common first.
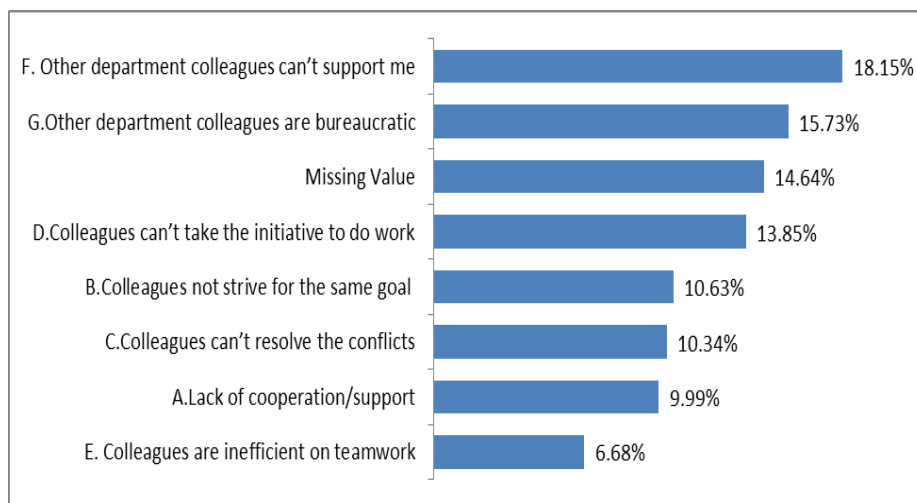
Figure 6.15: Situations respondents experienced most between them and their colleagues

From Figure 6.15 it can be seen that the most frequent problem employees had is 'other departments' colleagues cannot help me'. This result indicates that it is quite difficult to do work when employees face cross-departmental collaboration. This may be due to lack of effective communication, or deficient leadership cannot assign responsibility clearly to employees. The researcher expected to see that internal *guanxi* could be an alternative way of solving problem, except for the intervention by leaders. (For further investigation in this regard also see Q22–Q26.)
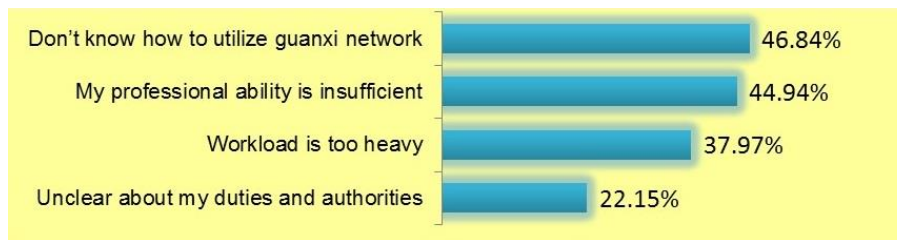
Figure 6.16: Employees' personal situations

Figure 6.16 indicates that the common problems are that employees 'don't know how to utilise *guanxi* network' and 'my professional ability is insufficient'. These results imply employees perceive the effect of a *guanxi* network and its importance for their work solutions. Furthermore, their professional ability is deficient, which means they need more assistance from others; whether from their colleagues, leaders or subordinates. Whether *guanxi* could be helpful in obtaining assistance from others, further analysis is needed (see Q22–Q26). The 'unclear about my duties and authorities' is the least chosen choice, which implies that employees are not confident about their professional ability, but they do understand their duties at work and are willing to complete their job well if they have an effective approach to work.

SECTION 5

The relationship between leaders and their subordinates

Q21(a): Have you ever experienced the following situations? (Multi-choices)

The researcher asked this question to investigate how leaders viewed the relationship between them and their subordinates; what difficulties they faced in their work; and what were the most frequent situations they had to deal with in daily management. The researcher expected to see

how leaders solved these problems in order to manage employees and if they used internal *guanxi* as a supplement to their formal management approach.

Figure 6.17: Situations leaders experienced between them and their subordinates

As Figure 6.17 shows, the most significant problem the leaders have is that 'subordinates do not report work progress timely', which accounted for 39.2% of all respondents. It may be inferred that there is a lack of effective communication between leaders and subordinates; the leaders do not know what the subordinates' work progress is. The second most frequent problem is 'subordinates do not finish their work on time'. It can be inferred that subordinates have difficulties in finishing their work, which may be due to a shortage of assistance from their leaders, or they do not understand their leaders' decisions and behaviour.

Q21(b): Which of the situations above happens to you most often? Please rank these situations by the most common first.

Most leaders did not rank specific situations in this question, with the result that the researcher could not make a further analysis.

SECTION 6

Internal *guanxi* in the company

Q22:   When you are looking for help at work, who are you most likely to ask for help in the

company? A. My leader. B. My internal guanxi. *C. Both.*

Table 6.5: Respondents' preferred method to solve problems

Prefer to ask for help from . . .	Number	Percentage (%)
My leader	92	27.3
My internal *guanxi*	173	51.3
Both of them	72	21.4
Total	**337**	**100.0**

The researcher asked this question to verify whether internal *guanxi* as a social adaptation reflecting a series of Chinese cultural values such as hierarchy, interdependence, liabilities and reciprocity has been used for solving difficulties in companies. Furthermore, the researcher tried to establish what the role of *guanxi* was in the leadership behaviour in Chinese enterprises and how much employees depended on it to do their work?

From Table 6.5, it can be seen that 51.3% of respondents prefer to use internal *guanxi* to look for help in the workplace and 27.3% of employees prefer to report to their leaders. The rest (21.4%) of the employees have chosen both of them, using internal *guanxi* and reporting to leaders at the same time. These results may answer Research Question 1: 'Does *guanxi* apply internally in Chinese companies?' because 85.97% of employees responded that they would use internal *guanxi* to look for help at work in their company (51.3% + 21.4% = 85.97%).
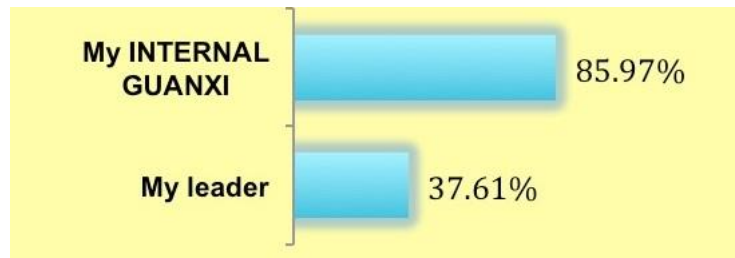
Figure 6.18: The percentage employees using internal guanxi to solve problems

Table 6.6: Impact of the size of a company on the use of internal guanxi *to solve problems*

Size of company	Prefer to ask for help from . . .	Number	Percentage (%)
5–50 employees	My leader	0	0.0
	My *internal guanxi*	6	85.7
	Both of them	1	14.3
51–200 employees	My leader	13	44.8
	My *internal guanxi*	12	41.4
	Both of them	4	13.8
201–1,000 employees	My leader	61	24.7
	My *internal guanxi*	123	49.8
	Both of them	63	25.5
1,001–2,000 employees	My leader	10	35.7
	My *internal guanxi*	14	50.0
	Both of them	4	14.3
2,000 employees or more	My leader	8	30.8
	My *internal guanxi*	18	69.2
	Both of them	0	0.0

As Table 6.6 shows, companies that have 51–200 employees prefer to use both internal *guanxi* and their leaders to solve problems. The rest of the company's preferred to use internal *guanxi* to solve problems.

Table 6.7: The impact of different types of companies on employees' use of internal guanxi *at work*

Type of company	Prefer to ask for help from . . .	Number	Percentage (%)
Private enterprise	My leader	31	14.2
	My *internal guanxi*	132	60.3
	Both of them	56	25.6
Foreign enterprise	My leader	26	74.3
	My *internal guanxi*	5	14.3
	Both of them	4	11.4
State-owned enterprise	My leader	35	42.2
	My *internal guanxi*	36	43.4
	Both of them	12	14.5
Total	My leader	92	27.3
	My *internal guanxi*	173	51.3
	Both of them	72	21.4

From Table 6.7 it can be seen that private enterprises prefer to choose internal *guanxi* to solve problems at work, which account for 60.3% of respondents. However, foreign enterprises preferred to look for solutions from their leader, which account for 74.3% in total. State-owned enterprises preferred to use both of the options to solve work problems (42.2% and 43.4% respectively).

Table 6.8: The impact of different CEOs on employees who used their internal guanxi *at work*

CEO country of origin	Prefer to ask for help from . . .	Number	Percentage (%)
China	My leader	67	22.3
	My internal *guanxi*	165	55.0
	Both of them	68	22.7
Hong Kong, Taiwan	My leader	0	0.0
	My internal *guanxi*	3	75.0
	Both of them	1	25.0
Asia	My leader	8	88.9
	My internal *guanxi*	1	11.1
	Both of them	0	0.0
Europe	My leader	11	68.8
	My internal *guanxi*	3	18.8
	Both of them	2	12.5
United States	My leader	6	75.0
	My internal *guanxi*	1	12.5
	Both of them	1	12.5
Middle East	My leader	0	0.0
	My internal *guanxi*	0	0.0
	Both of them	0	0.0
South Africa	My leader	0	0.0
	My internal *guanxi*	0	0.0
	Both of them	0	0.0
Other	My leader	0	0.0
	My internal *guanxi*	0	0.0

CEO country of origin	Prefer to ask for help from . . .	Number	Percentage (%)
	Both of them	0	0.0

As Table 6.8 shows, the CEOs who are from China, Hong Kong and Taiwan prefer to use internal *guanxi* to look for help at work; the CEOs from America, Europe and Asia preferred to look for help from their leaders.

Table 6.9: The impact of employees' private guanxi *on work*

Job position	Prefer to ask for help from . . .	Number	Percentage (%)
Monitor	My leader	8	28.6
	My internal *guanxi*	15	53.6
	Both of them	5	17.9
Ordinary workers	My leader	61	35.7
	My internal *guanxi*	67	39.2
	Both of them	43	25.1
Supervisor/Engineer	My leader	8	12.1
	My internal *guanxi*	41	62.1
	Both of them	17	25.8
Assistant	My leader	5	33.3
	My internal *guanxi*	8	53.3
	Both of them	2	13.3
Manager	My leader	10	22.2
	My internal *guanxi*	30	66.7
	Both of them	5	11.1
Director/General Manager	My leader	0	0.0
	My private connection	12	100.0
	Both of them	0	0.0

Table 6.9 shows that the more senior the person, the more he or she used internal *guanxi*. It may be inferred that senior leaders face more strategic problems, and the use of internal *guanxi* should be able to have a greater impact, especially when senior leaders use internal *guanxi* to connect with the macro business environment or other influential organisations. Conversely, employees who are Monitors or ordinary workers prefer to use both options to do their work, because they basically face operational problems. They can get guidance from their leaders and can use their internal *guanxi* in the company to search for suggestions to solve operational problems.

Table 6.10: The impact of different departments on employees' use of internal guanxi *at work*

Department	Prefer to ask for help from . . .	Number	Percentage (%)
Finance	My leader	5	20.8
	My internal *guanxi*	9	37.5
	Both of them	10	41.7
Workshop	My leader	26	31.7
	My internal *guanxi*	36	43.9
	Both of them	20	24.4
Human Resources	My leader	7	25.9
	My internal *guanxi*	13	48.1
	Both of them	7	25.9
Sales	My leader	25	41.7
	My internal *guanxi*	31	51.7
	Both of them	4	6.7
Supply Logistics	My leader	6	14.3
	My internal *guanxi*	23	54.8
	Both of them	13	31.0
Administration	My leader	7	20.6
	My internal *guanxi*	20	58.8
	Both of them	7	20.6
Quality.	My leader	6	18.2
	My internal *guanxi*	20	60.6
	Both of them	7	21.2
Technical	My leader	10	28.6
	My internal *guanxi*	21	60.0
	Both of them	4	11.4

The findings of Table 6.10 do not make it possible to effectively analyse whether different departments impact on employees' use of internal *guanxi* at work.

The researcher has discussed all possible elements that may influence employees' use of internal *guanxi* to do their work. It was found that different job positions did affect employees'

use of internal *guanxi* to solve problems, such as the more senior an employee, the more internal *guanxi* was used; the CEO's different nationalities also affected employees' use of internal *guanxi* (e.g., CEOs from China, Hong Kong and Taiwan preferred to use internal *guanxi* to solve problems rather than speak to their leaders, but CEOs from the United States, Europe and Asia preferred to seek help from their leaders); the different types of companies also had significant influence on employees' use of private *guanxi* to do their work (e.g., private enterprises preferred to use internal *guanxi* to deal with problems, but the foreign enterprises preferred to report to their leaders; in state-owned enterprises both options were used to solve problems).

Q23: Have you ever applied your internal guanxi *network in the company to go round the*

formal regulatory system or skip your leader in order to solve your job problems?

Table 6.11: Respondents who have applied internal guanxi *internally*

Have you ever applied your internal *guanxi internally*?	Number	Percentage (%)
Yes	297	88.1
No	40	11.9

Table 6.11 shows that 88.1% of respondents have used internal *guanxi* internally to solve problems. This result can be considered a significant explanation for Research Question 1: 'Does *guanxi* apply internally in Chinese private companies?

However, it is necessary to investigate deeper to understand what certain factors are that affect employees' use of internal *guanxi* internally.

Table 6.12: The impact of the size of a company on employees' use of internal guanxi
internally to solve problem

Size of company	Do you use internal *guanxi*?	Number	Percentage (%)
5–50 employees	Yes	7	100.0
	No	0	0.0
51–200 employees	Yes	24	82.8
	No	5	17.2
201–1,000 employees	Yes	222	89.9
	No	25	10.1
1,001–2,000 employees	Yes	24	85.7
	No	4	14.3
2,000 employees or more	Yes	20	76.9
	No	6	23.1

As Table 6.12 shows, more than 76% of respondents used internal *guanxi* internally to solve problems, no matter what size the company they came from. More specifically, of the companies that have 5–50 employees and those that have 201–1000 employees responded that 90–100% of them have used *guanxi*.

Table 6.13: The impact of different types of companies on employees' use of internal guanxi
internally to solve problems

Type of company	Have you ever used your internal *guanxi*	Number	Percentage (%)
Private enterprise	Yes	195	88.1
	No	24	11.9
Foreign enterprise	Yes	34	97.1
	No	1	2.9
State-owned enterprise	Yes	70	84.3
	No	13	15.7

From Table 6.13 one can see that of the three types of companies, at least 84% of respondents had used internal *guanxi* internally to solve problems. Foreign enterprises even registered 97.1% employees who used it. A probable answer could be that the sample of foreign enterprises was quite small which caused this error. However, it still proves that employees have perceived that internal *guanxi* has been applied internally in their company.

Table 6.14: The impact of different job positions on employees' use of internal guanxi
internally to solve problems

Job position	Have you ever applied your internal *guanxi*	Number	Percentage (%)
Monitor	Yes	27	96.4
	No	1	3.6
Ordinary workers	Yes	146	85.4
	No	25	14.6
Supervisor/Engineer	Yes	62	93.9
	No	4	6.1
Assistant	Yes	15	100.0
	No	0	0.0
Manager	Yes	40	88.9
	No	5	11.1
Director/General Manager	Yes	7	58.3
	No	5	41.7

As Table 6.14 shows, Ordinary workers are the largest group that uses internal *guanxi* internally to solve problems. The Director/General Manager group is the smallest group that uses internal *guanxi*. To summarise: the more senior the position, the less internal *guanxi* is used internally to solve problems. This result contradicts the result of 100% of the Director/General Managers used internal *guanxi*. However, they used internal *guanxi* either internally or externally. It could

be inferred that the Senior Leader group preferred employing internal *guanxi* externally rather than internally.

Table 6.15: The impact of different departments on employees' use of internal guanxi *internally to solve problems*

Department	Have you ever applied your *guanxi* internally	Number	Percentage (%)
Finance	Yes	18	75.0
	No	6	25.0
Workshop	Yes	75	91.5
	No	7	8.5
Human Resources	Yes	23	85.2
	No	4	14.8
Sales	Yes	53	88.3
	No	7	11.7
Supply Logistics	Yes	39	92.9
	No	3	7.1
Administration	Yes	31	91.2
	No	3	8.8
Quality	Yes	31	93.9
	No	2	6.1
Technical	Yes	29	82.9
	No	6	17.1

The results of Table 6.15 do not allow for an analysis of the relationship between employees; department and the employees' use of internal *guanxi* internally.

To summarise: In the above discussion the researcher has verified that certain factors will have an impact on employees; use of internal *guanxi* internally to solve problems. For example, all types of companies (at least had 84% of respondents) have used internal *guanxi* internally. Of the foreign enterprises, 97.1% have used it. As regards the different job positions, the more senior the position, the less internal *guanxi* was used internally. Of the senior leaders, 100% responded that they had employed internal *guanxi* to solve problems, but they used it externally rather than internally. Here the researcher inferred that the senior leaders had strategic problems to cope with and most strategic problems related to external business practice.

Q24: In the past three months how often have you applied internal guanxi *to deal with internal job issues?*
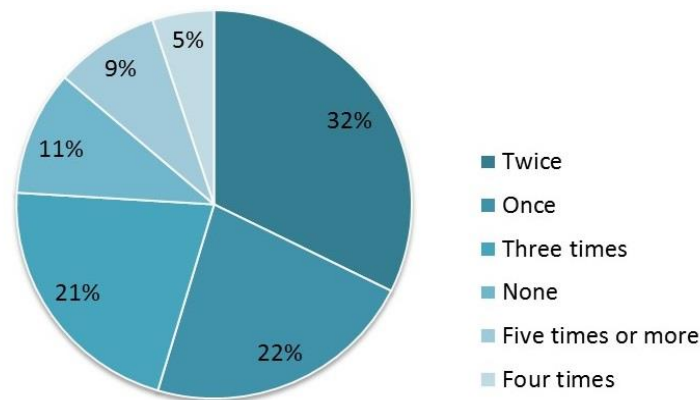
Figure 6.19：*The frequency with which internal* guanxi *is applied to solve internal organisational problems*

From Figure 6.19 it can be seen that 90% of respondents have used internal *guanxi* internally in the past three months: 53.7% employees have used it twice or three times and 14% employees have used it more than four times. It is necessary to explore what the specific factors are that impact on employees' use of *guanxi* internally.

Table 6.16: The impact of the type of company on employees' use of internal guanxi *internally to solve problems*

Type of company	How often have you applied internal *guanxi* internally	Number	Percentage (%)
Private enterprise	Once	44	20.1
	Twice	72	32.9
	Three times	46	21.0
	Four times	10	4.6
	Five times or more	22	10.0
	None	25	11.4
Foreign enterprise	Once	10	28.6
	Twice	11	31.4
	Three times	9	25.7
	Four times	4	11.4
	Five times or more	1	2.9
	None	0	.0
State-owned enterprise	Once	21	25.3
	Twice	26	31.3
	Three times	17	20.5
	Four times	3	3.6
	Five times or more	6	7.2
	None	10	12.0

As Table 6.16 shows, there is no big difference in influence on employees who employed internal *guanxi* internally by different types of company, whether private, foreign or state-owned enterprise.

Table 6.17: The impact of the size of a company on employees' use of internal guanxi *internally*

to solve problems

Size of company	How often have you applied internal *guanxi* internally	Number	Percentage (%)
5–50 employees	Once	2	28.6
	Twice	3	42.9
	Three times	2	28.6
	Four times	0	0.0
	Five times or more	0	0.0
	None	0	0.0
51–200 employees	Once	7	24.1
	Twice	7	24.1
	Three times	10	34.5
	Four times	2	6.9
	Five times or more	0	0.0
	None	3	10.3
	Once	55	22.3
	Twice	86	34.8
201–1,000 employees	Three times	48	19.4
	Four times	10	4.0
	Five times or more	25	10.1
	None	23	9.3
	Once	6	21.4
	Twice	7	25.0
1,001–2,000 employees	Three times	6	21.4
	Four times	2	7.1
	Five times or more	3	10.7
	None	4	14.3
	Once	5	19.2
	Twice	6	23.1
2,000 employees or more	Three times	6	23.1
	Four times	3	11.5
	Five times or more	1	3.8

Size of company	How often have you applied internal *guanxi* internally	Number	Percentage (%)
	None	5	19.2

Based on the results of Table 6.17 the researcher was not able to ascertain whether there was a big difference in the influence that the different sizes of companies had on the use of internal *guanxi* internally.
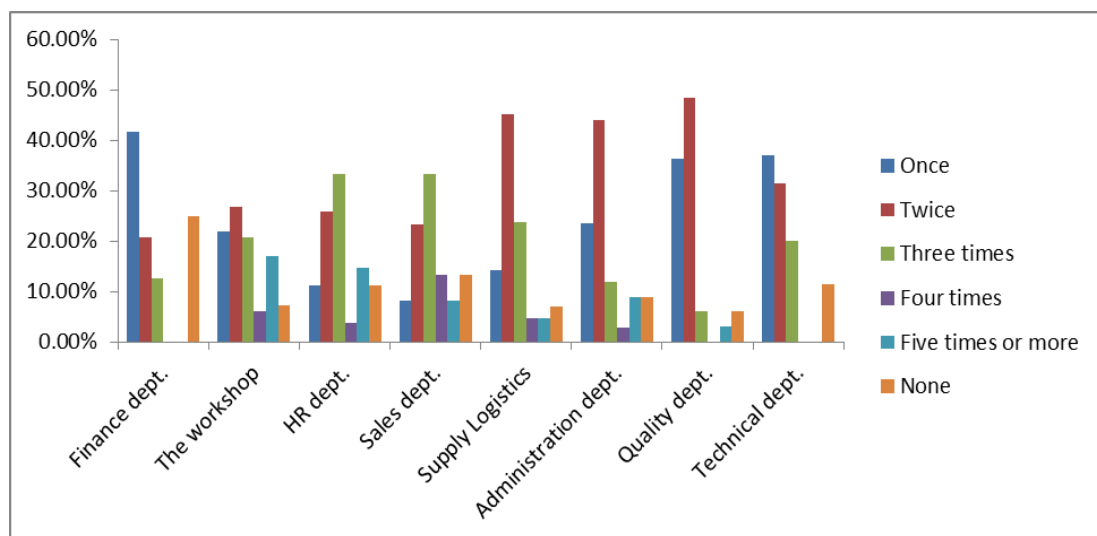
Figure 6.20: Percentage of how often internal guanxi *is used by department*

As Figure 6.20 shows, the Human Resource and Sales departments have used *guanxi* internally three times; they are the use it the most frequently of all departments. The rest of the departments used it twice. The Finance and Technical departments only used it once.

Q25: In the past three months have you connected your internal guanxi *network with external resource to solve internal organisation problems? A. Yes. B. No.*

Table 6.18: Respondents' application of internal guanxi *externally*

Have you ever applied your internal *guanxi* externally	Number	Percentage (%)
Yes	200	59.3
No	137	40.7

Table 6.18 shows that 59.3% employees have used internal *guanxi* externally compared to 89.3% of employees. The researcher inferred that the internal *guanxi* was applied internally more commonly. The reason may be that more than 60% of respondents are junior staff members, who are normally faced with operational problems. They use internal *guanxi* internally to solve these problems. The rest of the respondents (40.7%) are managers or senior leaders, who generally face more strategic problems. Their external *guanxi* has mainly been employed to connect with outside resources to solve strategic problems for the company.

Q26: In the past three months how often have you applied your internal guanxi externally *to deal with internal job issues?*
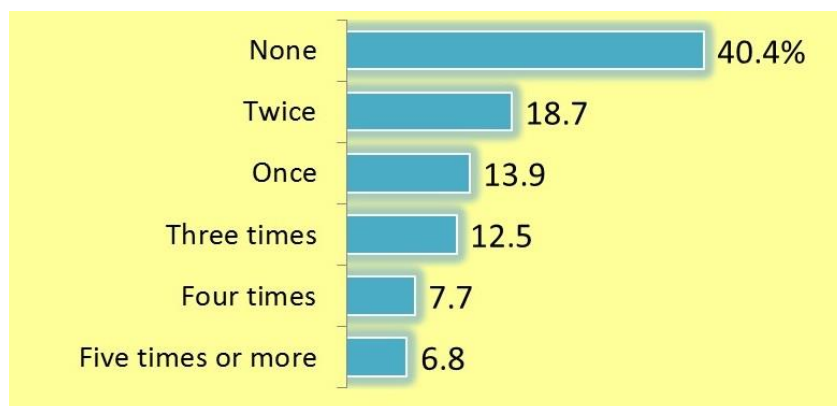
Figure 6.21: Percentage of how often internal guanxi *was applied externally within three months*

As Figure 6.21 shows, 40% of respondents had not ever used internal *guanxi* externally to solve problems; only 13.9% of employees had used it once in the past three months; 14% of respondents had not often used internal *guanxi* externally, which is more than four times.

In comparing Q24 and Q25 of the questionnaire survey (*Q24: In the past three months how often have you applied internal* guanxi *to deal with internal job issues?* and *Q25: In the past three months, how often have you applied your internal* guanxi *externally to deal with internal job issues?*). The researcher tried to verify the difference between employees employing their internal *guanxi* internally to solve problems for the company, and how often employees employed their external *guanxi* internally in their company. This behaviour relates to the simple internal *guanxi* model (Model 1 described in Chapter 2). When employees employed internal *guanxi* externally to their company, this behaviour might relate to the inter-firm internal *guanxi* model (Model 2) or inter-regulatory internal *guanxi* model (Model 3). Based on the findings of the use of internal *guanxi* internally and externally in the past three months, the researcher found that 90% of respondents had used internal *guanxi* internally in the past three months; 53.7% had used it twice or three times and 14% employees had used it more than four times. Whereas 40% of respondents have not ever used internal *guanxi* externally to solve problems; only 13.9% employees had used it once in the past three months; 14% of respondents had used internal *guanxi* externally quite often, which was more than four times. Most of the respondents come from junior positions, such as Monitors, Ordinary workers and Supervisors (78%). Most work difficulties they experienced were operational problems; they barely used internal *guanxi* externally to solve these problems.

To summarise the discussion of Q23 and Q25, the research shows that employees used internal *guanxi* internally to solve problems more than they used it externally in the past three months. Because 78 respondents are junior staff members, who normally face operational or management problems in the company, they seldom applied internal *guanxi* externally to cope

with strategic problems. Most strategic problems have been managed by senior leaders who employed internal *guanxi* externally.

In fact, 'the external one' is part of behaviour of the internal *guanxi* model, which could be Model 2 (inter-firm internal *guanxi*) or Model 3 (inter-regulatory hybrid internal *guanxi*). The research findings show that senior employees mainly employed internal *guanxi* (Models 2 and 3) externally to solve strategic problems, and middle and junior employees employed internal *guanxi* internally to solve operational and management problems due to the different levels of their jobs.

Table 6.19: The impact of different types of companies on employees' use of internal guanxi *externally to solve problems*

Type of company	How often do you apply internal *guanxi* externally	Number	Percentage (%)
Private enterprise	Once	31	14.2
	Twice	38	17.4
	Three times	28	12.8
	Four times	15	6.8
	Five times or more	16	7.3
	None	91	41.6
Foreign enterprise	Once	5	14.3
	Twice	7	20.0
	Three times	4	11.4
	Four times	3	8.6
	Five times or more	0	.0
	None	16	45.7
State-owned enterprise	Once	11	13.3
	Twice	18	21.7
	Three times	10	12.0
	Four times	8	9.6

Type of company	How often do you apply internal *guanxi* externally	Number	Percentage (%)
	Five times or more	7	8.4
	None	29	34.9

The results of Table 6.19 show that at least 35% of respondents from the state-owned enterprises replied that they did not use internal *guanxi* externally. The respondents from foreign enterprises and private enterprises used it more frequently. It may be concluded that different types of companies have no influence on employees' use of internal *guanxi* externally.

Table 6.20: The impact of different departments on employees' use of internal guanxi *externally to solve problems*

Department	How often do you apply internal *guanxi* externally	Number	Percentage (%)
Finance	Once	5	20.8
	Twice	1	4.2
	Three times	1	4.2
	Four times	2	8.3
	Five times or more	1	4.2
	None	14	58.3
Workshop	Once	13	15.9
	Twice	18	22.0
	Three times	11	13.4
	Four times	6	7.3
	Five times or more	3	3.7
	None	31	37.8
Human Resources	Once	1	3.7
	Twice	4	14.8
	Three times	4	14.8
	Four times	3	11.1
	Five times or more	4	14.8

Department	How often do you apply internal *guanxi* externally	Number	Percentage (%)
Sales	None	11	40.7
	Once	5	8.3
	Twice	20	33.3
	Three times	8	13.3
	Four times	4	6.7
	Five times or more	6	10.0
Supply Logistics	None	17	28.3
	Once	3	7.1
	Twice	4	9.5
	Three times	8	19.0
	Four times	5	11.9
	Five times or more	4	9.5
Administration	None	18	42.9
	Once	7	20.6
	Twice	4	11.8
	Three times	5	14.7
	Four times	3	8.8
	Five times or more	0	.0
Quality	None	15	44.1
	Once	7	21.2
	Twice	7	21.2
	Three times	1	3.0
	Four times	0	.0
	Five times or more	2	6.1
Technical	None	16	48.5
	Once	6	17.1
	Twice	5	14.3
	Three times	4	11.4
	Four times	3	8.6

Department	How often do you apply internal *guanxi* externally	Number	Percentage (%)
	Five times or more	3	8.6
	None	14	40.0

The results in Table 6.20 show that the Sales Department is the only group that has employed internal *guanxi* externally. This result may be due to the function of the sales positions. Compared to other departments, the Sales Department not only has to handle internal issues but also has to cope with external challenges. For example, as for internal issues, the department needs to communicate with the Technical Department and confirm the configuration of production, to coordinate with the Production Department to organise the capability, to report to the Finance Department and approve the profit. A high level of efficiency in interaction is the only way to complete the sales task. As for external challenges the Sales Department faces pressure from competitors, meeting customer's expectations, and building and maintaining the brand and reputation for the company. Rapid response and effective competitiveness are crucial factors to keep businesses growing. According to the findings of the interview research, the sales staff and managers gave sufficient examples to explain what difficulties they experienced on the job, especially when they discussed what rigid regulations hindered their work efficiency, and how they employed internal *guanxi* to communicate with other internal departments to overcome the problems and how they improved customer service and met customers' requirements.

Table 6.21: The impact of different job positions on employees' use of internal guanxi
externally to solve problems

Job position	How often do you apply internal *guanxi* externally	Number	Percentage (%)
Monitor	Once	4	14.3
	Twice	6	21.4

Job position	How often do you apply internal *guanxi* externally	Number	Percentage (%)
	Three times	6	21.4
	Four times	2	7.1
	Five times or more	1	3.6
	None	9	32.1
Ordinary worker	Once	27	15.8
	Twice	22	12.9
	Three times	15	8.8
	Four times	2	1.2
	Five times or more	2	1.2
	None	103	60.2
Supervisor/Engineer	Once	12	18.2
	Twice	18	27.3
	Three times	9	13.6
	Four times	5	7.6
	Five times or more	4	6.1
	None	18	27.3
Assistant	Once	0	.0
	Twice	8	53.3
	Three times	1	6.7
	Four times	2	13.3
	Five times or more	1	6.7
	None	3	20.0
Manager	Once	2	4.4
	Twice	9	20.0
	Three times	9	20.0
	Four times	14	31.1
	Five times or more	9	20.0
	None	2	4.4
	Once	2	16.7

Job position	How often do you apply internal *guanxi* externally	Number	Percentage (%)
Director/general manager/director	Twice	0	.0
	Three times	2	16.7
	Four times	1	8.3
	Five times or more	6	50.0
	None	1	8.3

Table 6.21 shows that 50% of respondents in senior positions have used internal *guanxi* externally very often, which is five times. However, the respondents from junior positions, such as Monitors and ordinary workers, have used internal *guanxi* externally much less. It may be inferred that the more senior the position, the more frequently internal *guanxi* is applied externally.

Table 6.22: The percentage of leaders who used internal guanxi *externally to solve problems*

Problem	Percentage (%)
Operational	33
Management	–
Strategy	67
Not used externally	–

Table 6.23: The percentage of subordinates who used internal guanxi *externally to solve problems*

Problem	Percentage (%)
Operation	70
Management	–
Strategy	7
Not used externally	23

The findings of these two tables show that 67% leaders employed their internal *guanxi* externally to cope with strategic problems. Apparently, the strategic problems generally related to external business practice and require external resources as possible solution. The researcher tried to propose that the employees at different positions use internal *guanxi* for solving different problems, such as strategic, operational or management problems. There is no difference in *guanxi*, but different internal *guanxi* behaviour, such as different internal *guanxi* models. For example, when senior leaders employed internal *guanxi* externally, normally the behaviour related to infer-firm or infer-regulatory internal *guanxi* models. These two models both indicated that internal *guanxi* has been connected to external resource or employees and have obtained available solutions for their strategic problems. As regards the subordinate group, due to the nature of their job position, 70% of them normally had operation problems and used internal *guanxi* externally to solve them. Only 7% of them employed internal *guanxi* externally to help their leaders to cope with strategic problems.

Table 6.24: The impact of company size on employees' use of internal guanxi *externally to solve*

problems

Size of company	How often have you applied internal *guanxi* externally	Number	Percentage (%)
5–50 employees	Once	1	14.3
	Twice	1	14.3
	Three times	0	0.0
	Four times	3	42.9
	Five times or more	0	0.0
	None	2	28.6
51–200 employees	Once	1	3.4
	Twice	5	17.2
	Three times	3	10.3
	Four times	1	3.4
	Five times or more	4	13.8
	None	15	51.7
201–1,000 employees	Once	37	15.0
	Twice	45	18.2
	Three times	31	12.6
	Four times	20	8.1
	Five times or more	15	6.1
	None	99	40.1
1,001–2,000 employees	Once	7	25.0
	Twice	3	10.7
	Three times	3	10.7
	Four times	2	7.1

Size of company	How often have you applied internal *guanxi* externally	Number	Percentage (%)
	Five times or more	3	10.7
	None	10	35.7
2,000 employees or more	Once	1	3.8
	Twice	9	34.6
	Three times	5	19.2
	Four times	0	0.0
	Five times or more	1	3.8
	None	10	38.5

Table 6.24 shows that there is no link between the use of internal *guanxi* externally and the size of companies.

Q27(a): What are your reasons (motivations) for applying internal guanxi*? (Multi-choice)*
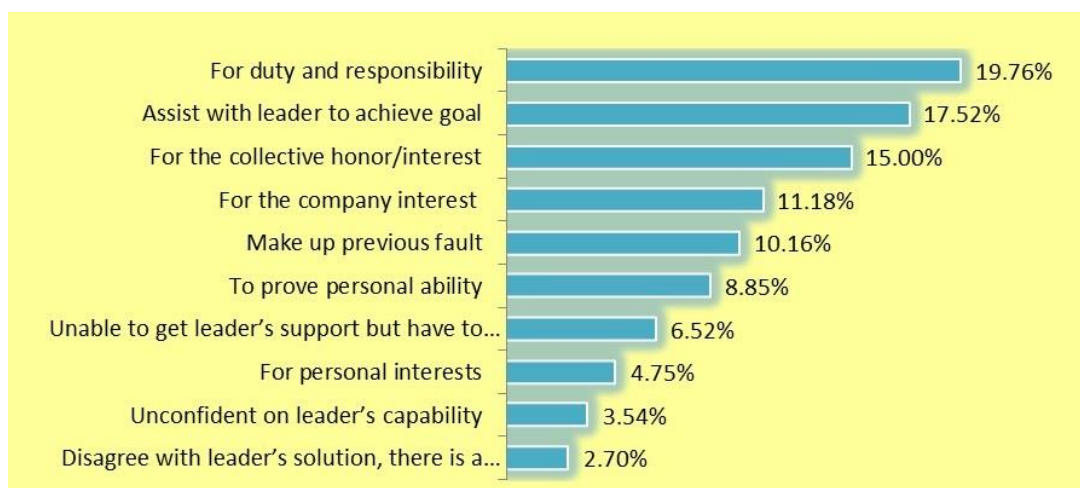
Figure 6.22: Motivations for applying internal guanxi

As Figure 6.26 demonstrates, 19.7% of respondents chose 'for my duty and responsibility' as their reason for applying internal *guanxi* and 17.52% of respondents gave 'assist leader to achieve goal' as a reason for using internal *guanxi*. Only 2.7% of the respondents thought they had to use internal *guanxi* when disagreeing with the leaders' solution; in other words, it is a better way. Of the respondents, 56.1% used internal *guanxi* for the collective interest: for duty and responsibility: 19.76% + for the collective honour: 15% + for the company interest: 11.18% + to make up for a previous mistake: 10.16%. In addition, 30.28% of respondents used internal *guanxi* for solving problems between them and their leaders: assist leader to achieve goal: 17.52% + unable to get leader's support but have to: 6.52%+ lack confidence in leader's capability: 2.87% + disagree with leader's solution, because there is a better way: 2.7%. These analyses indicate that the unique Chinese collective culture and the different expression of internal *guanxi* in the leadership function in Chinese enterprises.

Q27(b): Choose the reasons (motivations) above and rank them by the most common first.

Figure 6.23: Reasons for applying internal guanxi

As Figure 6.23 illustrates, the three top-weighted average reasons for applying internal *guanxi* are: 'for my duty and responsibility', 'assist leader to achieve goal' and 'for the collective honour/interest'. It may be inferred that, firstly, Chinese employees are highly influenced by their culture of collectivism and motivated to achieve group interest. Secondly, employees consider internal *guanxi* as a supplemental approach to improve their work performance. Finally, internal *guanxi* has been verified to be strengthening leadership performance positively.

Conclusions drawn from the quantitative findings

The findings of this questionnaire survey (337 respondents) indicate employees' use of internal *guanxi* internally and externally to solve their problems at work. Of the employees, 86% have used internal *guanxi* to solve problems in the past three months. The main reasons for using *guanxi* related to two aspects: (i) for the collective interest and (ii) for solving problems between them and their leaders. The research verified different factors that were possibly influencing employees who experience difficulties in the workplace and whether employees used internal *guanxi* internally and externally to solve problems. The researcher surveyed employees' reasons for using internal *guanxi* using the 'weighted arithmetic mean' method.

For instance, 96.4% respondents thought they had difficulties and unpleasant experiences at work. Further analysis revealed that among the Monitor and Manager groups there was a greater possibility that they would experience difficulties at work compared to employees in other positions.

Among employees who have less than six months' work experience and employees who have over 8 years' experience the possibility of experiencing difficulties at work was less.

Employees in the service, supply and trading business have fewer unpleasant experiences at work; so too employees who have a doctorate. The different types of companies, different departments, the sizes of the companies and gender have no effect on interviewees who experience difficulties or encounter unpleasant experiences at work.

As regards factors that determine whether employees used internal *guanxi* to deal with problems, the research found that 51.3% of employees preferred to use internal *guanxi* to seek help when they encountered problems at work; 27.3% of employees preferred to report to their leaders and 21.4% of employees had chosen to use internal *guanxi* and reporting to leaders. In addition, different job positions affect how employees use internal *guanxi* to solve problems, such as the more senior the position, the more internal *guanxi* is used. CEO's different nationalities will also affect how employees use internal *guanxi*, such as CEOs who come from China, Hong Kong and Taiwan prefer to use internal *guanxi* to solve problems rather than speak to their leaders. However, CEOs from the United States, Europe and Asia are more likely to look for help from their leaders. The different types of companies also have significant influence on employees who use internal *guanxi* to do their work; for example, private enterprise prefer to use internal *guanxi* to deal with problems but foreign enterprises prefer to report to their leader, and state-owned enterprise use both to solve problems.

Further investigation of how employees used internal *guanxi* internally and externally to solve problems found that 89% of respondents have used internal *guanxi* internally to solve problems. The more senior a position, the less internal *guanxi* is used internally. Employees from the Human Resources and Sales departments seem to use internal *guanxi* a bit more than other departments (three times). Conversely, 59% of employees used internal *guanxi* externally to solve problems. Of these respondents 14% have used internal *guanxi* externally quite often,

namely more than four times in three months. Furthermore, 50% of respondents in senior positions have used internal *guanxi* externally very often (5 times). However, respondents in junior positions, such as Monitors and ordinary workers never use internal *guanxi* externally. It may be inferred that the more senior a position, the more frequent internal *guanxi* is employed externally.

With reference to the reasons for using internal *guanxi* to complete work, the researcher discovered that 19.7% of respondents chose 'for my duty and responsibility' as the reason to apply internal *guanxi*; 7.52% of respondents gave 'assist with leader to achieve goal' as one of the reasons for using internal *guanxi*. Only 2.7% of respondents thought they had to use internal *guanxi* for disagreeing with a leader's solution because there is a better way. Of the employees, 56.1% used internal *guanxi* for the collective interest (for duty and responsibility: 19.76% + for the collective honour: 15% + for the company interest: 11.18% + make up previous errors: 10.16%). In addition, 30.28% of respondents used internal *guanxi* to solve problems between them and their leaders (assist with leader to achieve goal: 17.52% + unable to get leader's support but have to: 6.52% + not confident about leader's capability: 2.87% + disagree with leader's solution, there is a better way: 2.7%). These analyses indicate the Chinese management culture of a collective philosophy and unique expression of internal *guanxi* on leadership functions in Chinese enterprise context.

In summary, this questionnaire survey proves that internal *guanxi* has been applied internally in Chinese enterprises because 89% of respondents noted that they had used internal *guanxi* internally and 59% of respondents noted that they had used internal *guanxi* externally to solve work-related problems for the company. Additionally, based on the findings with respect to the reasons for using internal *guanxi*, the researcher found that 30% of respondents had used

internal *guanxi* for solving problems between them and their leaders. Of the employees, 56.1% used it for the collective interest. Under the strong influence of the culture of collectivism, the Chinese employ internal *guanxi* to strengthen their work performance and solve conflicts between them and their leaders so as to achieve their company goals.

CHAPTER SEVEN: DISCUSSION OF THE FINDINGS OF THE QUALITATIVE AND QUANTITATIVE RESEARCH

In this chapter the data collected by means of a pilot study, interview and questionnaire are analysed and discussed. The two research questions raised in previous chapters are explained in terms of the findings. In addition, the seven propositions drawn from the pilot study, literature review and the researcher's work experience are discussed to verify whether they correspondent with the findings of the qualitative and quantitative research conducted.

China is often regarded as a conventional society imbued with a unique culture and where this traditional way of behaving and acting moulds everyday life (Wong and Tam 2000). After 30 years, China is undergoing remarkable change since it has tried to transform its Soviet-styled planned economy into a dynamic market-oriented economy. On the one hand, China has earned astonishing achievements but its rapid economic ascendance has brought on many challenges as well. One of the most pressing concerns faced by multinational entrepreneurs doing business in China is how to innovate existing business models to tackle the oncoming challenges and achieve sustained success in future. What is the successful business model? *Guanxi* has inevitably been considered as one of the most significant factors in doing business in China. It is also evident that the body of literature that has explored the impact of *guanxi* on business management in China has investigated its wide application in exploring and maintaining external relationships with business elements in order to achieve goals (e.g. Hofstede and Bond 1988; Yeh and Lawrence 1995; Ornatowski 1996; Robertson 2000). However, in the past 30 years, as with the trend of globalisation, Chinese private enterprises have been greatly influenced by Western management models. The effect of *guanxi* has been undermined and the role of *guanxi* was gradually transferred from the crucial determinant to a supportive role in

business. *Guanxi* has long been viewed as one of the unique features that has an essential role to play in facilitating business in China. However, enterprise leaders should change their set patterns and transform operational models to focus on innovation and leadership function in future. There are relevant studies on *guanxi* inside organisations, such as supervisor–subordinate *guanxi* and leader–subordinate exchange. Good supervisor–subordinate *guanxi* positively generates a high level of in-role performance (Farh et al. 1998; Tsui and Farh 1997; Tsui et al. 2000); actively increases open-minded communication and certainly strengthens open exchange between leaders and followers in organisations (Chen and Tjosvold 2006, 2007). Cheung et al. (2009, p.79) also stated that 'employees' job satisfaction can translate the effects of supervisor–subordinate *guanxi* into positive work outcomes by curbing subordinates' ethical behaviours and enhancing their loyalty and commitment to the firm'. Those studies have only identified the phenomena in operational management where *guanxi* could positively impact on employees' performance or organisational performance. Little research has been conducted into the internal role of *guanxi* on the Chinese private enterprise, especially its influence on leadership behaviour, for instance, what the perception of internal *guanxi* on people's work is; and how internal *guanxi* influences leadership functions. Leadership has been identified as the most influential determinants of the success. However, there are many differences between Chinese leadership and Western leadership when leadership performance is applied in different cultural contexts. Chinese cultural characteristics, the context of specific elements of Chinese culture – including Confucianism, *guanxi*, *renzhi*, *renqing* – and other Chinese customs and traditions make China a unique place in which to do business and it requires substantial adjustment in the Western way of thinking about leadership. The present research investigated how *guanxi*, an old business approach, has changed in its functional role in the internal management of Chinese private companies and how it influences leadership performance. What are the implications of leaders' understanding of the distinctions between Chinese

leadership and Western leadership and how should internal *guanxi* be adapted to strengthen leadership functions in the next decade? Most of the existing research has reviewed the external application of *guanxi* in business to achieve success. However, there is a knowledge gap in the usage of *guanxi*, which has also been applied internally in enterprise management. This thesis applied a mixed method analysis, involving a personal case study, pilot study, semi-structured interview and questionnaire survey to verify the role of *guanxi* in Chinese private enterprises and investigated how it influenced leadership behaviour. The following two research questions were posed:

1. Does *guanxi* apply internally in Chinese private companies?
2. How does internal *guanxi* influence leadership behaviour in Chinese private companies?

Lee and Anderson (2006) found that most Chinese entrepreneurs were well aware of the value of using *guanxi*. However, a considerable number explained their disapproval of the practice, believing that it was old-fashioned and not in keeping with modern business practices. In the present research the researcher explored contemporary Chinese insights into the very traditional practice of *guanxi*, a network application of interpersonal interactions between leaders and followers, involving effective solutions for problems inside organisations, and how it influenced people's behaviour and work performance in furthering leadership.

In these research findings of internal *guanxi* the researcher identified certain characteristics of the application of *guanxi* that correspond with existing scholars' explications on *guanxi* applied externally. For instance, (i) *guanxi* is a dynamic connection to provide employees with more opportunities to interact; (ii) *guanxi* is a reciprocal exchange between two people for a specific purpose; (iii) *guanxi* is an important resource that a person can tap into when there is a need to

find help or support; and (iii) *guanxi* is the process of social interactions that initially involve two individuals (A and B) (Chang and Holt 1991a, 1991b; Echter et al. 1998; Jacobs 1975; Yang 1995; Hwang 1987, 2009; Taormina 1997, 2004; Fang 2002). During the data collection in the pilot study, interviews and questionnaire survey, respondents gave many individual cases that are also based on these four characteristics to illustrate how people applied *guanxi* internally to solve work-related difficulties. Current literature reviews of the *guanxi* model lack information on how *guanxi* impacts on leadership behaviour and its role and function in organisational performance or leadership performance. Wong and Tam (2000) developed the SPACE model, and Buttery and Wong (1990) designed a processing model of building a *guanxi* network, which consists of four key components, 'dependence, adaptation, trust and *favour*'. Wong and Tam provided the 'SPACE' approach to the *guanxi* network dynamic on account of the poor legal systems and government's discouragement of ownership of personal economic capital in China. According to the authors, the Chinese appear to save 'symbolic' capital in terms of *guanxi* in business networks and to apply dynamic mobilisation of resources through their own effective and efficient 'mutuality' *guanxi* network in order to achieve flexibility and adaptation in business–business relationships. Therefore, based on the principles of *guanxi* applied in external business practices, the researcher utilised the same principles to develop three conceptual models of internal *guanxi* in Chinese enterprises using the findings of the pilot study. The three-component model of the *guanxi* network dynamic was devised on account of the rigid or imperfect formal system and flaws in leadership behaviour. Chinese employees appear to apply dynamic mobilisation of resources through their own efficient internal *guanxi* network in order to achieve flexibility and adaptation in leadership performance.

Discussion of the three-component conceptual model

Based on the 'principle of applying *guanxi* externally in business practice', the findings of the qualitative and quantitative research conducted into internal *guanxi* networks show that it is suitable for this model of external *guanxi* application.

The Chinese value system is different from the Western concept. The Chinese have integrated the West's formal management system into the *guanxi* concept for a more flexible system. In this system Chinese leaders and subordinates are well aware of the face-saving, reciprocity, mutual obligation and trust principles in internal *guanxi* and believe internal *guanxi* networks are a type of ability, a transferable resource that helps people to overcome difficulties in order to become successful. Employees with wider and stronger internal *guanxi* in the system will have more influential power to obtain solutions. In the process of applying internal *guanxi* to solve work-related difficulties, the role of *guanxi* has been of four types: (i) connection, (ii) exchange, (iii) resource and (iv) multiprocessing. Leaders and subordinates describe this *guanxi* system as looking after people's feelings, helping build friendships with one another, giving people more opportunities to innovate what they have done and gain mutual trust in teamwork. Generally, the Chinese regard this system as a supplement to formal management systems and could strengthen leadership performance in companies. What follows are respondents' observations of *guanxi*-based systems.

A senior Financial Director described it as follows:

> *The system has no feelings, but people do. Even though we manage a company*
>
> *through the system, we should care for people's feelings. Not talking about feelings*

is not acceptable in China, and it never will be accepted. A deep-rooted culture of companies in Western countries is that people must follow rules without talking about feelings. But in a company like ours it will not work. Confucianism and culture value people's feelings, which was passed down from generations to generations for thousands of years in China.

A Human Resources Department Manager said:

Personally, I value this internal guanxi. *Though we need to manage the company based on rules and regulations, rules are so rigid. If we follow rules completely, it might not be the best for us to solve work-related problems.*

One Senior Manager observed:

Personally, I do not think we should copy regulations of foreign-funded corporations and manage the company by following rules rigidly. Instead, facing the current situation where the mechanism has yet to be improved and perfected, we should deal with problems more flexibly. Moreover, with the rapid development of the company, an internal guanxi *network is an effective supplement to management . . . As existing regulations and rules are imperfect, the formal managing mechanism fails to solve some problems.*

This director's opinion on the adaptation of internal *guanxi* and the formal system reflects the essence of the external *guanxi* principle, namely that the existing regulatory system is imperfect and rigid, and the formal management system fails to solve some of the company's problems.

Thus internal *guanxi* plays a supplemental role in leadership behaviour in solving problems effectively.

A Monitor from the Workshop said:

> *The system is a general rule, which might not cover everything. Thus, the system should be more flexible and we need to adjust measures to local conditions and analyse specific issues while carrying out rules. Internal* guanxi *is important in any place in any organisation. It is a result of leadership inability that internal* guanxi *is used to influence others and solve problems at work.*

Discussion of Chinese leadership

To understand what Chinese leadership is and how leaders influence followers to achieve goals, it is necessary to clarify the most typical differences between Chinese and Western styles. The qualitative evidence shows that there are certain typical characteristics that are closely associated with the application of internal *guanxi* in the Chinese leadership philosophy, such as empathy, harmony, saving face and reciprocal obligation. For example, the Chinese value feelings and they have empathy in life.

A Human Resources Department Manager said:

> *Chinese are different from Westerners. Westerners value law, moral sense and then empathy. But Chinese value empathy, moral sense and then law. If we cannot work*

things out through personal relations and moral senses, we go to court and seek

help from the law.

The Chinese value harmony. The findings from the interviews indicate that there is always some conflict between leaders, subordinates and peers. However, people applied internal *guanxi* to solve conflict in Chinese communication, which avoids hurting colleagues feeling and saves their face. The purpose of their communication is then to develop and keep a harmonious relationship in a continually transforming process of mutual dependency in interactions. To the Chinese, conflicts are not treated as a problem in communication, but rather as detractors from harmony. Chinese communication is not a process in which they strive to direct the interaction in their own favour. Instead, it is a process in which they try to adapt and relocate themselves in the dynamic process of interdependence and cooperation. To sincerely display a whole-hearted concern for the other is therefore a gateway to reach a harmonious relationship (Chen 1994). As a result, aiming to establish conflict-free interpersonal or social *guanxi* is the ultimate goal for Chinese interactions (Chen and Chung 1994).

One of the interviewees illustrated the significance of harmony in his leadership performance as follows:

> *Leaders must set a good example to all and employees should get along with*
> *others to maintain a harmonious working environment which is known as an*
> *internal* guanxi *network . . . If a leader cannot harmonise* guanxi *among*
> *employees, it is possible that some employees might disobey the order, be two-*
> *faced or cause some problems to the leader on purpose.*

The Chinese value of 'saving face'. Face is the respect, pride, and dignity of an individual as a

consequence of his or her social achievement and the practice of it, or 'face work', is the use of a complex package of social skills to protect his or her face and the face of others in Chinese relational settings (Goffman 1972; King 1993; Lam and Wong 1995). Face work and its related concept *guanxi* predominantly affect Chinese behaviour at social, political and organisational levels (Jacob and Bruce 1982; Kirkbride et al. 1990; Lam and Wong 1995; Redding and Ng 1983). The findings of the interviews show that people interpret face-saving as one of the critical elements of people's organisational behaviour.

One IT staff member gave a personal account to illustrate how people are more co-operative in his job due to the face philosophy:

> *As you know, personnel could be resistant to new regulations when we reform or improve our systems. So they would be less resistant if we have a good internal* guanxi *with them. Then they would co-operate with me and try their best to fulfil the task for saving my face. It is very common, especially in domestic enterprises.*

One of the interviewees indicated that people value face and being supportive:

> *We expect support from colleagues from the perspective of work no matter if we have good internal* guanxi *with them. However, the truth is they would be more co-operative, have a better attitude and do their job more efficiently and save my face if we do have a good internal* guanxi *with them.*

The Chinese value reciprocal obligation: 'Reciprocity is inherent in face behaviour, wherein a mutually restrictive, even coercive, power is exerted upon each member of the social network' (Ho 1976, p.867). Yang (1994, p.6). argues: 'The manufacturing of obligation and indebtedness'

is 'the primary and binding power of personal relationships' in contemporary China. 'Moreover, fulfilling one's obligations (*renqing*) to the *guanxi* group is culturally expected by both the Confucian tradition and the new ethics in contemporary China' (Yang 1994) 'Failure to honour these obligations usually results in exclusion from the network and the loss of access to the resources embedded in the network' (Lee and Anderson 2007, p.5). However，for employees to discharge their obligations, they need to gain the trust of others, which leads them to build stronger internal *guanxi* for the future, especially when they need assistance or resource.

A staff member of a private enterprise explained the definition of *reciprocal obligation* as follows:

> *As we know, there is no such thing as free lunch, meaning that I have to return the favour if someone helped me. This kind of* guanxi *is built on the principle of reciprocity . . . When colleagues ask me for help, even if it is beyond my ability, I could use my internal* guanxi *and seek help to help them. Thus, by taking care of others' feelings, I am able to build an internal* guanxi *network based on mutual trust, which enables me to always to get help in the future.*

The Chinese value the ability to adapt. With the rapid development of globalisation, China has had to make transformational types of changes which require considerable innovation in the existing ways people work. The ability to lead people who implement change needs to be increased in a positive way for the development of organisations. It is understandable that organisations implementing change may find that some individuals will be uncomfortable with change and this will bring about resistance. If not understood and carefully dealt with, the resistance may cause a fair amount of tension and conflict, undermining the positive outcome

of the change. However, the Chinese rely on internal *guanxi* networks to apply adaptation in coping with the resistance. According to the findings of the interviews, Chinese employees manage adaptation of challenges in the company more than Westerners do, which might be ascribed to the role and impact of internal *guanxi*. For example, people applied internal *guanxi* to make changes to improve existing rigid regulatory systems in order to achieve new business goals.

A senior Project Leader said:

> *When regulations lag behind, it's time for internal* guanxi *to come into play and to take the initiative to succeed. I have had such experience in our company. I predicted trends in the market as well as the needs for new technologies and markets. But the future was uncertain. According to regulations, I knew that no one would assist me (with both human resources and financial resources). Thus, I used internal* guanxi*, and persuaded some key personnel, and bypassed the regulations and personnel who were against this idea. With the support of key personnel, I made the effort and succeeded. The success was a win–win to both the company and me.*

Not only the leader has the power to manage change: ordinary staff members have the potential to make things change in the right way. This typical phenomenon is more likely to happen in Chinese private enterprises. It is difficult to find a similar phenomenon in foreign companies because they mainly rely on strict regulatory systems to operate.

A Workshop staff member used her case to illustrate how she applied internal *guanxi* to adapt

work-related challenges and correct flaws in the regulatory system:

A junior leader gave a typical example to illustrate how internal *guanxi* connected the bottom of the company hierarchy with top leadership and adapted an imperfect system to better performance:

> *I solved the problem by using my internal* guanxi *with Mr. Li. I specifically paid a visit and reflected on this situation. If the accessory quality cannot be assured, it will affect my team's interest, dampen their enthusiasm and also has a great impact on the production efficiency of the entire plant. Later, leaders specifically organised inspectors to verify the accessory quality. And the loophole in materials management had been found: the accessories were easily damaged in the process of transport. Finally, the company modified the current system, and strengthened the supervision and inspection mechanisms. And the problem was completely solved.*

Moreover, leadership practices that are successful in one culture are likely to be unsuccessful in another if cultural differences are not considered (Blunt and Jones 1997; Dorfman et al. 1997; Gao et al. 2011; Gutierrez et al. 2012; Jogulu 2010; Law 2012). As Yukl (2006, p.11) notes that 'the selection of appropriate leadership performance criteria depends on the objectives and values of the person making the evaluation'. Thus the researcher selected some of the most common but typical features of Chinese leadership behaviour to discuss. For instance, Chen and Lee (2008) considered that a good Chinese leader might be a model and a source of inspiration for his or her followers by applying persuasiveness rather than coercion; developing harmony with nature and with others; and setting a personal example by encouraging fairness.

As regards relational-oriented behaviours relative to Chinese leadership, the researcher considered Chinese leaders' behaviours as more likely to be relational-oriented behaviours than transformational leadership. Lau (2012, p.3) described Chinese leaders as having the 'ability to transcend the individual interests of the subordinates fits perfectly with the Confucian definition of the sagely King or the superior gentleman (Yang, Peng, & Lee, 2008)'. Chinese leaders highly respect individual group members, are approachable and described in studies as democratic (Gastil 1994), participative (Kahai, Sosik and Avolio 1997) and empowering leadership (Conger 1989; Srivastava, Bartol and Locke 2006). In addition, self-sacrificing behaviour has been considered an effective approach to promote affiliation with the team members and the organisation (De Cremer et al. 2004). Affiliation-oriented organisational citizenship behaviour refers to individual open behaviour which encourages or reinforces interpersonal relationship (*guanxi*) such as co-operative behaviour, respectful behaviour and altruism (Van Dyne and LePine 1998). Moreover, Gao and Shi (2011, p.787) deemed that 'perceptions of interpersonal trust allow individuals to accept vulnerability to others and thus promote risk-taking *behaviour*s (e.g., Colquitt, Scott, & LePine, 2007; Mayer, Davis, & Schoorman, 1995; Rousseau, Sitkin, Burt, & Camerer, 1998)'. Based on this central tenet from the literature, the researcher argues that employees who trust their leader are likely to feel safe and comfortable about the ways in which the leader will respond to their voice, thereby increasing the likelihood that they will actually engage in expressing their opinions and ideas about workplace issues, actions of others, or needed changes.

According to Kouzes and Posner's (2012) 'How to make extraordinary things happen in organizations' and Ramakrishnan's (2013)'s 'Managerial leadership in multicultural organizations, challenging the challenges of globalization', the researcher refined some key characteristics that might make Chinese leaders rethink their leadership behaviour in future

challenges. Based on the above discussion, seven features of leadership behaviour have been abstracted, namely (i) role modelling, (ii) initiative, (iii) inspirational/motivational, (iv) sacrificial, (v) democratic, (vi) visionary and (vii) trusted.

i   Role modelling

The numerous role model and mentoring programmes found across domains and organisations for motivation and achievement have an intuitive appeal as demonstrated by the importance of role models. This is supported by ample research highlighting the critical role of others in people's pursuit and attainment of goals (Finkel and Fitzsimons 2011). Role modelling is 'one part of significant attributes of ethic leadership, which include elevating the needs of followers, communicating with follower closely, motivating followers to attain self-interest for the good of the organisation (e.g., Bass, 1985; Beyer, 1999; Conger, 1999; House, 1976)'. According to Grosjean et al. (2004, p.228), role modelling by leaders represents a 'powerful communication mechanism that conveys the expectations, values and assumptions of the culture and climate to the rest of the organisation'. Bandura (1977) and Manz and Sims (1981) argue that high leader role modelling empowers the work environment and indicates that followers in the work unit collectively emphasise the leader as a role model. In this circumstance, unit followers systematically pay attention to, absorb in their memory, develop and are motivated to recreate the behaviours of the ethical leader. Specially, unit members are influenced in a high role modelling empowered environment to share experiences of the absorbed learning operation. Their collective knowledge should build up stronger emotional connections or identification in teamwork. People present mutual reliance on, and trust in, ethical leadership behaviours and should be more likely to cultivate stronger collective recognition (Walumbwa 2011).

Based on the above review of role modelling, the researcher found that Chinese leadership behaviour shared similar characteristics with ethnic leadership, also it is closely related to Brown et al.'s (2005) defined traits of an ethical leader, such as that they are people-oriented and considerate to others' needs; these leaders respect and treat subordinates fairly; they make decisions that serve the collective interest. Indeed, people are, in large part, socially constructed beings; crafted through interactions with others (Cooley 1902). Gibson (2004, p.136) defined 'cognitive construction based on the attributes of people in social roles an individual perceives to be similar to him or herself to some extent and desires to increase perceived similarity by emulating those attributes'.

Based on the findings of the qualitative and quantitative research, the researcher explored one of the meaningful attributes of Chinese leadership, namely the application of internal *guanxi*, which has been considered as a supplement to the formal management system by people to strengthen their leadership behaviour.

A senior Financial Director described it as follows in the interview:

> *It is our culture that one does not fear someone in a senior position, which is a very important guideline in corporate management. Leaders must set a good example to all and employees should get along with others to maintain a harmonious working environment which is known as an internal* guanxi *network.*

Moreover, one middle manager believes the following:

> *Those examples prove one power that belongs to internal* guanxi *network, which*

is cohesive force. Dealing with this kind of network, I realise that one cannot be

too isolated and proud, and one should help others whenever one is needed. Also,

one should be broadminded and dare to take risks and care about principles. Only

by doing so, can one succeed someday in the future, and employ an internal guanxi

network in the right way and make it has a positive effect.

ii   Initiative

Initiative refers to taking the first step and leading the way. To initiate is to originate, create and stimulate people. Initiative guides leaders' vision and plan; making something happen now, with efficiency, accuracy and enthusiasm. Taking the initiative is a channel through which cooperation can arise in a complicated state of social interaction. In such situations it is highly desirable that someone breaks the existing cycle by setting a good example, but only some people actually do so (Brown and Trevino 2014). Chinese leader face intensive competition, they strategically build and maintain their *guanxi* network with people to make changes by breaking formal ways of communicating. They rather implement informal influence on people to accomplish the vision than applied authoritative power.

An example of this was articulated by one respondent:

We should have some skills in management, especially in the management of human resources and management of guanxi *networks beyond the formal way. In Chinese companies it is important to cope well with all kinds of* guanxi *as problems could occur in any link. Compatibility of leaders, colleagues and subordinates determines efficiency and the final results of your work . . . Therefore, we should have good communication skills when we give assignments to subordinates . . . We should care for the feelings of subordinates and give them spiritual support and material rewards through internal* guanxi *networks. As far as I am concerned, being able to manage employees and a team well and enable my department to make profits makes one a qualified leader.*

Based on the two examples above, the researcher has found that leaders paid attention to the way in which they made people understand their intentions. Chinese leaders applied a more flexible system to manage people by fully implementing administrative power and internal *guanxi*.

An interviewee commented as follows:

Sometimes, employees in departments do not agree with my opinions as they have their own views out of personal interest or for protecting the interests of their teams. Thus, when they are against my decisions they stubbornly insist on their own views and do not carry out decisions made by their superiors. If this happens, I would use my internal guanxi *to communicate with and explain to them in order*

to guide them to do their work . . . If some people are too stubborn to change their views no matter if we apply pressure from an administrative level or communicate with them by using internal guanxi*, generally, they would accept their new command happily and work with greater motivation.*

iii   Inspirational

Moss and Ritossa (2007) confirmed inspirational motivation as an established component of transformational leadership theory. Inspirational motivation emphasises the charismatic influence of leaders and the empowerment of subordinates as key tenets (Zaccaro 2001). Moreover, transformational leaders have been found to possess charisma, inspiration and intellectual stimulation (Bass 1985; Conger and Kanungo 1998). Garcıa-Morales et al. (2008) described *inspiration* as the ability to motivate followers, primarily through the communication of high-level expectations (Searle & Hanrahan 2010: 737)'. According to the present research findings, Chinese leaders value one of the roles of internal *guanxi*, namely the inspiration of people's work performance, which is an effective approach to make people more loyal and willing to follow leaders' movement.

A Factory Director believes as follows:

As for leadership, I think that inspiring the team and encouraging team members to bring their subjective initiative into play to realize goals based on their characteristics and potential is very important. As a leader, one must become an inspired leader for the team; let team members have faith in one and let them see hope in one. What should one do to achieve that? One should speak to subordinates often, find problems they are facing in

time and try one's best to help them solve those problems . . . In special periods of improving process flow and production efficiency, instead of using normal administrative means, we should take measures that allow us to give employees more incentives and use internal guanxi *that is among employees or between superiors and their subordinates in order to convince subordinates to co-operate with them because administrative means might not work unless they are emergent and unless there is no other way. Personally, the ideal pattern would be to use administrative management with internal* guanxi.

This factory director has indicated that internal *guanxi* has been adapted into the formal system (administrative management) to influence and inspire employees to show more initiative and more confidence in their tasks.

iv   Sacrificial

Ruggieri (2013, p.1173) believes that leaders who display self-sacrificial behaviour are considered by their followers to be more effective, charismatic, and legitimate than are self-benefiting leaders (Hoogervorst et al. 2012). Self-sacrifice involves the leader being willing to incur personal costs or run the risk of such costs to serve the goals and mission of the group or organisation (Conger & Kanungo 1987). Chinese leaders perceive the effect of internal *guanxi* on their leadership performance, but they have to take full responsibility for breaking the rules and if the outcome is bad.

For example, an interviewee observed:

As you overlook some processes and rules, you should not be selfish, meaning you dare to take responsibilities and make the right call through your internal guanxi *network. As you have to use internal* guanxi *networks, it has risks. You have taken the responsibility if the outcome is bad . . . As a member of senior management, I should mobilise and share all my resources to serve the company and the team members.*

Although, sacrifice is one important aspect of leadership, the researcher did not witness it in the findings of his interviews and questionnaire.

v Visionary

If leaders are to elicit enthusiasm and draw their followers after them, then, as Yukl defines it, 'the genius of the leader is to articulate a vision simple enough to be understood, appealing enough to evoke commitment and credible enough to be accepted as realistic and attainable.' It is the role of leaders to conceive and articulate this vision, embodying the goals of the organisation, and to be aware of the needs and expectations of the people involved and the environment around them. Chinese leaders fully understand the effect of internal *guanxi* on their work performance and set clear programmes to guide people on how to build internal *guanxi* in order to overcome the encountered difficulties in the workplace.

A Sales Director explained:

As salespeople, we have to deal with people from all walks of life. To complete a project, we may have much many problems than our colleagues, such as quality issues, design issues, capacity issues, and delivery problems and so on. Thus, I require team members to build a good internal guanxi *network. There are two sentences that explain my point of view. One is that you should treat others in the way that they want. The other one is that you should treat others in the way you'd like to be treated. Though this sounds easy to understand, it tells a profound truth. First, you need to communicate with others effectively. Then, you need to draw a conclusion on how they think, how they would like to be treated and what their needs are, which is the same as what I had said earlier about bringing people's subjective initiative into play. Lastly, you gain trust and build good internal* guanxi *with them by treating them in a way they want to be treated on the basis of mutual respect, fairness and mutual assistance. Thus, you will build a good internal* guanxi *network effortlessly.*

This Sales Director stressed three crucial features of building good internal *guanxi*: (i) effective communication, (ii) gain the trust of others and (iii) provide people with reciprocal assistance.

vi   Democratic

A democratic leadership style consists of leaders sharing decision-making abilities with group members by promoting the interests of the group members and by practising social equality (Foster 2002). This style of leadership encompasses discussion, debate, sharing of ideas and

encouragement of people to feel good about their involvement. The boundaries of democratic participation tend to be circumscribed by the organisation or the group needs, and the instrumental value of people's attributes (e.g., skills, attitudes). The democratic style encompasses the notion that everyone, by virtue of their human status, should play a part in the group's decisions. Chinese leaders see internal *guanxi* as a bridge to connect subordinates across the authority structure in a company, which is an effective approach to solve problems and share ideals with people. Compared to the Western management system, this type of leadership style is more suited to the Chinese context.

A Workshop Manager explained:

Besides, I also use my internal guanxi *to get to know what is going on within groups. For example, I would know who did a good job during the day or who was lazy at work. Thus, I can take necessary measures to give staff rewards or punishment based on performances in time to keep up morale within the team . . . By building good internal* guanxi *with my team members, not only can we get to know one another better, but they can also understand my leadership purposes and skills better. Thus, they would work more efficiently when tasks are assigned to them . . . After speaking to an employee, I realised the reason that his production efficiency was compromised was because he was not satisfied with his current salary which was calculated by time. Therefore, I incorporated a piece-work wage into his work performance. As a result, he became very forward-looking and improved his production efficiency. If I had used my identity, the Factory Manager, to communicate with him instead of using the internal* guanxi*, he would not tell me the truth and I would not be able to find the real problem in such a short time.*

This case confirms that Chinese leaders tend to sense the group need or the instrumental value of people's attributes (e.g., skills, attitudes) and strengthen their leadership performance.

vii   Trusted

Burke and Sims et al. (2007, p.610) describe *trust* as follows:

> Trust can exist at the team level, leadership level, and inter-organizational level. Referring back to the idea that trust is strengthened or weakened due to the experiences, interactions, and context within which the relationship exists, trust is likely to develop differently in relation to team members, team leaders, and toward the organization as a whole. Not only do team members interact more frequently, these interactions are likely to be fundamentally different than the relationship that exists with team leaders. (Burke et al. 2007). Further, employees are likely to develop attitudes of trust (or distrust) towards the organization through their interpretations of the policies and procedures that exist within the organization as well as their interactions with co-workers and leaders (Burke et al. 2007).

Chinese leaders pay attention to gaining trust by the effect of internal *guanxi* networks on their subordinates. During the interaction between internal *guanxi* and leadership behaviour, people cultivate trust by reducing uncertainty; people strengthen teamwork by greater support; and people solve conflict in cooperation through effective communication. Chinese leaders not only have to support subordinates; they must also change cohesive forces in the management of people's work performance.

A Technology Director said:

Besides personal charisma and professional knowledge, the ability to inspire the team and make team members follow me willingly is very important. I do my best to make them respect and trust me so that they will not pretend to agree with me and do things carelessly . . . One needs to pay attention to the ways in which one treats one's subordinates, and one should neither be too friendly nor too harsh. If the relationship has a bad start, it will be difficult for him to maintain it later. If he cannot get along with one of his subordinate, there will be a lot of problems in their later collaboration. In other words, internal guanxi *and work relations among employees could easily influence the trust of teamwork.*

Moreover, one Production Manager responded:

If we claim that they have to do something according to rules, they may not do it or may just ignore us. However, things could be very different if we have a good internal guanxi *as I can encourage them, unite them and inspire them . . . I get to know their needs so that I can try my best to help them meet those needs. By doing so, they are able to concentrate on work and stay in the company for a long term.*

Discussion of internal *guanxi* models

Based on the qualitative and quantitative research, the researcher built three conceptual models to illustrate how internal *guanxi* networks influence leadership performance.

Model 1
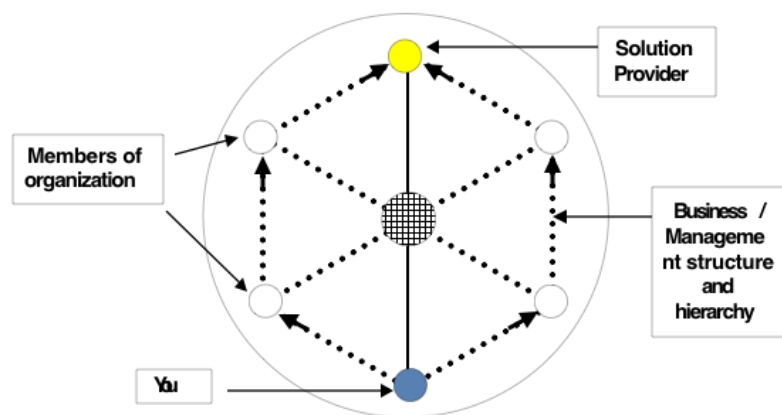
Figure 7.1: Simple internal guanxi *model*

This model illustrates how internal *guanxi* works in organisational operations. In the organisational hierarchical system, if a subordinate at the bottom wants to reach the top leader and to look for support, he or she would usually be obstructed by certain hindrances, which could be the hierarchy regulations, power distance in leadership behaviour, or other uncooperative effects (i.e., grid circle in the middle). However, this subordinate could apply his or her internal *guanxi* network and bypass the problems in connecting with other people or contact the top leader and attain an effective solution to the problem experienced on the job.

Model 2
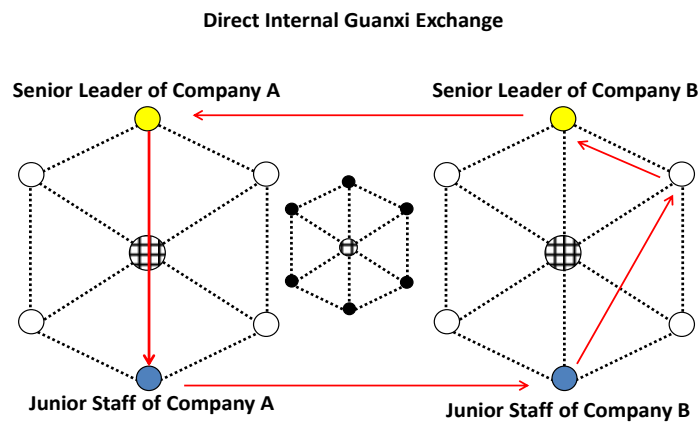
Figure 7.2: Inter-firm internal guanxi *model*

This inter-firm internal *guanxi* model illustrates that the internal *guanxi* network of organisation A is able to connect to the internal *guanxi* network of organisation B and also influence the decisions of the leaders of organisation B. Consequently, the problem of organisation A has been solved. For instance, a senior leader of organisation A received a quality complaint from organisation B; he had to connect with his subordinate for further solutions. This subordinate had *guanxi* with a junior staff member of organisation B, but this junior staffer of organisation B was able to influence his senior leader who has the power to cancel a claim for compensation from organisation A. Eventually, the senior leader solved issues through the internal *guanxi* with his subordinate. This model illustrates how two internal *guanxi* networks from each organisation has been connected and brought its influence to bear on the decision-maker of organisation B, thus the problem of organisation A has been solved. Without this inter-firm internal *guanxi*, the senior leader of organisation A would face big trouble from the market regulator or government inspector. However, this type of internal

guanxi model illustrates the marketplace and its regulators can be bypassed as inter-firm partnerships look for solutions to policy and resource barriers.

In addition, the Purchasing Manager responded:

> *When we require the suppliers to produce samples at peak time, they always give us excuses to raise the price or delay the production cycle. Normally, I will use my internal* guanxi *to reach one of my subordinates, he has some* guanxi *with the supplier and he is able to influence the key person to make a privileged arrangement for our company.*

Business-to-business exchanges (Model 2) suggest that close internal *guanxi* connections between businesses can reinforce their relationships and they are reciprocal. There is evidence from the literature (Chen, Chen & Huang, 2014) that this can have both positive and negative consequences. Strong ties can inhibit innovation and create inflexible structures.
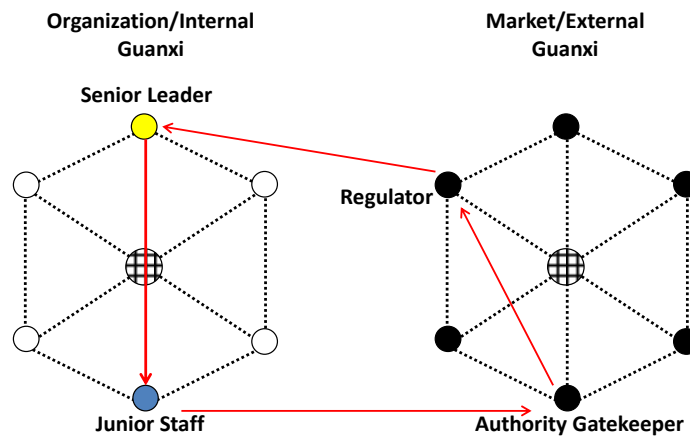
Model 3

Figure 7.3: Inter-regulatory hybrid internal guanxi model

This model demonstrates how the internal *guanxi* effect can influence external resources for solving organisational problems.

In addition to the simple internal *guanxi* (Model 1) and inter-firm *guanxi* (Model 2), there may also be an inter-regulatory connection (Model 3) – a connection between businesses and their policymakers or other stakeholders. In Model 3 senior leaders' work-related challenge could also be solved by their internal *guanxi*: it connects with an outside regulator or policy-maker to solve problems inside the company. Model 3 is also a hybrid model consisting of internal *guanxi* and external *guanxi*. As already stated, there are enormous research studies on how *guanxi* has been applied externally to companies to strengthen organisational performance, reduce cost and solve financial issues and so on. Basically, the leaders take action to directly employ their own *guanxi* externally to achieve the goals of their organisation. In this model, the junior staff member plays a crucial role in implementing the *guanxi* and helped leader to

achieve the goals. To simplify, the leaders rely on their internal *guanxi* with the subordinates to reach external resources or assistance to solve problems inside their company.

The Chief Financial Officer observed:

> *We are planning to settle a new technology factory in Shanghai, but there are funding constraints when the project processes halfway. I used my internal* guanxi *to connect with a head of an investment company and brought in two million United Sates dollars in three days.'*

This CFO's case indicates one of the typical features of *guanxi*, it has been applied externally to improve organisational performance, as most studies have suggested.

A Manager gave another example:

> *When the Land and Resources Bureau audited our company's right to use the land, we waited for half a year to get the approval documents. I had to use my internal* guanxi *to connect with one of my subordinates: he has some accesses to the head of the Land and Resources Bureau since our boss searched for external resources inside company to work out this problem. Finally, the head of the Land and Resources Bureau assigned his assistant to help me get the paperwork done efficiently.*

This case demonstrates another feature of *guanxi*: it could be applied internally to connect with junior employees but who have more influential power and *guanxi* with an external resource.

This interaction between leader and subordinate shows that the internal *guanxi* can not only impact on the inner organisational performance, but also bring an external resource into the organisation and get the task done.

After the pilot study, the researcher initially drew the inferences that people have used *guanxi* networks often, whether it has been applied internally or externally to the organisation. In addition, most people have used their internal *guanxi* networks very often to solve job problems when the regulatory system is not running well. People are willing to bring their social *guanxi* resources to assist the company operate well and to create great interest for the company. Subordinates can play a significant role in applying their internal *guanxi* externally and providing great assistance to senior leaders to achieve the company's strategic goals. Based on the data collected from the respondents, the researcher assumed this internal *guanxi* may improve efficiency in cooperation, to inspire the people's dedication to duty and to make the leadership performance more effective. This study was based on 34-question semi-structured interviews and a questionnaire survey distributed among 337 respondents to verify the assumptions of the pilot study and to investigate further the implications of the internal *guanxi* network on leadership behaviour within Chinese private, state-owned and foreign enterprises.

Discussion of the findings of the research questions

Eight questions were asked in each interview in order to investigate the two research questions. The 34 interviewees were chosen in random work positions of a Chinese private company in the electric motor sector: 60% were leaders and 40% subordinates. The findings of the interviews included information on the interviewees' gender, educational background, professional experience, leadership traits, their perspectives on how *guanxi* has been applied

internally and externally company and their motivations for using *guanxi* networks.

Research question Q1: Does *guanxi* apply internally in Chinese private companies?

The findings of interview question Q5: '*Have you ever used your internal* guanxi *network within the company to solve work-related problems?*' and Q8: '*Have you ever used internal* guanxi *outside the company to solve problems that occurred within the company?*' directly proved that *guanxi* has been applied internally in Chinese private companies. Of the leaders, 90% used their own examples to explain how they employed internal *guanxi* internally or externally to solve different problems they encountered, the rest (10%) of the leaders considered that they do not have an internal *guanxi* network inside the company, because they believed the internal *guanxi* would have negative effects on organisational performance. However, they acknowledged that internal *guanxi* exists inside their company. Of the subordinates, 100% provided examples to prove the effects of internal *guanxi* on solving operational and management problems.

Moreover, the researcher also distributed 337 questionnaires to three different types of enterprise (foreign, private and state-owned enterprises) that operate five business functions in the electric motor industry in Eastern China by way of an email survey and personal distribution. The research information surveyed consists of two parts: the first section requested information on the company's type, size, and length of operation, the origin of the executives or managers and immediate supervisors, and the main areas of business. Section 2 comprised questions on the personal information of respondents, their age, education, gender, work experience in the company, job title, department, and their responsibilities at work, and whether they had an internal relationship with leadership. This questionnaire survey aimed to verify whether the

findings of the interviews were consistent with the findings of the questionnaire.

For example, the finding of Question 14 in the questionnaire proved that internal *guanxi* existed in those companies.
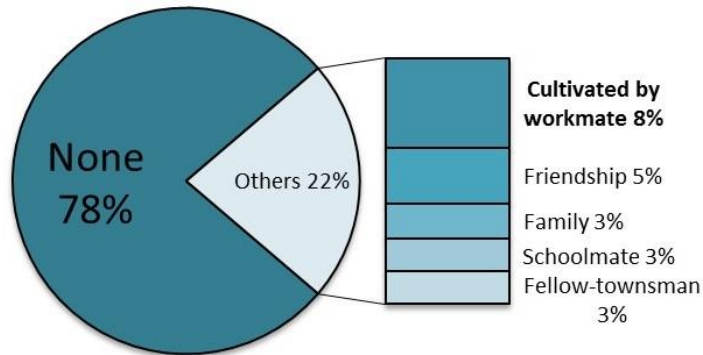
*Figure 7.4: Respondents' different types of internal g*uanxi

This question was posed to verify whether internal *guanxi* objectively existed in companies and whether it was worth discovering further what the internal roles of *guanxi* in Chinese companies were. As Figure 7.4 shows, 78% of respondents thought they did not have any internal *guanxi* with management layer, but they (85.97% people) still employed internal *guanxi* to solve work-related problems. Based on this contradictory finding, the researcher believes that there are three reasons for this result: first of all, 85.97% of respondents had employed internal *guanxi* to solve problems, which does not mean that they had direct internal *guanxi* with the leader or management layer, they may have had internal *guanxi* with their friends outside the company, but their friends had internal *guanxi* with the senior leaders in the company. Alternatively, those respondents may have internal *guanxi* with their colleagues in the company, and the colleagues may have internal *guanxi* with the management layer. That is why 78% of respondents do not think they had internal *guanxi* with their leaders. Secondly, 85.97% of respondents thought that they had applied internal *guanxi* for coping with difficulties

at work. This result not only involves people who used internal *guanxi* with their leaders, but also with their colleagues or friends outside their company. Although 78% of respondents do not have direct internal *guanxi* with the management layer, the majority (85.97%) of respondents may only use their internal *guanxi* with their colleague or friends outside their company to overcome difficulties. Finally, Chinese interviewees were concerned about their individual privacy related to their relationship with leadership; they regarded internal *guanxi* as a symbolic asset and should be kept low key.

The rest of the private connections related to friendship, which accounted for 5% of respondents. This private connection indicates that they were friends before working for the same company. Of the respondents, 3% have family connections with leadership; they either work for state-owned enterprises or private enterprises, because foreign companies in China do not allow any family members to work together. School friends and fellow-townsman account for 3% of respondents. These types of relationships are common in China, and people who are closer to the leadership are trusted.

The findings of Question 22 in the questionnaire, 'When you are looking for help at work, who are you most likely to ask for help in the company? Your leader, or your internal *guanxi* in the company?'

Table 7.1: Respondents' preferred method to solve problems

Prefer to ask for help from . . .	Number	Percentage (%)
My leader	92	27.3
My internal *guanxi*	173	51.3
Both of them	72	21.4
Total	**337**	**100.0**

Of the respondents, 51.3% (173) preferred to use internal *guanxi* as a solution to work-related difficulties and 27.3% (92) preferred to report problems to their leaders. The rest (21.4%) (72) Chose both: using internal *guanxi* and reporting to their leader at the same time. These results may be able to answer Research Question 1, because 85.97% responded that they would use internal *guanxi* to look for help with work in the company (85.97% = 51.3% + 21.4%).

The findings of Q23 and Q26 '*Have you ever applied your internal guanxi network in the company to go round the formal regulatory system or skip your leader in order to solve your job problems?*' and '*In the past three months, how often have you applied your internal guanxi externally to deal with internal job issues?*' also verified that internal *guanxi* has been applied in Chinese private enterprises, because 88.1% of respondents have used internal *guanxi* internally to solve problems and in terms of them, 53.7% people have used it twice or three times and 14% (40) people have used it more than four times.
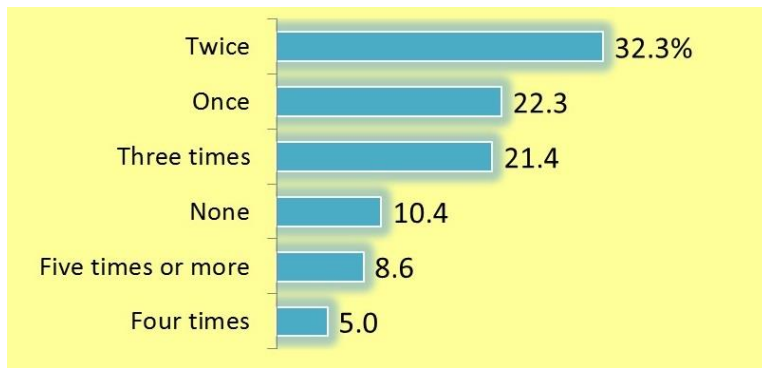
Figure 7.5: Frequency with which employees applied internal guanxi

The findings of Questions 26 and 27 in the questionnaire *'In the past three months have you used your internal* guanxi *network externally to solve internal organisational problems?'* and *'In the past three months how often did you apply your internal* guanxi *network externally'* manifested another feature of internal *guanxi* to solve organisational problems (see the conceptual inter-firm model, Model 2, and inter-regulatory hybrid model, Model 3).

Table 7.2: Whether respondents apply internal guanxi *externally*

Have you ever applied your internal *guanxi* externally	Number	Percentage (%)
Yes	200	59.3%
No	137	40.7%
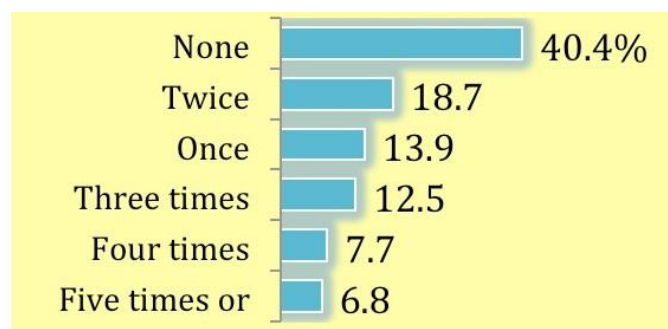
Figure 7.6: Frequency with which internal guanxi *is applied externally*

Of the respondents, 59.3% (200) people have used their internal *guanxi* externally and 40% (137) of respondents have not ever used internal *guanxi* externally; only 13.9% of employees used it once in the past three months; 14% of respondents have used internal *guanxi* externally quite often, which is more than four times. The researcher may infer the reason for this is because 78% of respondents are in junior positions, such as Monitor, ordinary worker and Supervisor. Most work difficulties they experienced were operational problems, and they barely used internal *guanxi* externally to find external resources to solve their problems.

Furthermore, the researcher also identified the definitions of internal *guanxi* based on the qualitative evidence: 32 interviewees described their perceptions of internal *guanxi* from different angles. For instance, an internal *guanxi* network historically and objectively exists in Chinese enterprises and it is like a double-edged sword and double-sided coin that could generate both positive and negative effects. If people used it for the benefit of the company and the collective interest, this internal *guanxi* should be able to influence people to overcome difficulties to achieve goals and strengthen leadership performance. Internal *guanxi* is an approach to boost working efficiency, fast track operational procedures and solve problems quicker. Internal *guanxi* is an effective communication approach to help people attain more cooperation from others; deal with disagreements and conflict; and receive great assistance at work. Internal *guanxi* is an invaluable capability to mobilise the necessary resources to cope with challenges; internal *guanxi* could be considered as a supplement to the formal regulatory system to manage companies, which is a meaningful, helpful and beneficial management approach.

Q3: What are critical leadership abilities?

Table 7.3: Themes of critical leadership ability

| | **Frequency of themes** | | | | | | |
Employee	Team building	Build and maintain *guanxi*	Professional ability	Effective communication	Mobilise resources	Discover people's strength	Deal with emergencies
Senior leader	8	6	7	2	2	3	1
Middle manager	2	1	3	4	2	1	1
Subordinate	0	5	2	13	3	0	0
Total	**9**	**12**	**12**	**19**	**7**	**4**	**2**

Internal *guanxi* was regarded as one of the most important leadership abilities by the 34 interviewees (see Table 7.3). With reference to 'build and maintain *guanxi*', this critical ability could be the key distinction between Chinese leadership behaviour and Western leadership behaviour because the current scholars also stressed:

A comparison of 'etic' findings by Western researchers and 'emic' findings by Wang (2006) and Chen and Lee (2008) suggest that Chinese practices approach leadership as an art and emphasize interdependent, humanistic, and situational aspects; Westerners, on the other hand, consider leadership a science and focus on objective organizational results and impersonal processes supported by logic and analysis' (King and Zhang 2014, p.7).

Specifically, Chinese leaders and followers are interdependent: Chinese leaders depend on their subordinates' assistance (internal *guanxi* network) to accomplish strategic tasks; the Chinese subordinates depend on their leaders' recognition (use of internal *guanxi* network to bypass formal system) to overcome operational problems. Chinese leaders care for their subordinates in a more humanistic way by employing internal *guanxi* and building two-way communication to understand their subordinates' feelings and to meet their needs. The situational aspect refers to Chinese leaders adapting to different situations and not only employing executive power to manage followers, but also internal *guanxi* as an informal approach to cultivate harmony among people.

Q6: Define internal guanxi

Table 7.4: Themes for the definition of internal guanxi

	Frequency of positive themes							
Employee	Exists	Double-sided	Communication	Management	Solution	Influence	Efficiency	Resource
Senior leader	5	1	2	3	3	2	3	2
Middle manager	2	1	1	3	0	1	2	1
Subordinate	1	2	5	1	2	2	4	1
Total	**8**	**3**	**8**	**7**	**5**	**5**	**9**	**4**

Research Question 2: 'How does internal *guanxi* influence leadership in Chinese private companies?'

The qualitative evidence shows that internal *guanxi* could influence leadership performance positively or negatively, depending on what people's motivations for using internal *guanxi* are. According to all findings from the 34 interviews, most people believed that internal *guanxi* had positive effects on their leadership performance or work performance (only two senior leaders refused to build and apply internal *guanxi* inside company), but there are certain principles that must be taken into consideration, such as, do not overuse it; use it only for the interests of the team or company.

The researcher demonstrated the general findings of people's perspective of how rigid regulations and challenges restricted them from doing their job or affected leadership performance in Chapter 7. The researcher has presented employees' individual cases about how they used internal *guanxi* internally and externally in their company to solve work-related problems. In order to explore how internal *guanxi* influences leadership functions positively, the researcher will collate the mixed methods evidence to support or query the validity of the propositions. The propositions themselves are derived from the literature, the researchers' personal reflections and observations as an employee and leader, the case study(s) and the pilot study. These propositions relate specifically to the interactions of internal *guanxi* and Chinese leadership and likely behaviours and responses to the adaptation of the conceptual model. More specifically, the researcher selected certain examples from the interviews and explained how leaders or subordinates used their internal *guanxi* network to overcome the encountered rigid regulations or challenges. They are specifically pertinent to the two research questions, involving the influence of internal *guanxi* networks on leadership performance.

Comparing the seven propositions and the interview question *'Have you ever used your internal* guanxi *network within the company to solve work-related problems?'*, the researcher verified that the qualitative findings of application of internal *guanxi* highly supported the seven propositions.

Q5: Do you use internal guanxi *to solve problems in your company?*

Table 7.5: Themes of using internal guanxi

	The frequency of themes				
Employee	**Shorten formal regulation**	**Communication**	**Influence people**	**Improve regulatory system**	**Obtain assistance/ resources**
Senior leader	2	5	2	2	4
Middle manager	0	3	5	0	1
Subordinate	0	2	3	3	8
Total	**0**	**10**	**10**	**5**	**13**

Table 7.6: Main themes of using internal guanxi to solve problems

Communication	P6: Good internal *guanxi* is conducive to communicating effectively.
Influence people	P3: Good internal *guanxi* can induce people to be more co-operative and show more initiative in work performance.
	P4: Good internal *guanxi* is conducive to influencing people's emotion and maintaining harmony in work performance.
	P5: Good internal *guanxi* is conducive to creating cohesion in teamwork and improving loyalty.
Obtain assistance/ resource	P1: Good internal *guanxi* may induce employees to utilise their own social resources to strengthen leadership performance.
Improve and shorten formal system	P2: Good internal *guanxi* is conducive to allocate more effective management to solve work difficulties and saving operation cost.

P1:   Good internal *guanxi* may induce employees to utilise their own social resources to strengthen leadership performance.

According to similar studies, Hwang et al. (2009) and Wong (2010) showed that *guanxi* inside organisations is developed and reinforced voluntarily by both supervisor and subordinate and creates an additional social connection and emotional attachment after the development of the contractual relationship. Different from in Western enterprises, informal *guanxi* could play a dominant role in the management process of Chinese enterprises because of the societal expectation and cultural emphasis.

The researcher has found strong and sufficient evidences to verify P1: Good internal *guanxi* between leaders and subordinates that encourages people to bring their social resources to strengthen leadership performance. The quantitative finding shows that 17.52 % of respondents used their own internal *guanxi* to assist leaders to reach their goals. The qualitative finding also especially illustrates that people shared their social resource and applied their internal *guanxi* network for the benefit of the team leadership and the company.

One Investment Director said:

> *I can say that the complicated process of my investment projects is my biggest difficulty. Because our company is not a local company, we are not familiar with local laws or process . . . However, I got 50 million Yuan funds for the Shanghai Project which was valued by the National Development and Reform Commission [NDRC] of Shanghai and Science and Technology Commission of Shanghai. But to be honest, I have a classmate who is working in NDRC as a prestigious leader,*

and I have a good internal guanxi *with him. He suggested that the NDRC should*

give us some support on this case.

This Director had difficulties with an investment project, but he overcame the challenge through his internal *guanxi*. He considers that internal *guanxi* is a crucial element of doing work with the government or doing business in China. Furthermore, he believes that a leader should use social resources and internal *guanxi* to achieve the goals of the company, or share internal *guanxi* networks with the company. He used internal *guanxi* outside the company to obtain a large amount of funds from the government to support an investment project of the company. His example verified that Proposition 1 was right: 'Good internal *guanxi* may induce employee to utilise their own social resources to strengthen the leadership performance.'

Moreover, a junior staff member's case also accords with Proposition 1. This Human Resources Department staff member used internal *guanxi* to invite some well-known entrepreneurs and scholars to give high-end training sessions for new employee:

I occasionally use my internal guanxi *outside the company to solve problems at work. For example, we sometimes invite some well-known entrepreneurs and scholars to give lectures for new employees in our company. As the boss requests us to hold this kind of high-end training sessions three to five times a year with very limited funds and as it is always difficult to invite them, I have to use my internal* guanxi *externally to convince some experts help me.'*

P2: Good internal *guanxi* is conducive to allocating more effective management to solve work difficulties and save operational costs.

With reference to the similar studies on *guanxi* inside organisation, Rhoades and Eisenberger (2002) concluded that active exchange connections at work yielded improvement in positive employee behaviour and job outcomes. Atwater and Carmeli (2009) and Cattani and Ferriani (2008) proved a similar ideal: good supervisor–subordinate *guanxi* positively impacts on employees' energy and enthusiasm on work effectiveness. The researcher has found strong and sufficient evidence to verify that Proposition 2 was right. The quantitative finding shows that 19.76% employees used their internal *guanxi* for the duty and responsibility of work and 10.16% used internal *guanxi* to make up for previous errors at work. According to the qualitative findings, the researcher also collected strong evidence that the use of internal *guanxi* to complete tasks was the most frequent theme when they discussed their motivations for using *guanxi* (stressed 23 times.)

For instance, the Chief Financial Officer viewed the financial regulation as too rigid and it was a long procedure to approve fund for urgent purchases of important equipment. He used his internal *guanxi* network to approve funds first in order to avoid the possible loss if the equipment stopped working. Also, he applied his internal *guanxi* externally on the local authorities and helped his company to win a national reward and obtain significant financial support from the central government, when he faces a serious strategic challenge:

> *We have insufficient investment, no primitive accumulation and an imperfect financing platform.*

Based on this case, he successfully builds and maintains *guanxi* to deal with emergencies and mobilises resources to save operational costs and fast track cooperation with the local authority.

He has enhanced the leadership functions with internal *guanxi*, such as planning by looking at alternative ways to achieve the task and having contingency plans in case of problems and controlling what happens by being efficient in terms of getting maximum results from minimum resources.

One more example comes from a Vice-General Manager:

> *I have some difficulties in verifying potential suppliers, constraint supply chain performance.*

She believes that all companies have their formal system and everyone should obey those rules, when problems occur, results could be varied by using internal *guanxi*. To some extent, employees have to use internal *guanxi* to deal with operational problems by breaking rules, such as shortening procedures for examination and approval of supply cooperation. This leader applied her internal *guanxi* to improve her leadership function of 'planning' and 'evaluating results' by assessing consequences and identifying how to improve performance.

Form the point of view of the subordinate group, an ERP specialist reports:

> *My biggest challenge in my job is that I have to rely on people's cooperation. Technical problems could be solved through technology more easily compared to people . . . Facing this, I had to use my internal guanxi with Mr XX who was in charge of several projects in the plant. On the one hand, I used administrative power to ask some employees to abide by the operating standards of the system because it was a task assigned by leaders. One the other hand, I used my internal*

> guanxi *with colleagues to ask them to co-operate with me . . . I reached the team*
> *leaders of each process (starting with those with whom I had a good internal*
> guanxi) *and explained benefits that could be brought to them by the system . . .*
> *Two months later, everybody got used to working according to the operating*
> *standards of the system.*

This staff member had to use internal *guanxi* to reach the senior leader to complete his tasks, although his manager had told all departments to support his work when he often had obstacles at work. He is unable to complete the work if he only relies on the formal system, but he used his internal *guanxi* fully with leaders and colleagues in order to accomplish the goals of the company. He has good communication skills with people and influences them to help him to achieve the necessary resources when he faces difficulties on the job. Even though he is not a leader, he also improved the leadership functions of planning, briefing the team, evaluating results, motivating individuals and organising people.

A Workshop Monitor observed:

> *There is a main work system for production quality in the assembly line that is not fair.*

She used internal *guanxi* to find out the quality problems of production design and allocated resources to improve the system in time.

> *If the quality of accessory cannot be assured, it will affect my team staff members'*
> *interest, dampen their enthusiasm, and will also have a great impact on the*
> *production efficiency of the entire plant. The morale of my teammates was sinking*

lower. I relied on my internal guanxi *with Mr XX and reflected on this situation. Later, leaders specifically organised inspectors to verify the accessory quality. And the loophole in materials management had been found: accessories were easily damaged in the process of transport. Finally, the company modified inspection mechanisms. Importantly, my team members become more confident in my leadership prestige and capability.'*

The researcher is surprised to find that not only senior people have the power to make changes to formal regulatory systems, but also the ordinary staff members have the potential to make formal systems more practical. Furthermore, this Monitor employed her internal *guanxi* to solve problems and successfully boosted the team's morale.

P3: Good internal *guanxi* can induce people to be more co-operative and show more initiative in their work performance.

According to Ye and Wang's (2016) experiment findings, intra-organisational *guanxi* influences organisational high-performance work practices. Stronger *guanxi* among employees will result in more effective high performance work practice results. The researcher has also found strong and sufficient evidence in accordance with Proposition 3: 'Good internal *guanxi* can influence people to be more co-operative and show more initiative in their work performance'. For example, the questionnaire evidence shows that people tried to use internal *guanxi* to solve problems when the formal system did not work well or the leadership performed poorly. Of the respondents, 6.52% used internal *guanxi* to increase work performance, because they were unable to get leader's support but have to complete job; 3.54% people used it because they were not confident about their leader's capability and 2.70% used

it because they disagreed with the leader's solution, because there is a better one. Similar evidence has also been explored in the qualitative findings: people used internal *guanxi* to amend and improve the loopholes in the formal system or shorten formal regulation in order to make their work more efficient: the theme of improving work performance was mentioned 7 times.

The following are some personal cases that demonstrate these findings:

The Chief Technology Officer responded:

> *Challenges and difficulties are as follows: Within the company, arousing the enthusiasm of employees' is a main challenge. Outside the company it is a challenge that being saleable, new products can meet the needs of potential consumers with added value.*

In order to arouse enthusiasm among employees, he used internal *guanxi* externally to motivate people and stimulate employee performance:

> *One engineer in my lab did not see the importance of the project we were doing and felt hopeless about his future. After talking to him several times, it did not work because he did not trust his superior, me. Thus, I sought help from a partner of ours (who had working relation with him). This partner intentionally said kind words about our project to him every now and then. For example, 'I wish I could do this project with you. It is so meaningful.' 'I heard that the government granted you a huge fee for the project. Many other companies are so envious of yours.'*

Then, his attitude became more co-operative and he always fulfilled tasks assigned by me with passion, pride, confidence, a positive attitude and great potential.

This Chief Technology Officer's case is highly representative to illustrate how internal *guanxi* improves the leadership function of motivating individuals. He connected with an outside *guanxi* network to encourage and stimulate his subordinate to work harder, which not only strengthened the teamwork performance, but also built effective communication with the subordinate for future work (refer to Model 3, inter- regulatory hybrid internal *guanxi*).

A senior Sales Manager believed the training system was too rigid and unrealistic; he used internal *guanxi* to overcome the difficulty and improved the training system in order to encourage his new sales to be more initiative.

In the beginning, I reached to heads of other departments and talked about my ideas to adjust the training mechanism . . . Then, I used my internal guanxi *with directors of the Workshop and asked them to arrange newly recruited sales staff to work in the Workshop for three months and I asked the head of the Human Resources Department to shorten the period of their training in the Workshops. After six months of hard work, improvement in my department has been made and seen, the sales team showed much more initiative in their work . . . Thus, I solved the most troublesome problem that I had through a series of communication. If I did not have a good internal* guanxi *with these leaders, I would not have been able to make it.'*

This Sales Manager used internal *guanxi* to strengthen his leadership functions of briefing the team, controlling what happens, motivating individuals and organising people.

P4:   A good internal *guanxi* relationship is conducive to influencing people's emotion and maintaining harmony in work performance.

In the *guanxi* network people cherish harmony very highly (Zhang and Zhang 2013). The Chinese regard harmony as a concern for feelings of trust, compatibility and mutually beneficial behaviours (Leung, Koch and Lu 2002). The harmony might impel people to discuss the conflict honestly in the collectivist culture (Ohbuchi, Suzuki and Hayashi 2001; Tjosvold, Poon and Yu 2005), which is considered important for stimulating comprehension of, and arrive at, high-quality solutions (Tjosvold, Hui and Sun, 2004; Tjosvold 2008). Zhang (2013, p.104) noted that 'guanxi cannot survive without harmony between two parties in a relationship. Without harmonious relationships, trust cannot be built, face cannot be saved, reciprocity will not continue, and guanxi cannot be maintained.' Thus, the researcher has also found some evidences for the close relationship between internal *guanxi* and harmony and verified that a good internal *guanxi* could influence people's emotion and maintain harmony in work performance. For example, leaders tried to use internal *guanxi* to comfort and explain their ideas and intentions when the subordinate resist accepting leaders' decisions. One senior leader emphasised the fact that one of the functions of an internal *guanxi* network is to set a good example to all and lead them to get along with others to maintain a harmonious working environment; also a Sales Manager will balance the interest of different parties before using internal *guanxi* to do work and avoid disrupting the harmony between employees.

One Senior Sales Manager thinks as follows:

The biggest challenge always is dealing with customers and serving them well.

He used internal *guanxi* to support subordinates with coordinating and speeding up production progress.

> *Generally, reviewing the process of a sales order might take a week . . . our sales team would have to coordinate orders by using their internal* guanxi *network. If they fail, they would turn to me. I have to weigh up the interest of the employees involved. I do not want to infringe on others' interest. Harmony is always important for teamwork. Then, if this were a major customer who brings the company huge profit, I would convince other departments and factories to give priority to our order. They always help me as they have a good internal* guanxi *with me.'*

This manager's case demonstrates that the role of internal *guanxi* in his leadership performance is critical. He gave the subordinates the necessary support to accomplish tasks and communicate effectively with related departments to improve production progress. In addition, he understands the negative side of applying *guanxi* that is why he would balance the interest of parties and make sure the result will be beneficial to the company even if he has to break the rules sometimes. He is after a harmonious result when the internal *guanxi* comes into play. This leader particularly improved the leadership function of the briefing team and evaluated the results.

The CEO said:

The first difficulty is unification of ideas of individual shareholders and executives.

In the beginning of promotion of new equity Investment Company, the company intended to benefit key personnel. However, everyone was hesitant as they were not sure if the plan would be beneficial to them. In order to maintain the harmony on the board, therefore he has to communicate with some personnel with whom he had good internal *guanxi* and persuade them to sign the agreement first. Then, as a result, it led to the full implementation of the plan as the rest of them followed suit.

P5: Good internal *guanxi* is conducive to cohesion in teamwork and improving their loyalty.

According to current similar studies, Cheung et al. (2009) explained that supervisor–subordinate *guanxi* not only extended the positive influence that effective participatory management has on organisational commitment and organisational citizenship behaviour, but is also actively associated with job satisfaction, and negatively connects to job turnover. Acceptance and support that *guanxi* provides are the main reasons for leaders' reluctance to leave their organisations (Li and Madsen 2010). *Guanxi* generated loyalty to supervisors and is more influential than organisational commitment in explaining turnover intention and job satisfaction (Chen 2001; Chen, Tsui and Farh 2000). The researcher also found strong and sufficient evidences that accorded with proposition 5: 26.16% of people used internal *guanxi* for team honour or interests, and company interest as evident in the quantitative evidence. The qualitative findings also show that people used internal *guanxi* to improve efficiency of teamwork. For example, a Factory Director influenced people to work overtime using his internal *guanxi* with the subordinate and they also encouraged team enthusiasm on improving

work achievements. Some team leaders tried to protect team interest by using their internal *guanxi* with senior leaders to amend unfair regulations. One Factory Director thinks:

> *My biggest challenge at my present job is how to manage staff to enhance productivity. By building good internal guanxi with my team members, not only can we get to know one another better, but they can also understand my leadership purposes and skills better. Thus, they would work more efficiently when tasks are assigned to them.*

Furthermore, he is able to mobilise resources to fulfil tasks in time. In order to enhance productivity during the labour shortage periods he uses internal *guanxi* with leaders of other factories or vocational schools to hire some technicians and front-line workers to help out with his productivity.

Moreover, a Human Resources Manager's case also verified that internal *guanxi* could improve cohesion in teamwork. His challenge is that the turnover rate is very high, but he used internal *guanxi* and underlined friendships to convince his subordinates to continue to serve the company and influence subordinates to be show initiative and more loyalty.

P6: Good internal *guanxi* is conducive to communicating effectively

Communication can be divided into the formal and informal exchange of conceptions and exchange of information between the partners involved (Anderson and Narus 1990; Goodman and Dion 2001). Tang (2005) points out that *guanxi* are grounded in interpersonal communication; it does always play the most important role in Chinese society. Wang et.al. (2014) argued that the more extensive the *guanxi* network the employee possesses, the better

the chance to solicit quality and timely communication and feedback from internal and external parties. The researcher also found strong and sufficient evidences in accordance with Proposition 6. People believe one of the main functions of internal *guanxi* is communication, which effectively links leaders to subordinates, departments to departments, and peers to peers. People used internal *guanxi* to communicate effectively, to coordinate conflict, to clear the air, and to understand leadership behaviour; the themes of using internal *guanxi* were mentioned ten times. Employees also applied internal *guanxi* externally with local authorities to cope with strategic problems (emphasised 14 times).

For example, One Factory Director thinks:

> *In the past two years I have been having a personnel operation problem: lack of*
> *labour.*

He personally values this internal *guanxi* inside the company. If leadership follows rules completely, it might not be the best for people to solve work-related problems. He has a good internal *guanxi* with his subordinates; they would work overtime and overnight willingly if they have urgent tasks to complete. In this case rules or regulations would not work as no one would respond to rigid rules and work overnight. Moreover, no one could measure the system. Internal *guanxi* could be a possible approach to enhance leadership performance.

> *Feelings are within friendship. If our leadership behaviour inflexibly follows rules,*
> *our company may appear to be standardised. Chinese enterprises are different*
> *from multinational enterprises. Their rules and regulations are perfectly designed*
> *and tested by time. As for us, because we are in a company that is rising, rules*
> *need to be more practical and mature. Thus, when it comes to work, leaders*

should assign tasks, maximise employees' potential, communicate with them and make them willing to co-operate with us. Generally, building and employment of internal guanxi are indispensable.

This leader explained that internal *guanxi* could be an effective and informal form of communication to bring more influential power to stimulate people's work potential than the formal way, especially since the Chinese value feelings more than Westerners do. He improved the leadership functions by briefing the team, motivating individuals and organising people.

One more example explicates how internal *guanxi* greatly impacts on successful communication. In order to overcome his challenge, the Chief Technology Officer used internal *guanxi* to communicate effectively and achieve certain assistance in the development of a new product:

I predicted trends in the market as well as the need for new technologies and markets. But the future was uncertain. According to regulations, I knew that no one would assist me (with both human resources and financial resources). Thus, I used internal guanxi *to communicate some key personnel and bypassed the regulations. With support of key personnel, without the effective and trustful communication, I could not successful.*

P7: All aspects of internal *guanxi* can become negative if not in balance with leadership and organisational purpose; for example, strong guanxi ties can inhibit innovation, reduce communication and reduce leadership effectiveness.

As regards the negative side of supervisor–subordinate *guanxi*, *guanxi* practices can benefit individual recipients of favours and could be detrimental to the interest of groups, organisations and society (e.g., Dunfee, Warren and Li 2004; Fan 2002). Hsu and Wang (2007) added that group *guanxi* practice is related negatively to employee performance due to leaders' justice on the basis of personal relationships. However, the researcher only found limited evidence to support Proposition 7. The questionnaire findings show sometimes the subordinates faced a dilemma at work when they received different leaders' suggestions through the internal *guanxi* network. Some people defined this internal *guanxi* relationship as double-sided, which could generate negative effected on leadership judgement and work performance when people use it to break the rules for personal interest. Some people will rely on this internal *guanxi* network to unite together and make bargains with the company for group interests. The qualitative finding also shows that the internal *guanxi* may have a negative effect on organisational performance, such as 'personal interest'. Respondents explained that *guanxi* could cause individual interest which is contradictory to the interest of teams or the company. Some people who have close *guanxi* networks may unite together to threaten the company. For example, one manager from Public Relations pointed out:

> *However, internal guanxi must be used for interests of the team and company. If one uses one's* guanxi *for personal gains or interests, it should be banned. Thus, in this case, individual's characters, qualities and abilities are decisive.*

A General Manager said:

> *On the other hand, we have to manage employees who are doing scarce types of work in case they become too proud so that they unite with one another, bargain*

with the company to ask for a salary raise or start a strike to threaten the company

as they are easily to be united to do such a thing. Actually, it is a negative impact

of internal guanxi *among employees.*

Moreover, people pointed out if *guanxi* is overused or overly relied on as a network in a company, it will impact on leadership prestige and judgment, and result in employees abusing their power for the individual interest.

To summarise, the primary data confirm certain strong effects, some less strong (medium) and some weak effects:

Strong evidence supports P1, P2, P3, P5, P6.

Some evidence supports P4.

Weak evidence supports P7.

The interactions between leadership and internal *guanxi* networks

According to the findings of the questionnaire, certain results disclose that internal *guanxi* does negatively impact on subordinates' work. For example, Question 18(b) shows that 22.32% of subordinates believed they faced a dilemma when it came to multi-leaders' suggestions about their work. This result indicates that some leaders used internal *guanxi* to influence people to follow suggestions without following the formal regulatory system and making subordinates face a dilemma. This verifies that Proposition 7 was right: 'All aspects of internal *guanxi* can become negative if not in balance with leadership and organisational purpose, for example, strong *guanxi* ties can inhibit innovation, reduce communication and reduce leadership effectiveness.'

Situation	Percentage
Communication style is unsuitable	31.25%
Workload was not reasonable	30.36%
Dilemma for multi leaders' suggestions	22.32%
Leader is unwilling to change	22.02%
Reward and penalty assessment is unfair	22.02%
Leader improperly manage the negative morale	21.43%
Senior leaders across your leader to decorate work	20.83%
Leader's interpersonal power is limited	20.83%
Leader can't make decision effectively	18.75%
Leader set goals not clear	18.45%
Lack of leader's support	18.15%
Unclear the leader's evaluation of my work	16.96%
None can report when I got difficulties	15.48%
Leader's capability is unqualified	12.20%
None	10.42%

Figure 7.7: The situations respondents experienced between them and their leader

In addition, the researcher found that employees used internal *guanxi* to solve work-related problems, such as different leadership styles impacted on people's preference in using *guanxi* when they have difficulties (see Tables 7.6 and 7.7)

Table 7.7: Respondents' preferred method for using internal guanxi to solve problems

Prefer to ask for help from . . .	Number	Percentage
My leader	92	27.3
My internal *guanxi*	173	51.3
Both of them	72	21.4
Total	337	100.0

Table 7.7 shows that all respondents' choice of methods when they have difficulties; there is 51.3% of respondents prefer to use internal *guanxi* to look for help on the work, 27.3% of people prefer to report to their leaders. The rest of 21.4% people have chosen both of them, using internal *guanxi* and reporting to leader on the same time.

If the application of internal *guanxi* has been divided into two ways, one way is *guanxi* applied internally, another way is externally. The finding shows that the more senior leadership, the less use internal *guanxi* internally to solve problems (see Table 7.8).

Table 7.8: The impact of different job positions on employees' use of internal guanxi *internally to solve problems*

Job position	Prefer to ask for help from . . .	Number	Percentage (%)
Monitor	My leader	8	28.6
	My internal *guanxi*	15	53.6
	Both of them	5	17.9
Ordinary workers	My leader	61	35.7
	My internal *guanxi*	67	39.2
	Both of them	43	25.1
Supervisor/Engineer	My leader	8	12.1
	My internal *guanxi*	41	62.1
	Both of them	17	25.8
Assistant	My leader	5	33.3
	My internal *guanxi*	8	53.3
	Both of them	2	13.3
Manager	My leader	10	22.2
	My internal *guanxi*	30	66.7
	Both of them	5	11.1
Director/General Manager	My leader	0	0.0
	My private connection	12	100.0
	Both of them	0	0.0

As Table 7.8 shows, the ordinary workers are the largest group who used internal *guanxi* internally to solve problems. The Director/General Manager is the smallest group who used internal *guanxi*. It infers that the more senior position, the less use internal *guanxi* internally to solve operational problems.

Table 7.9: Respondents who have applied internal guanxi

Have you ever applied your internal *guanxi*?	Number	Percentage (%)
Yes	297	88.1
No	40	11.9

Table 7.10: Leaders who use internal guanxi *externally to solve problems*

Problem	Percentage (%)
Operational	33
Management	–
Strategic	67
Not used externally	–

In Table 7.6 the researcher tried to identify whether different job positions impacted on people's use of internal *guanxi* to deal with problems. The purpose was to determine whether different levels of seniority used internal *guanxi* to deal with different types of problems

The findings show that senior leaders have applied internal *guanxi* more externally to deal with strategic problems. Conversely, the Monitor group and ordinary workers prefer to use both ways to complete tasks, because they basically face operational problems, they cannot only get help from their leaders, and they can use their internal *guanxi* internally in the company to solve operational problems.

Table 7.11: The impact of different job positions on employees' use of internal guanxi *externally*

to solve problems

Job position	How often have you applied internal *guanxi* externally	Number	Percentage
Monitor	Once	4	14.3
	Twice	6	21.4
	Three times	6	21.4
	Four times	2	7.1
	Five times or more	1	3.6
	None	9	32.1
Ordinary workers	Once	27	15.8
	Twice	22	12.9
	Three times	15	8.8
	Four times	2	1.2
	Five times or more	2	1.2
	None	103	60.2
Supervisor/engineer	Once	12	18.2
	Twice	18	27.3
	Three times	9	13.6
	Four times	5	7.6
	Five times or more	4	6.1
	None	18	27.3
Assistant	Once	0	.0
	Twice	8	53.3
	Three times	1	6.7
	Four times	2	13.3
	Five times or more	1	6.7
	None	3	20.0
Manager	Once	2	4.4
	Twice	9	20.0
	Three times	9	20.0

Job position	How often have you applied internal *guanxi* externally	Number	Percentage
	Four times	14	31.1
	Five times or more	9	20.0
	None	2	4.4
Director/General Manage	Once	2	16.7
	Twice	0	.0
	Three times	2	16.7
	Four times	1	8.3
	Five times or more	6	50.0
	None	1	8.3
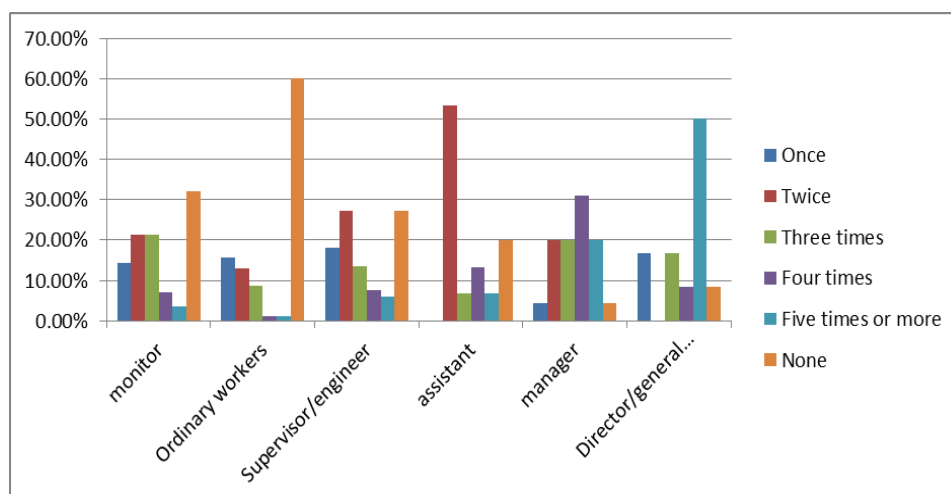
Figure 7.8: Frequency with which internal guanxi *is applied externally by different positions*

Tables 7.9 and Figure 7.8 show that 50% of respondents in senior positions have used internal *guanxi* externally very often, which accounts for five times. However, the respondents from junior positions, such as Monitors and ordinary workers, used internal *guanxi* externally much less. Thus, this result also confirms that the more senior the leadership, the more frequently internal *guanxi* is used externally.

To the question 'Have you ever applied your internal *guanxi* externally?', 59.3% employees responded that they had used internal *guanxi* externally，compared to the 89.3% people who have used *guanxi* internally. These results indicate that internal *guanxi* has been applied internally more commonly. The reason may be that more than 60% of respondents are subordinates who are normally faced with operational problems; they only need to use internal *guanxi* internally to solve operational problems.

In summary, the quantitative findings of the questionnaire survey distributed among 337 respondents show that 89% of respondents have ever used internal *guanxi* internally or externally to solve work-related problems. The more senior the leader, the less internal *guanxi* is used internally. Conversely, 50% of respondents in senior positions have used internal *guanxi* externally very often (five times). Thus, the more senior the leader, the more internal *guanxi* will be used externally to cope with strategic problems.

The different levels of leadership have different effects on solving the same problem or difficulty when they apply their internal *guanxi* network. The researcher demonstrated four typical examples from the different levels of leadership and showed that when employees face operational or management problems in their company, the junior staff members may fail to solve them by applying their own internal *guanxi* network, but the senior leaders would be able to solve them through their own internal *guanxi*.

For example, One Senior Sale Manager said:

In this case, our sales team would have to coordinate orders by using their

internal guanxi *network. If they fail, they would turn to me. I would communicate to other departments and factories to get priority for our order. They always help me and are willing to help me as they have a good internal* guanxi *with me. They would discuss what to do and how to make adjustments with me, and help me to finish producing goods in advance as it is required by the client.*

Another Sale Manager gave the following example*:*

They will rush departments one by one to complete tasks using their own internal guanxi *network. If there are obstacles or if some colleagues in these departments are not co-operative, they can report them to me. Then I will talk to the appropriate leaders and stress the importance of the order. (This is because an internal* guanxi *network of a leader is more influential than that of the general staff.) By doing so, the process could be completed within one day with high efficiency.*

A System Inspector added:

Although I relied on my internal guanxi *networks to communicate with this manager, for example, his colleagues, his best friend, I did not see significant improvement from him . . . I reached out to his former leader. We used to work together on several projects. This former leader talked to this manager and changed his attitude. Since then he has been very co-operative and finished tasks assigned by our department very efficiently.*

However, as regards strategic problems, sometimes the senior leader has to rely on the junior staff's internal *guanxi* to connect externally to seek further solutions to problems.

For example, one Staff in Administration discussed her case*:*

> *Recently, because my colleague forgot to clear one batch of goods to Fuzhou Customs, we cannot get the duty drawback which was about one million United States dollars according to the rules. The company had assigned two senior people to deal with this issue, they also used their internal* guanxi *to connect with the Customs, but it does not make any difference. Thus, the manager of the* Sales Department *asked me for a favour as one of my relatives worked in Fuzhou Customs leadership. With the help of my relative, we completed the relevant paperwork and got the refund.*

To summarise: the qualitative findings show that the influence of internal *guanxi* on leadership behaviour is as follows:

Firstly, internal *guanxi* positively impacts on leadership performance through three behavioural models.

Secondly, on the same leadership level, those who have internal *guanxi* networks are more influential to organise people and mobilise resources to complete tasks than people who do not have internal *guanxi*.

For instance, the Chief Technology Officer said:

The process of designing a new product should be based on process flow in principle. However, it depends on with how much initiative your colleagues from different departments can finish their work and how you communicate with and coordinate them. At least you should have a good internal guanxi *with them in order to get your job done well and quickly. Thus, internal* guanxi *is very important for management.*

Finally, as regards internal *guanxi* being applied internally, senior leaders barely use it; middle managers mainly focus on solving operational and management problems; and junior staff mainly focus on solving operational problems. Specifically, the same problem could have a different outcome depending on the effect of internal *guanxi* from different levels of leadership, because the more senior the leader, the more effective they are in solving problems, when juniors fail to solve operational and management problems using their own internal *guanxi* network. However, sometimes，junior employees can be more powerful to deal with the strategic problems of a company than their senior leadership, in which case senior leaders have to rely on their subordinates internal *guanxi* networks.

The next chapter is a further analysis of the comparison between the qualitative and quantitative findings will is discussed in order to verify that the data are generalised and valid for the research questions.

CHAPTER EIGHT: FURTHER ANALYSIS AND DISCUSSION

The earlier chapters of this thesis presented the findings of the qualitative and quantitative research, which were discussed in relation to the themes identified and the propositions, and conclusion relating to the original two research questions and the seven propositions were drawn. This chapter is a further discussion and comparison of the qualitative and quantitative findings to establish whether they are in accordance.

Comparison of qualitative and quantitative findings

This chapter is also a deeper analysis of the findings of the interviews and questionnaire. The aim was to find out what the inconsistencies of the results were between the interviews and questionnaire. It indicates how each research question is addressed by the qualitative and quantitative survey tool questions. This following section comments on the overlaps, and compares and contrasts the result of similar responses yielded by the interviews and questionnaire.

As regards Question 3 of the interviews: 'What kind of abilities or leadership skills are critical at work according to your experience?' the 34 interviewees were classified into three different levels of seniority, namely senior leaders, middle managers and subordinates in order to demonstrate the themes of their leadership skills by means of each interviewee's answers. In terms of the seven main themes they emphasised, the researcher found that three themes are closely associated with the findings of the questionnaire. These three characteristics are regarded as being the most typical Chinese leadership behaviour.

Table 8.1: Themes of critical leadership ability

Q3: What kinds of abilities or leadership skills are critical at work according to your experience?

Position	Teamwork	Build and maintain *guanxi*	Professional ability	Effective communication	Mobilise resource	Discover peoples' strength	Deal with emergencies
Senior leader	8	6	7	2	2	3	1
Middle manager	2	1	3	4	2	1	1
Subordinates	0	5	2	13	3	0	0
Total	9	12	12	19	7	4	2

Teamwork

The senior leader and manager explained how important 'teamwork' was for their leadership.

A General Manager said:

> *The ability to inspire the team and make team members follow me willingly is*
>
> *very important. I do my best to make them respect and support me willingly so*
>
> *that they will not pretend to agree with me and do things carelessly.*

This leader understands the core leadership skill is to influence people to trust and follow him.

A Senior Manager noted:

> *I think the most important ability is how to make everyone perform as a team and how to inspire the team from a positive point of view to achieve the common goal with concerted efforts . . . As far as I am concerned, not being selfish, we should devote ourselves to the team-building process and realise its full potential.*

This manager encourages people and evaluates their potential in order to build their confidence to complete goals.

Moreover, a Factory Director observed:

> *Unlike foreign-funded enterprises, Chinese private companies like our company, are very different in implementing regulations. We have to supervise employees by guiding and coaching them as well as checking their work and giving the necessary assistance all the time.*

This leader may point out the differences between Chinese and Western enterprises in the ways employees are managed in operations

A Factory Director specially underlined the role of internal *guanxi* in the process of teamwork:

> *In a labour-intensive enterprise like ours,* a guanxi network between people is *very important, which could directly influence the success of teamwork. If we do not have a proper form for the team and make it efficient when it comes to*

implementing orders, it would not work. As we have hundreds of workers in our

factory, we would fail to make it work if we solely depend on a Factory Director

and few Workshop Directors.

In summary, the leaders' insights into 'teamwork' amount to the following: they should encourage and inspire people, and assist and influence them to achieve goals. However, based on the findings of Question 21(a) in the questionnaire, 39.26% of the leaders believed their 'subordinates do not report progress timely, 33.33% leaders responded that their subordinates could not finish work on time and 31.11% said that their subordinates did not work hard. Moreover, based on the findings of the Question 19(a) in the questionnaire, 50.92% of respondents believed other departments' colleagues could not support them; 49.39% responded that other departments' colleagues were bureaucratic and 39.57% noted that colleagues could not take initiative to do the work. While this question was posed for all people surveyed, 72 leaders were involved (21% in total).

Figure 8.1: The situation respondents had between them and their subordinates
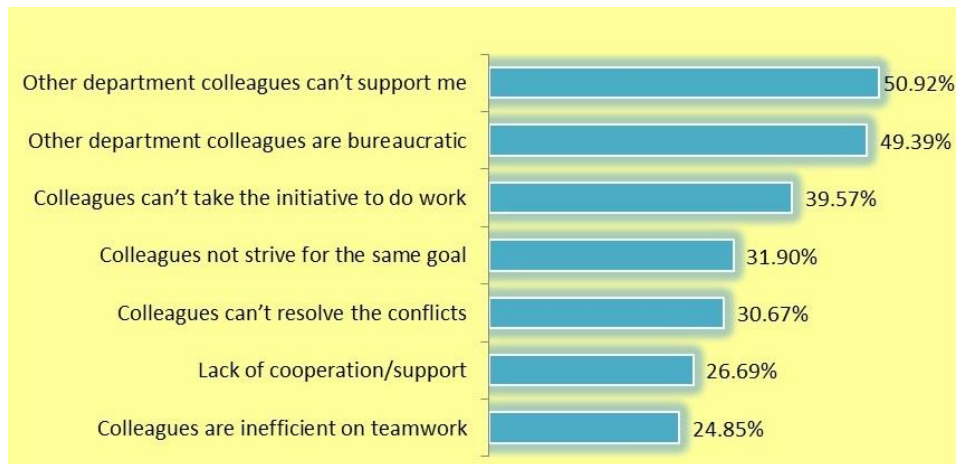
Figure 8.2: The situation respondents had between them and their colleagues

Therefore, although leaders do understand that 'teamwork' is essential for leadership behaviour, the findings expose some serious leadership problems in their ability to work with teams and those subordinates have to employ internal *guanxi* to overcome the weakness.

Building and maintaining *guanxi*

In terms of the theme of 'building and maintaining *guanxi*' in the qualitative research respondents explained that 'building *guanxi*' was one of the most important Chinese leadership abilities.

The Chief Financial Officer provided an example of success:

> *Wherever he goes, he is able to build an internal* guanxi *network quickly. Therefore, everyone is keen to help him. I think that is the reason why he succeeds.*

This example indicates that internal *guanxi* helps employees to receive more assistance and be successful.

A General Manager also stressed the following:

> *We should have some skills in management, especially in management of human resources and management of* guanxi *networks. In Chinese companies it is important to cope well with all kinds of* guanxi *as problems could occur in any link. Compatibility of leaders, colleagues and subordinates determines efficiency and the final results of your work.*

Based on this leader's discussion, internal *guanxi* is a determined factor of Chinese leadership behaviour and it could impact people's work performance as well.

Moreover, the Chief Technology Officer believed the following:

> *We should pay attention to the influence of* guanxi *and try to build a good internal* guanxi. *Especially when it comes to inter-departmental cooperation, we should resolve conflicts with an active and earnest attitude. Then we shall be able to lay a solid foundation for internal* guanxi *between one another.*

This Chief Technology Officer pointed out the key factors to building and managing *guanxi* to solve inter-departmental problems with cooperation.

A Human Resources Department Director also emphasised the following:

> *Especially, using internal guanxi network correctly determines leadership performance.*

To summarise: this leader's perspectives on 'building and maintaining *guanxi*', is that building a good internal *guanxi* network and maintaining it well are extremely important for leaders to influence, communicate and coordinate people to complete their work effectively. Consequently, the findings of the questionnaire also provide proof of this.

For example,

Q20*: Have you ever experienced the following situations?*
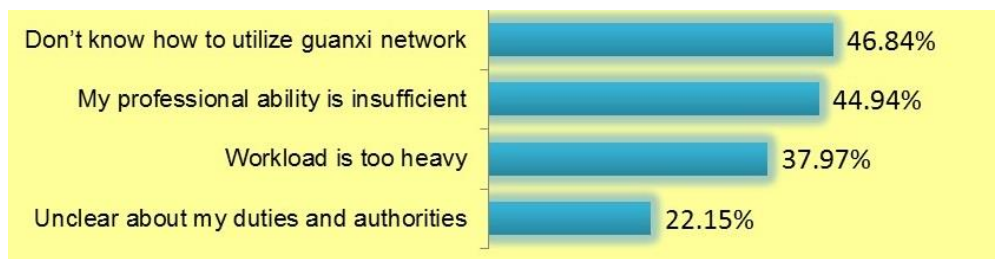
Figure 8.3: The situation respondents had about themselves

As Figure 8.3 shows, 46.84% of respondents said that they did not know how to utilise *guanxi* networks. This result indicates people do perceive how important *guanxi* networks are in their work performance, but they still lacked certain skills and experience to build and utilise *guanxi* networks effectively.

Effective communication

Effective communication is another theme addressed in the interviews that is closely related to the quantitative findings. Respondents considered effective communication as a useful approach to influence people to solve problems.

A Manager from the Sales and Production Department said:

Strong communication skills are important. If one of your subordinates has a conflict with another or if one of them wants to quit, good communication skills are essential for problem solving as your subordinates' trust and listen to you.

Furthermore, a Sales Manager noted:

I need to be able to communicate with people effectively. Knowing real difficulties my subordinates have through formal or informal communication, I will help them solve problems.

This manager perceived the importance of communication in his leadership performance; therefore he not only uses his authority to communicate with people, but also an informal way, internal *guanxi*, to communicate with them.

A Manager from the Public Relations Department mentioned:

If one wants to be good at mobilising resources, it is essential for one to have

good communication skills and the capability to use internal guanxi.

This manager believed good communication skills involved the capability to mobilise resources by using internal *guanxi*. In summary, leaders and managers believed effective communication could gain people's trust and support in order to mobilise the necessary resources to get jobs done. The findings of Q21(a) of the questionnaire related to the relationship between a leader and a subordinate also illustrated other results.
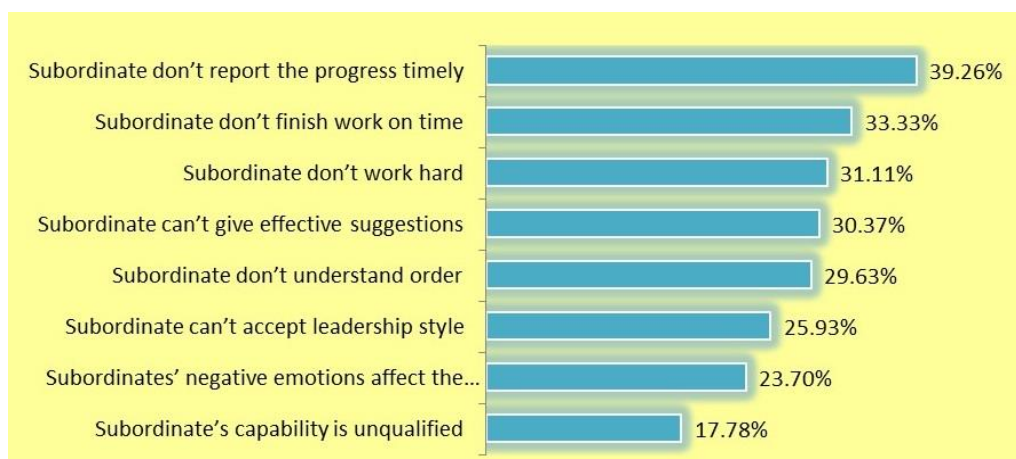
Figure 8.4: The situation respondents had between them and their subordinates

Figure 8.4 shows that the most significant problem they have is 'subordinates do not report the work progress timely' (39.2% of all respondents). The researcher inferred that there was a lack of effective communication between leaders and subordinates; leaders did not know anything about their subordinates' work progress.

The second frequent problem is 'subordinates do not finish work on time'. The researcher deduced that subordinates had difficulties in finishing their work, but they lacked assistance from their leaders, or they did not understand leaders' decisions and behaviour. In addition, 30.37% of leaders responded that subordinates could not provide them with effective suggestions and 29.6% responded that their subordinates did not understand their orders. These findings disclose that leaders need to improve their communication skills and make their leadership behaviour more effective to support their subordinates in their job.

As regards the subordinates' view of what is important leadership ability, the researcher also discovered two aspects of leadership behaviour that are closely related to the quantitative findings. For example, a subordinate emphasised the fact that 'effective communication' was the most important theme during the interview; this employee believed that it played a significant role in their daily operation.

A staff member from the IT Department said:

> *As for leadership skills, because I am not a leader but an employee, effective communication with colleagues and leaders to get help or resources when problems occur are the most important skills to me.*

This staff member believed effective communication made it possible to get the necessary assistance to solve problems.

A Monitor from the Workshop noted:

Communication refers to how one communicates with one's staff, namely how one convinces staff to work for the goal . . . usually I try my best to get along with the staff. For example, I will pay attention to my attitude when I contact them. From my attitude, I would know what kind of food they might prefer to eat or like doing something.

This example shows this Monitor pays attention to her attitude in communicating and coordinating her team members to collaborate with her leadership task.

In addition, a Quality Engineer stressed how important communication was in her work:

The ability to communicate and coordinative is important. We should be approachable and have a good internal guanxi *network; in other words, we need to maintain a* good guanxi *with colleagues and leaders and gain their trust and recognition so that we are able to have effective communications while dealing with problems and gain their support.'*

All the examples above indicate that internal *guanxi* networks have a positive impact on people and enable effective communication to obtain assistance. To summarise: subordinates believed that effective communication was a fundamental element in building internal *guanxi* with others in order to gain mutual trust and supportive cooperation. However, the findings of Q18 (a) related to the employees' relationship with their leader expose some problems in communication-related issues.
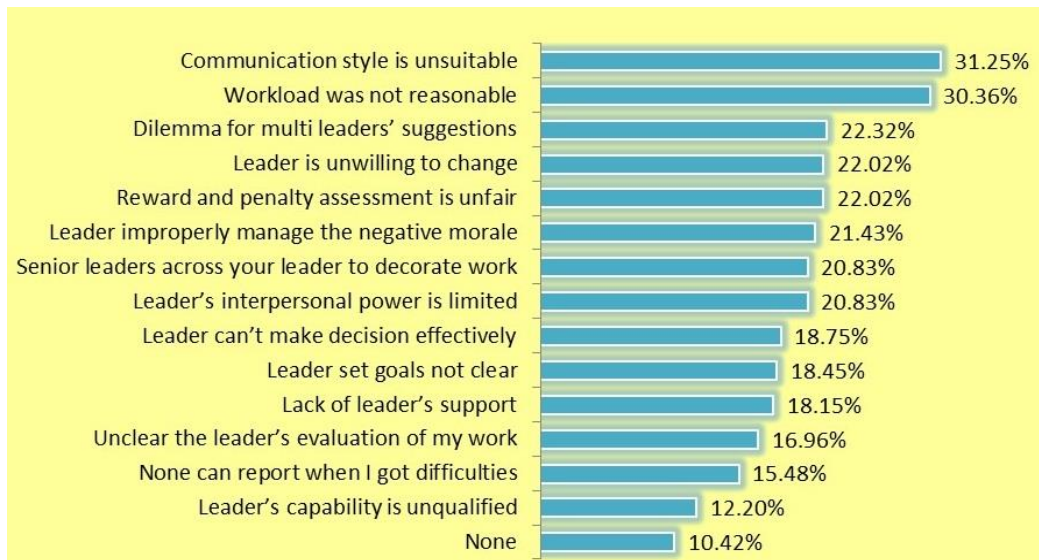
Figure 8.5: Situations respondents had between them and their leader

Figure 8.5 indicates that the 337 respondents considered 'communication style is unsuitable' and 'workload was not reasonable' as the most frequently experienced problems (respectively 31.25% and 30.36%). Respondents regarded their leaders or colleagues as having an unsuitable communication style with them that became a hindrance in mutual understanding, such as they believed the workload was not reasonable. Either the leader should convince and motivate subordinates to understand the workload assigned or people needed to coordinate with others to support them to complete the work. Moreover, the findings of Q19 (a) related to employees' relationship their colleagues also closely related to the theme of building and maintaining *guanxi* in the interviews.
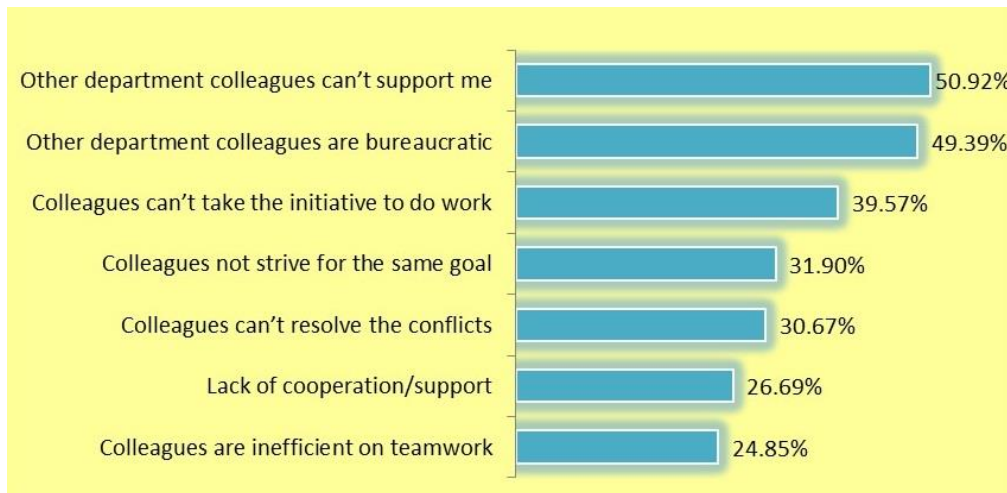
Figure 8.6: The situation respondents had between them and their colleagues

In answer to this multi-choice question, 50.92% of respondents thought that other departments' colleagues could not support them and 49.39% people viewed other departments' colleagues as bureaucratic. These results disclose that subordinates considered there to be a lack of effective communication with their colleagues or leaders. Thus, from the above discussion about the role of effective communication in employee's job, the researcher deduced that the internal *guanxi* was a crucial factor in determining whether communication was effective.

In summary, all subordinates believed that the role of building and maintaining *guanxi* in leadership ability relied on good internal *guanxi* networks to enable them to adapt their posts and get jobs done effectively, to strengthen their influential power and to have easy access to solutions. However, the findings of Q18 related to the relationship between employees and their leader (Figure 8.6) illustrates that subordinates' work performance has been impacted on by leaders' building and maintaining *guanxi*, which generated negative effects. For example, 22.32% of subordinates responded that they had a problem with multi-leaders' suggestions. This finding implies leaders used internal *guanxi* directly to influence subordinates' work; because the formal regulatory system regulated that leaders should not leapfrog to manage their

subordinates. Moreover, subordinates also mentioned that leaders' interpersonal power was limited, which was rated 7.42% by the weighted arithmetic mean. This result indicates that subordinates expected leaders' internal *guanxi* network to support them in accomplishing tasks when they had difficulties with other colleagues.

Figure 8.7: The most frequent situations respondents had between them and their leaders

As regards Q4 of the interviews, 'Have you ever felt that some rigid rules or regulations of the company restrict you from doing your job or managing the team? If you have, could you please give me an example?' 34 interviewees were classified into three different levels of seniority: respectively senior leader, middle manager and subordinates in order to demonstrate the themes of the rigid regulations. In terms of the nine themes of rigid regulation they emphasised, the researcher found that two themes of rigid rules were closely associated with the findings of the questionnaire, which are highlighted in italics in Table 8.2.

Table 8.2: Themes of regulations that restrict people in doing their job

Q4: What regulations restrict you from doing your job?

Job position	Frequency of themes								
	Excessive procedure	Rigid Financial regulation	Impractical training programme	Inconsistent synchronisation of implementation	*Negative incentive*	Lower compensation system	Slow response to emergencies	Impractical inspection	*Lack of specific regulations*
Senior leader	2	1	1	1	2	2	0	1	0
Middle manager	2	1	1	1	0	0	0	0	0
Subordinates	0	3	2	1	0	0	1	0	4
Total	**5**	**5**	**4**	**3**	**2**	**2**	**1**	**1**	**4**

Based on the findings of the questionnaire, subordinates responded that they were dissatisfied with the negative incentive and reported that there were no specific regulations to manage people to complete operational jobs in the company when they discussed rigid regulations that restrict them in doing their job. For example, the 'lack of specific regulation' is the most frequent theme (emphasised four times). Subordinates said that there were no specific regulations to get effective cooperation from others and even stop them from completing tasks.

For example, a staff from the IT Department responded:

> *Some rules are not very realistic. For example, workers and section chiefs are against ERP because they do not understand what benefits ERP could bring to them; also there is no specific rule for people to enforce ERP operation. As a result,*

I often have hindrances to completing my job.

One more example was given by a staff member from the Workshop:

Because some tasks need more departments or other assembly lines to assist, but there is no specific provision in the rules for the specific division of labour details, thus it will cause everyone to shift duties onto others.

Similarly, a Secretary in the Workshop mentioned the following:

Though rigid regulations or rules make sense to some point, there is always a flawed system link to impact on my work performance. With participation of multiple departments or little supervision, it might be hard to define responsibilities and the responsibility taker. In the end, the procedure might not be carried forward because of how complicated it is.

These subordinates have to rely on the formal system to implement the task assigned by leaders in addition to their hard work and professional attitude. If the formal regulatory system is not working, their work performance will be dramatically reduced by non-cooperation or inefficient operational management, which not only hurt people's individual interest it also harms the interests of the company. However, the findings of Q18 (a) related to the relationship between employees and their leader (Figure 8.6) illustrate some related information to the theme of 'lack specific regulation'. For example, 20.83% of subordinates feel that their leader's *guanxi* power is limited and they rated 'leader's *guanxi* is limited' as one of the most frequent situations they experienced (7.42%.)

Figure 8.8: The situations respondents experienced most between them and their leader
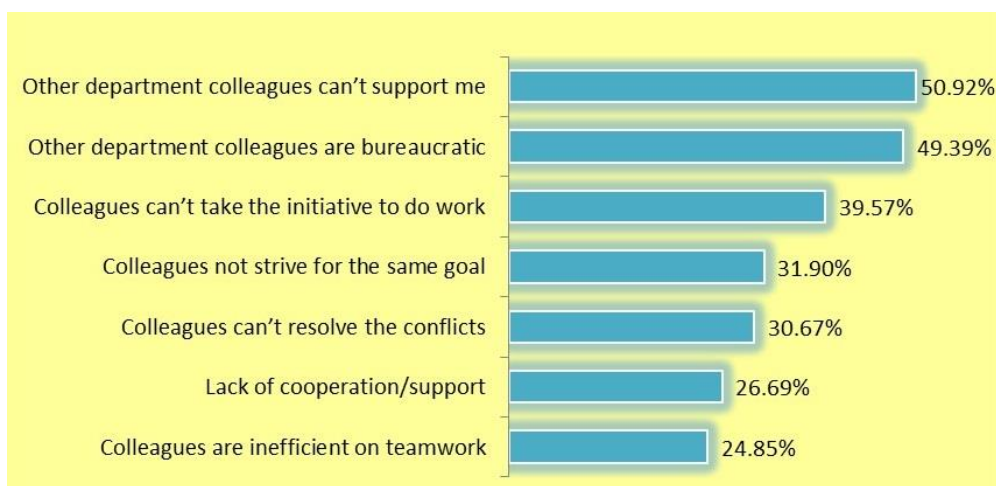
Figure 8.9: The situation respondents experienced between them and their colleagues

The findings of Q19 (a) related to the relationship between employees and their colleagues (Figure 8.9) also illustrate certain related information on the theme of 'lack specific regulation'. For example, 50.92% of respondents believed that other departments' colleagues cannot support them; 49.39% viewed other departments' colleagues as being bureaucratic and 39.57% responded that their colleagues could not take the initiative to do work. Thus, based on the results of Q18 and Q19, which implies that it is difficult for subordinates to do their work with

other departments' colleagues when the formal system failed to manage people in being co-operative and showing initiative, or they have limited influential power based on their post That is why these subordinates expect to look for their leaders' intervention with their *guanxi* networks to support them. The most fundamental reason is that there are no specific regulations to impose on people to coordinate and co-operate with one another.
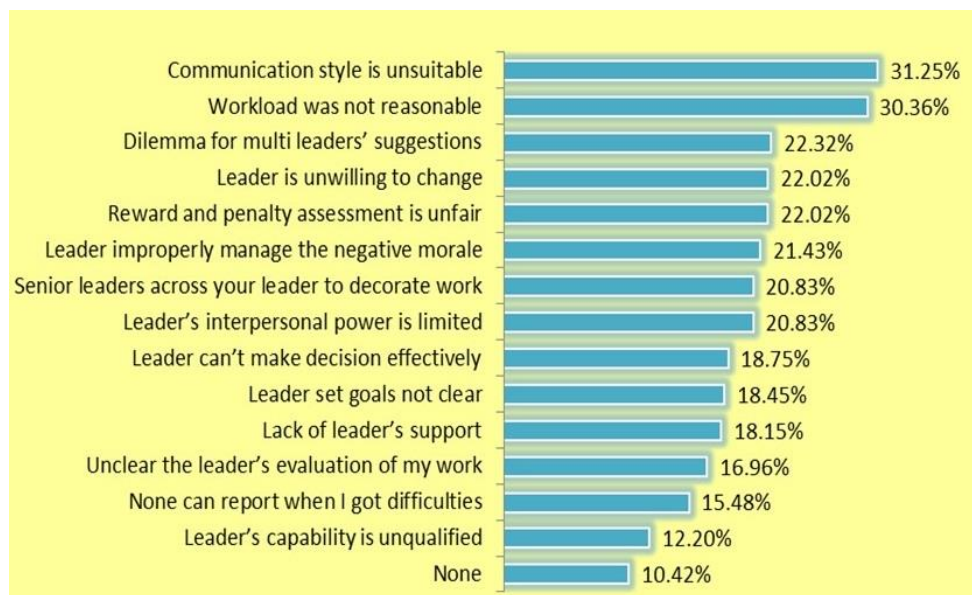
Figure 8.10: Situations respondents experienced between them and their leader

In terms of the theme of 'negative incentive', according to the findings of A1 (a), the researcher found that the people surveyed responded to similar problems (Figure 8.10). For example, 22.02% of subordinates believed that their reward and penalty assessment was unfair. During the semi-structured interview, two senior leaders also mentioned negative incentive was one of the main rigid regulations.

For example, a General Manger pointed out:

It was a mechanism of negative incentives in my opinion . . . to employees, they believed that a certain percentage of their salary was what they deserved and the company had no right to take it away based on the result of the assessment.

A Factory Director stressed that the incentive was unfair:

There is an insignificant difference between doing well and not doing well. Last year, some of my colleagues were upset or mad at the result of the product evaluation, as the evaluation standards did not involve any department that could affect work in our department. Therefore, the Purchasing Manager did not receive any punishment for not supplying resources in time and the Technical Department was not punished for technical flaws and so on.

These two examples imply that the negative incentive system not only has an impact on people's positivity and reduces their work performance, but also makes subordinates misunderstand their leaders' decisions and leadership functions.

As regards Q3 of the interview, 'Have you ever used your internal *guanxi* network within the company to solve work-related problems?' the 34 interviewees were classified into three different levels of seniority: respectively senior leader, middle manager and subordinates in order to demonstrate the themes of defining internal *guanxi*. The researcher found related

figures and analysis from the questionnaire, which enabled further verification of how employees used internal *guanxi* in their company.

Table 8.3: Themes of using internal guanxi

Q5: Use internal *guanxi* to solve problems in company

Position	Frequency of themes				
	Shorten formal regulations	Communication	*Influence people*	Improve regulatory system	Obtain assistance/ resource
Senior leader	2	5	2	2	4
Middle manager	0	3	5	0	1
Subordinates	0	2	3	3	8
Total	**0**	**10**	**10**	**5**	**13**

With regard to subordinates' perspective of the theme 'influence people', the researcher also found that certain findings of the questionnaire were closely related to the interview results. The subordinates listed examples of using internal *guanxi* to positively strengthen their work performance.

For example, an IT staff member gave an example of how to influence people to complete his tasks:

> *According to a rule, all employees should undergo a certain number of training*
>
> *courses. But it is difficult for them to do that because they always have their hands*

full. Thus, they are uncooperative. Therefore, I have to ask colleagues with whom

I have a good internal guanxi *to persuade those with whom they have a good*

internal guanxi *to take those courses. As a result, my job is a lot easier to do.*

A Human Resources Department staff member also used internal *guanxi* to make people understand her duty and influence people to co-operate in her job:

Sometimes, if a mistake made by one employee is found out during inspections, he

would be punished based on regulations. However, he would not be happy about

the punishment . . . If he complains about the punishment he received; I would talk

to the head of the Human Resources Department. I would tell the head of Human

Resources to give approval and reward if the employee makes progress and

becomes more co-operative . . . Sometimes employees need some guidance to

understand how the system works and that they have to abide by rules.

This example implies *guanxi* can be used as an effective way of comforting employees and as an informal way of guide people to more clearly understand the formal regulations.

Application of internal *guanxi* within Chinese private, foreign and state-own company

As regards the influence of internal *guanxi* on leadership within different types of company: Chinese private, foreign and state-owned companies, the researcher selected certain factors to verify whether they were related to the application of internal *guanxi*, such as different levels of seniority, different types of company and different CEOs.

According to the findings of Q22:

Table 8.4: Respondents' preferred method to solve problems

Q22: When you are looking for help at work, who are you most likely to ask for help in the company?

Prefer to ask for help from . . .		Number	Percentage (%)
	My leader	92	27.3
	My internal *guanxi*	173	51.3
	Both of them	72	21.4
	Total	**337**	**100.0**

Of the respondents, 51.3% preferred to use internal *guanxi* to look for help in their work, 27.3% and preferred to report to their leaders. The rest (21.4%) chose both of them, that is, using internal *guanxi* and reporting to leaders at the same time. Apparently, Research Question 1: 'Does *guanxi* apply internally in Chinese private companies?' has been confirmed and verified, because 85.97% respondents (85.97% = 51.3% + 21.4%) preferred to apply internal *guanxi* to look for help at work. In addition, the researcher found that 60.3% of private enterprises preferred to choose internal *guanxi* to solve problems in the workplace. However, 74.3% of foreign enterprises preferred to look for solutions from their leaders. Of the state-owned enterprises, 42% preferred to use both ways to solve work-related problems.

Table 8.5: The impact of different types of company on employees' use of internal guanxi *at work*

Type of company	Preferred to ask for help from . . .	Number	Percentage
Private enterprise	My leader	31	14.2
	My internal *guanxi*	132	60.3
	Both of them	56	25.6
Foreign enterprise	My leader	26	74.3
	My internal *guanxi*	5	14.3
	Both of them	4	11.4
State-owned enterprise	My leader	35	42.2
	My internal *guanxi*	36	43.4
	Both of them	12	14.5
Total	**My leader**	**92**	**27.3**
	My internal *guanxi*	**173**	**51.3**
	Both of them	**72**	**21.4**

Figure 8.11: Symmetrical normalisation of using methods by different type enterprise

Figure 8.11 demonstrates the more intuitive preferences for using internal *guanxi* to complete tasks by different types of enterprises. The map in Figure 8.11 is based on the correspondence analysis method. As the map demonstrates, private enterprises are quite close to 'my internal *guanxi*' and very far away from 'my leader'; the distance between 'the private enterprise' and 'my internal *guanxi*' indicates their correspondence in their relationship; the foreign enterprise is close to 'my leader' and very far away from 'my internal *guanxi*'; the state-owned enterprise is basically similar to the distance between 'my internal *guanxi*' and 'my leader'. Thus, employees of private enterprises prefer to use internal *guanxi* when they have difficulties at work; employees of foreign enterprises prefer to report difficulties to their leaders and the people of state-owned companies used both ways to seek solutions.

Correspondence analysis is a multivariate statistical technique proposed (Dodge 2003) by Hirschfeld (1935) and later developed by Jean-Paul Benzécri (Benzécri 1973). It is conceptually similar to Principal Component analysis, but applies to categorical rather than continuous data. In a similar manner to principal component analysis, it provides a means of displaying or summarising a set of data in two-dimensional graphical form. All data should be non-negative and on the same scale for correspondence analysis to be applicable, and the method treats rows and columns equivalently. It is traditionally applied to contingency tables – correspondence analysis decomposes the Chi-squared statistic associated with this table into orthogonal factors. Because correspondence analysis is a descriptive technique, it can be applied to tables whether or not the χ^2 statistic is appropriate. (Greenacre 1983, 2007).

Table 8.6: The impact of different CEOs on employee's use of internal guanxi *at work*

Origin of CEO	Prefer to ask for help from . . .	Number	Percentage (%)
China	My leader	67	22.3
	My internal *guanxi*	165	55.0
	Both of them	68	22.7
Hong Kong, Taiwan	My leader	0	0.0
	My internal *guanxi*	3	75.0
	Both of them	1	25.0
Asia	My leader	8	88.9
	My internal *guanxi*	1	11.1
	Both of them	0	0.0
Europe	My leader	11	68.8
	My internal *guanxi*	3	18.8
	Both of them	2	12.5
America	My leader	6	75.0
	My internal *guanxi*	1	12.5
	Both of them	1	12.5
Middle East	My leader	0	0.0
	My internal *guanxi*	0	0.0
	Both of them	0	0.0
South Africa	My leader	0	0.0
	My internal *guanxi*	0	0.0
	Both of them	0	0.0
Other	My leader	0	0.0
	My internal *guanxi*	0	0.0
	Both of them	0	0.0

As Table 8.6 shows, the CEOs who come from China, Hong Kong and Taiwan prefer to use internal *guanxi* to look for help at work; and the CEOs from the United States, Europe and Asia prefer to look for help from their leaders. This result may further explain leadership based on different cultural contexts that influence people's perceptions of the implications of internal *guanxi*: leaders manage cultures and cultures are about people (e.g., Chhokar et al. 2007; House et al. 2004; Hofstede 2001; Singelis et al. 1995). Leadership is interrelated with the culture in which the leader operates (e.g., Hui et al. 2007; Schein 2006), and contemporary organisational cultures are characterised by demographic and cultural diversity (e.g., Chin and Sanchez-Hucles 2007; Yooyanyong and Muenjohn, 2010).

Table 8.7: The impact of different job positions on employees' use of internal guanxi *at work*

Job position	Prefer to ask for help from . . .	Number	Percentage (%)
Monitor	My leader	8	28.6
	My internal *guanxi*	15	53.6
	Both of them	5	17.9
Ordinary workers	My leader	61	35.7
	My internal *guanxi*	67	39.2
	Both of them	43	25.1
Supervisor/ Engineer	My leader	8	12.1
	My internal *guanxi*	41	62.1
	Both of them	17	25.8
Assistant	My leader	5	33.3
	My internal *guanxi*	8	53.3
	Both of them	2	13.3
Manager	My leader	10	22.2
	My internal *guanxi*	30	66.7
	Both of them	5	11.1
Director/General Manager	My leader	0	0.0
	My internal *guanxi*	12	100.0
	Both of them	0	0.0

It is clear from Table 8.7 that the more senior a position, the more internal *guanxi* is used. The inference may be drawn that the senior leader faces more strategic problems, and the use of internal *guanxi* should be employed widely, especially when senior leaders use internal *guanxi* to connect with the macro business environment or other influential organisations. Furthermore, Monitors and ordinary workers prefer to use both ways to complete tasks because they basically face operational problems, that is, they can not only get guidance from their leaders, they can use their internal *guanxi* in their company to find suggestions to solve operational problems. As the previous finding (see Q22) showed, employees perceived the significance of internal *guanxi* in their work.

Q23: *Have you ever applied your internal* guanxi *network internally to circumvent the formal regulatory system or skip your leader in order to solve your job problems in the company?*

Of the respondents, 88.1% replied that they have used internal *guanxi* internally and 11.9% did not use it (Table 8.8).

Table 8.8: Respondents' preferred method to solve problems

Have you ever applied your internal *guanxi*	Number	Percentage (%)
Yes	297	88.1
No	40	11.9

Of the respondents, 88.1% used internal *guanxi* internally to solve problems. Compared to the findings of the interviews, where 94% respondents provided examples of how they used *guanxi* internally. These two results can be considered as a significant explanation for Research Question 1: 'does *guanxi* apply internally in Chinese private enterprises? Additionally, the researcher found that ordinary workers were the largest group who used internal *guanxi*

internally to solve problems. The Director/General Manager was the smallest group who used internal *guanxi* (Table 4.7). Thus the more senior the position, the less internal *guanxi* was used internally to solve problems. According to the results of the interviews, 100% of subordinates replied that they used internal *guanxi* internally and only 90% of leaders used it internally. It could be concluded that the more senior the position, the less internal *guanxi* is used internally (two out of ten senior leaders clearly stated that they did not use internal *guanxi* internally). This result contradicts the result of the Director/General Manager group who used internal *guanxi* internally and externally. It is necessary to discover how senior leaders used internal *guanxi* externally in order to explain this result reasonably.

Table 8.9: The impact of different job positions on employees' use of internal guanxi *at work*

Job position	Have you ever used internal *guanxi?*	Number	Percentage (%)
Monitor	Yes	27	96.4
	No	1	3.6
Ordinary workers	Yes	146	85.4
	No	25	14.6
Supervisor/engineer	Yes	62	93.9
	No	4	6.1
Assistant	Yes	15	100.0
	No	0	0.0
Manager	Yes	40	88.9
	No	5	11.1
Director/general manager	Yes	7	58.3
	No	5	41.7

The findings show that the Human Resources and Sales departments had used internal *guanxi*

three times in the past three months; they are the departments who use it the most frequently. The rest of the departments used it twice in three months. The Finance and Technical departments only used it once (Figure 8.12).
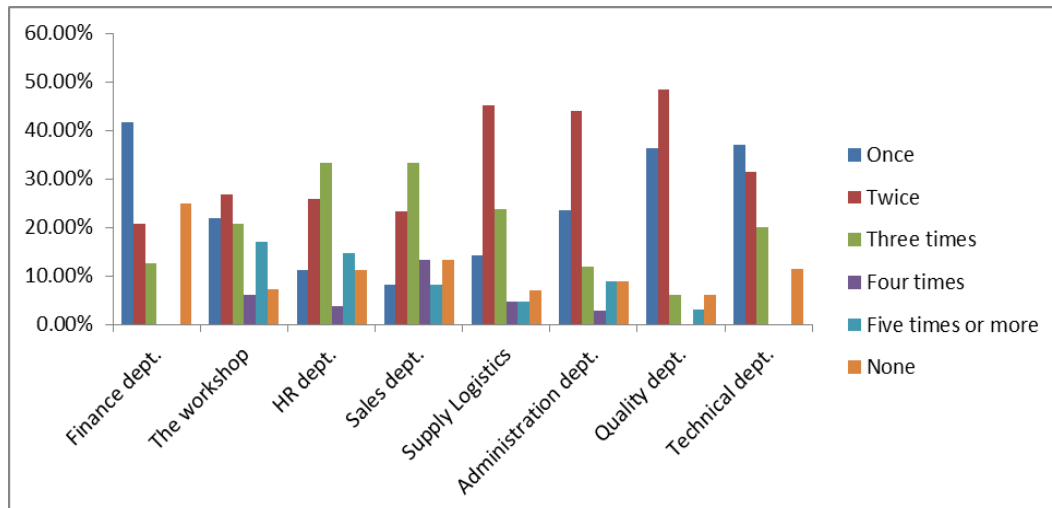
Figure 8.12: Frequency with which internal guanxi *is used by department*

Compared to the findings of the interviews, the Human Resources and Sales departments used internal *guanxi* internally the most often to solve work-related problems (each department accounted for 15% in total).

As regards Q6 of the interview: '*How do you define your internal guanxi network within the company? Do you think the network is a supplement to the formal management system of the company or a network that could affect operations of normal management and have a negative impact? Could you please give me some example*?' The 34 interviewees were classified into three different levels of seniority: senior leader, middle manager and subordinates in order to demonstrate the themes of the use of internal *guanxi* in companies. In terms of the eight themes emphasised, the finding is that two themes are closely associated with the findings of the questionnaire, which are highlighted in italics in Table 8.7.

Table 8.10: Themes for defining internal guanxi

| Position | Frequency of positive themes | | | | | | | |
	Exists	Double-sided	*Communication*	Management	Solution	*Influence*	Efficiency	Resource
Senior leader	5	1	2	3	3	2	3	2
Middle manager	2	1	1	3	0	1	2	1
Subordinates	1	2	5	1	2	2	4	1
Total	**8**	**3**	**8**	**7**	**5**	**5**	**9**	**4**

The second most frequent theme is 'communication'. Employees considered *guanxi* as an effective communication approach to help them obtain more cooperation from others, to deal with disagreements and conflict, and to receive greater assistance at work. Most respondents believed that *guanxi* could be used to supplement the formal regulatory system, which is a meaningful, helpful and beneficial management approach because *guanxi* is objective and historically exists everywhere, especially in Chinese enterprises. Some respondents defined *guanxi* as an invaluable resource, which helps them to be successful. Some leaders considered *guanxi* to be an impressive pattern of influencing people to overcome difficulties and achieve goals. Normally, senior leaders bypassed these ways of influencing people, such as unite the team and reassure members, and gain trust to solve disagreements and fight for the interests of the team.

For instance, a leader used internal *guanxi* to influence people to become more united and cohesive:

> *If we claim that they have to do something according to rules, they may not do it or may just ignore us. However, things could be very different if we have a good internal* guanxi *as I can encourage them, unite them and inspire them. I often have dinner and communicate with my subordinates. Sometimes, I go to do some group activities with them to get close to them, win their trust, and build a positive and effective internal* guanxi *with them. From those activities, I get to know their needs so that I can try my best to help them meet those needs. By doing so, they are able to concentrate on work and stay in the company for the long term.*

A senior Sales Manager pointed out the important principle of *guanxi* in influencing people:

> *Thus, I require team members to build a good internal guanxi network. There are two sentences that explain my point of view. One is that you should treat others in the way that they want. The other one is that you should treat others in the way you'd like to be treated. Though that sounds easy to understand, they tell a profound truth. First, you need to communicate with others effectively. Then you need to draw a conclusion on how they think, how they would like to be treated and what their needs are, which is the same as what I said earlier about bringing people's subjective initiative into play. Lastly, you gain trust and build a good internal* guanxi *with them by treating them in a way they want to be treated on basis of mutual respect, fairness and mutual assistance. Thus, you will have established a good internal* guanxi *network effortlessly.*

In addition, the subordinates also explain 'influence' from their point of view.

An employee from ERP noted:

I think internal guanxi *is good and that internal* guanxi *network is helpful to your work as in most cases you need to use it to communicate with people and solve problems at work and fulfil tasks.*

An employee from the Workshop responded:

I think as long as we use it properly, it will not bring us negative impacts. If clients with whom we have long-term cooperation have some difficulties, we cannot be harsh on them and follow rules without standing in their shoes. If we use internal guanxi *to solve the problem and bypass the rules, we would be able to solve them effectively and get the job done easier. When we are happy getting the job done, the clients are grateful and satisfied with our service.*

One Human Resources staff member stated:

As you know, personnel could be resistant to new regulations when we reform or improve our systems. So they would be less resistant if we have a good internal guanxi *with them. They would want to hear you out, listen to what the new regulations are and figure out what benefits new regulations could bring about. Then they would co-operate with me and try their best to fulfil the tasks I give. It*

is very common, especially in domestic enterprises . . . However, the truth is they would be more co-operative, have a better attitude and do their job more efficiently if we do have a good internal guanxi *with them.*

This employee had a more positive attitude to her work when she communicated with others to complete a job with the help of a *guanxi* network.

Moreover, the subordinate group cited 'communication' five times, as the most frequent theme; they interpreted *guanxi* as an effective communication tool to assist people in gaining assistance at work, coordinate collaboration and deal with disagreements.

A respondent noted:

In a company an internal guanxi *network is very important. Let's not talk about what role your internal* guanxi *network plays. At least it enables you to help and encourage others and learn from them with the help of effective and smooth communication.*

One Human Resources Department staff member described the role of *guanxi* in communicating with people in order to coordinate conflict:

An internal guanxi *network is kind of a big concept. In general, it is a relationship among individuals. We can turn relationships with subordinates or colleagues to internal* guanxi *as there is no absolute working relationship. In many cases I use internal* guanxi *to communicate with people when I deal with problems or have*

disagreements among employees.
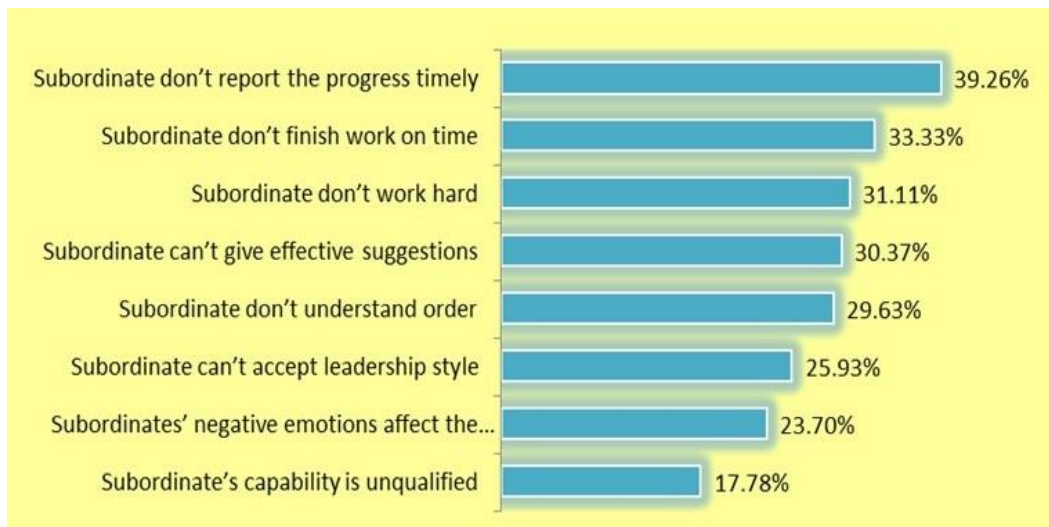
Figure 8.13: Situations respondents experienced between them and their subordinates

According to the findings of Q18(a) related to the leaders' relationship with their subordinate (shown in Figure 8.13), 39.62% leaders and managers reported that their subordinates did not report progress timely; 30.37% said their subordinate could not provide effective suggestions and 29.63% believed that their subordinates could not accept their leadership style. These results show that although leaders and managers considered communication and influence as the most important elements of the definition of *guanxi*, they still had much room to improve their ability to build and maintain *guanxi* with other employees in their company.

The findings of Q19 (a) (Figure 8.12) illustrate that communication between leaders and subordinates is inefficient. For example, 50.92% of respondents believed that other departments' colleagues could not support them and 49.39% reported that other departments' colleagues were bureaucratic. These results show that leaders lacked effective communication skills in dealing with their subordinates or colleagues, especially people from other departments. However, they understood how important the role of communication is in the application of
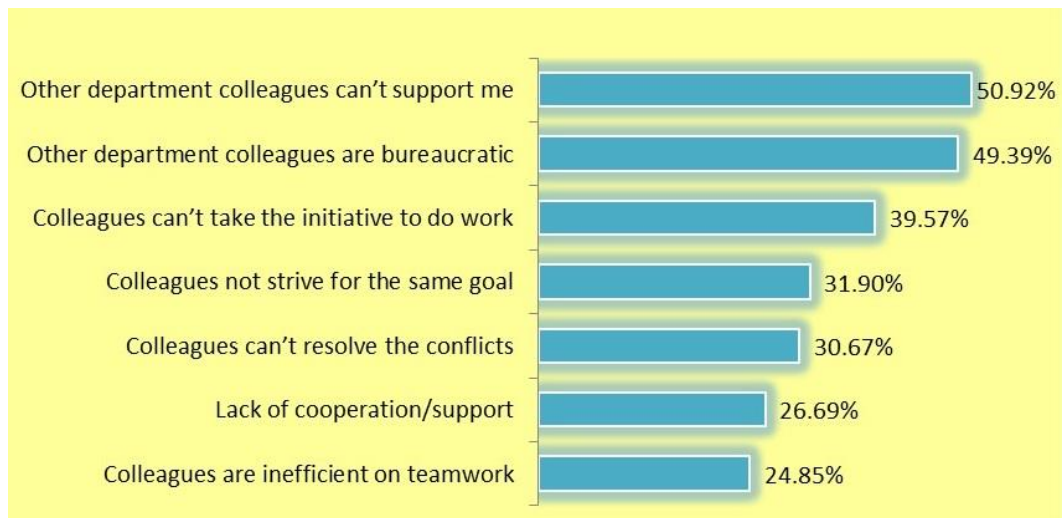
guanxi.

Figure 8.14: Situations respondents experienced between them and their colleagues

As regards Q7 of the interview: '*Generally, what makes you or motivates you to use your internal guanxi to solve work-related problems?*', a comparison of the findings of the interview and the questionnaire survey, the researcher found that 100% of the leaders used internal *guanxi* externally and 77% of subordinates used it. This shows that senior leaders are more likely to use internal *guanxi* externally; more so than subordinates. Similarly, the findings of Q25: '*In the past three months, have you connected with your internal guanxi network externally to solve internal organisational problems?*' showed that 59.3% of respondents used internal *guanxi* externally and 40.7% did not use it (Table 8.8). To summarise the discussion above: the findings of the interviews and questionnaire both illustrate that senior leaders used internal *guanxi* internally more so than subordinates.

Table 8.11: Respondents' application of internal guanxi *externally*

Have you ever applied your internal *guanxi* externally	Number	Percentage (%)
Yes	200	59.3
No	137	40.7

Of the respondents, 50% in senior positions have used internal *guanxi* externally very often, which accounts for 5 times. However, the respondents from junior positions, such as monitor and ordinary workers used private *guanxi* externally much less. It may be inferred that the employees in more senior positions use private *guanxi* externally more frequently (Figure 8.14). This result is the same as the interview.
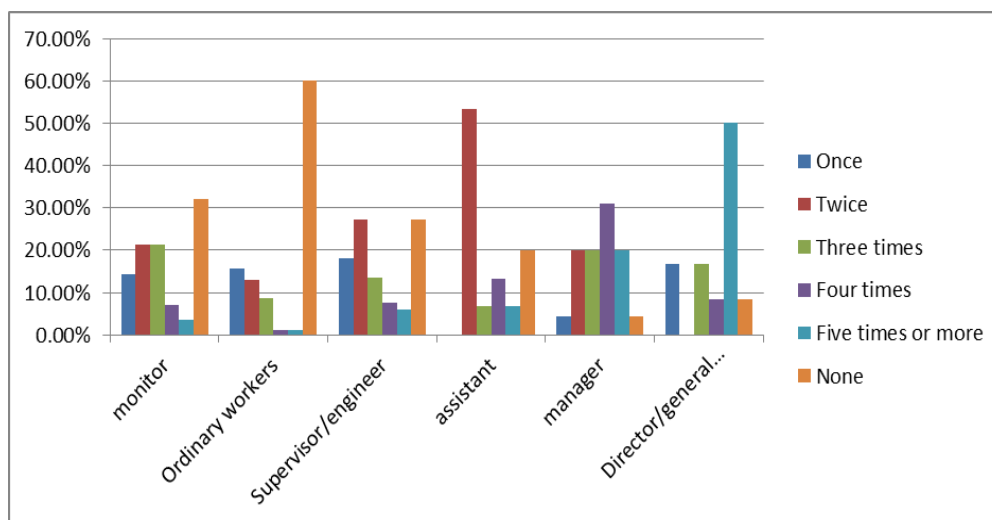
Figure 8.15: Frequency with which employees used internal guanxi *externally by*

different position

Q8: 'Generally, what motivates you to use your internal guanxi *to solve work-related*

problems?'

Table 8.12: Themes for motivation to use internal guanxi

Position	Benefit of company	Task	Efficiency	Personal interest	Team leadership	Favour
	Frequency of themes					
Senior leader	6	8	2	2	5	0
Middle manager	3	4	3	1	2	0
Subordinates	1	11	4	0	1	3
Total	**10**	**23**	**9**	**3**	**8**	**3**

The 34 interviewees were classified into three different levels of seniority: senior leader, middle manager and subordinates in order to demonstrate the themes of rigid regulations. In terms of six themes for the motivation to use *guanxi* it was found that three themes were closely associated with the findings of the questionnaire, which are highlighted italic in Table 8.12.

Table 8.12 shows that the most frequent theme for the motivation to use *guanxi* was 'task'; internal *guanxi* is used to accomplish tasks, they tried to get jobs done well and to enhance work performance. In addition, people applied their *guanxi* networks for the benefits of their company. Some respondents admitted that they also used it for personal interest if there was no conflict of interest with the company. To strengthen team leadership and increase efficiency were other important reasons to use internal *guanxi*. They also fought for team honour, to unite team members, encourage them and to shorten excessive procedures to increase working efficiency.

A General Manager discussed 'team leadership' as follows:

I use internal guanxi *in order to achieve build a better team and enhance leadership performance.*

A senior Sales Manager said*:*

I used guanxi *to motivate our team honour, so they will be more united and help each other to accomplish better achievements.*

A Factory Director explained:

I used internal guanxi *out of pressure, because of some tasks that I have to fulfil. Another reason would be for the honour of the team . . . I am not saying that we have to be the first all the time. But I could not bear to see that we are the last every time. If something can be achieved by other factories, we can do it as well. Therefore, my subordinates have a sense of honour being influenced by me. I motivate them to work hard.*

A Human Resources Manager said:

Basically, I only use personal relations for company interests. I want to do a better job and be more efficient in order to encourage employees to do a good job, make them more united and improve their efficiency.

An ERP staff member stressed his motivation:

I do it mainly for the interests of the company. I also do it for my team because I

hope everyone in the team gets along with others and has a comfortable working

environment, which is harmonious guanxi *with one another.*

Compared to the findings of the questionnaire, the researcher found that some of the information is related to the motivation for enhancing team leadership. For example, 17.52% of respondents noted that they used internal *guanxi* to assist their leader to achieve goals, which is the second most frequent motivations (Figure 8.16). Furthermore, 17.06% of the responses yielded a weighted average score for 'assist my leader to achieve goal' as the second frequent motivation. In the analysis of the interviews 8 out of 24 (24%) respondents replied that they used internal *guanxi* in team leadership. This result shows that team leadership is one of employees' motivations for using *guanxi*.

Figure 8.16: Motivations for applying internal guanxi

Figure 8.17: The top-weighted average motivations for applying internal guanxi

As regards 'benefit of company', the findings of Q27: 'what are your reasons (motivations) for applying internal *guanxi*? Illustrate information related to the analysis of the interviews. Of the respondents, 45.94% used internal *guanxi* for the benefit of company, (for duty and responsibility: 19.76% + for the collective honour: 15% + for the company interest: 11.18%). In the analysis of the interviews 10 out of the 34 respondents (29%) replied that they used internal *guanxi* for the benefit of the company.

As regards 'personal interest', the findings of the questionnaire show that 10.16% of respondents replied that their motivation for using *guanxi* is to make up for past errors, 8.85% used it to prove personal ability and 4.75% admitted that they used it for personal interest. Thus, 24% respondents used internal *guanxi* for their personal interest. In the analysis of the interviews, 9% of respondents replied that they used internal *guanxi* for personal interest.

In summary, the qualitative and quantitative results were comparable and this supports the key findings of the principle data collection method. Furthermore, the additional data collected from the larger quantitative survey identified aspects of company size, ownership, state control

and foreign leadership as factors that influence the nature and influence of the leadership–*guanxi* relationship. This data have not yet been fully evaluated and will be further analysed for future publication purposes. These aspects are incidental to the original research but underpin the principle that cultural norms (*guanxi*) play an active role in the behaviour of the Chinese enterprise, and that changes in the economy, policy and leadership cultures have a consequence for the harmony that has sustained China for several thousand years.

Generally speaking, *guanxi* has not only been applied externally, organisations achieve success through Chinese enterprises, but it can also be implemented internally to motivate employees, overcome hindrances and strengthen leadership functions. With respect to the culture of *guanxi* in China, many researchers and international entrepreneurs are already aware of its profound role in determining the success of business. In this thesis the answer to the question: Does internal *guanxi* also play a significant role in the success of organisations' performance? The answer is 'yes'. Based on the findings of 337 employees surveyed by questionnaire and 34 deep interviews, internal *guanxi* has been verified as being able to strengthen leadership and employee performance.

According to the qualitative and quantitative research in this thesis, an attempt was made to fully understand what internal *guanxi* is: it is an approach to boost work efficiency, fast track operational procedures and solving problems quicker. Internal *guanxi* is an effective communication approach to help employees obtain more cooperation from others, deal with disagreements and conflicts, and receive greater assistance at work. Internal *guanxi* is an invaluable capability to mobilise the necessary resources to cope with challenges. Internal *guanxi* could be considered as a supplement to the formal regulation system of managing companies, which is a meaningful, helpful and beneficial management approach.

Internal *guanxi* as a central component of Chinese leadership behaviour integrates with the adaptation of leadership and formal systems. For example, senior leaders and middle managers rely on internal *guanxi* to coordinate the relations among the different stakeholders, such as employees, customers and suppliers, and improve efficiency due to rigid regulation or ineffective leadership behaviour. Internal *guanxi* has been considered important to Chinese leadership ability by the 34 interviewees and they emphasised that 'building and maintaining *guanxi*' was the key distinction between Chinese leadership behaviour and Western leadership behaviour. Based on the findings of the qualitative and quantitative research, and the pilot study, internal *guanxi* has an impact on the leadership performance through three different models: (i) in the 'simple internal *guanxi* model the subordinate is able to connect with his or her *guanxi* to circumvent the hierarchical system and overcome hindrances to find solutions for his or her work problems. Specifically, the subordinate finds flaws in regulation and it badly affects his or her work performance, he or she tries to connect with the senior leader to further investigate the flaws through the internal *guanxi* network. Eventually, the subordinate amends the flaws in regulation and improves work efficiency. In the 'inter-firm internal *guanxi* model' the leader of organisation A connects with his or her subordinate directly to look for solutions. The subordinate relies on his or her internal *guanxi* in linking up with an influential person in organisation B. Finally, the issues between organisations A and B have been solved. Specially, if a leader of organisation A receives a serious claim of a fault in a product from organisation B, organisation A faces an expensive penalty. This leader calls for help from his or her subordinate, this subordinate employs his or her internal *guanxi* to connect with and influence the decision-maker of organisation B. Finally, the penalty is withdrawn and replaced with compensation. In the 'inter-regulatory internal *guanxi* model' the leader is able to connect with a resource or authority outside his or her company through his or her subordinate's internal

guanxi network and empowers the company in order to deal with challenges. For example, the leader has to deal with an issue with the local customs because the company neglected to declare a consignment. The leader employs internal *guanxi* to connect with his or her subordinate for further assistance. Finally, the subordinate solves the problem through his or her internal *guanxi* network at customs.

However, if internal *guanxi* is used, this may reduce leadership prestige and judgement, and result in employees abusing their power for individual interest and weaken work performance.

The positive and negative effects of internal *guanxi* have been investigated and understood. The qualitative and quantitative research manifests that Chinese leaders and subordinates perceive both sides of the effect that internal *guanxi* have when they apply it internally and externally. Most of them are confident about its positive effect on work performance and as a solution measure under certain circumstances, such as they only use internal *guanxi* for the collective interests; internal *guanxi* has to be used in emergencies as a supplement to the formal system; there are should be a corresponding supervision mechanism to govern the application of internal *guanxi* in enterprises. Moreover, subordinates believe internal *guanxi* is an effective measure to help them accomplish tasks by improving cooperation, shorten the formal procedure to speed up production progress; communicate well to solve conflict; obtain the necessary resources or assistance; encourage people to work overtime for urgent issues; and strengthen their ability to cope with operational and strategic problems. Statistically, more senior leaders applied their internal *guanxi* network externally to cope with strategic problems, such as obtaining massive funding from central government for a new project, building financial platforms with a local authority and creating a good understanding with policy-makers in their industry.

Junior staff members, in turn, mainly use internal *guanxi* internally to solve operational problems, such as accomplishing tasks assigned by leaders, solving conflict with colleagues and completing operational work. However, these employees also have the capability to amend the formal regulatory system or potential power to influence senior leaders to make things right; they are able to apply their internal *guanxi* network outside the company and connect effectively to assist leaders in achieving their goals. Therefore, this internal *guanxi* network may be relied on to break down the hierarchy or social class, and realise significant achievement for the collective and themselves. People have an equal chance to make a success of their life by using a *guanxi* network. Especially the subordinate group has a significant role to play in solving problems.

This thesis identified the distinctions between Chinese leadership behaviour and Western behaviour. Chinese leaders fully realise that a good enterprise cannot rely on internal *guanxi* networks to manage people to achieve success. However, they adapt the Chinese *guanxi* culture into leadership behaviours and formal systems. They transfer this adaptation as a soft approach to influence people to understand the leaders' vision and goal, which is especially necessary for Chinese employees.

Because the Chinese value feelings, they believe in sentiment over rules in certain circumstances. That is why the Chinese live in a different system from that in the West: they have integrated the Western formal management system with the concept of *guanxi* for a more flexible approach towards people. The leaders and subordinates surveyed in this research describes the internal *guanxi* system as looking after people's feelings, helping them build friendships with one another, giving people more opportunities to innovate what they have

done and gaining mutual trust in teamwork.

The Chinese also value saving face: face and its related concept *guanxi* predominantly affect Chinese behaviour at social, political and organisational levels. The face factor determines that the Chinese have to use a different way from the West to communicate about issues and solve problems. The Chinese endeavour to develop and keep a harmonious relationship in a continually transforming process of mutual dependency in interactions. Face-saving has also been considered as one of the important factors to build and maintain internal *guanxi* to solve people's conflicts in a harmonious way.

CHAPTER NINE: CONCLUSION

Firstly, the author worked in a Chinese private company and was aware of the fact that many organisational problems were being solved through social *guanxi* networks outside the workplace; for example, cooperation in the supply chain, financial sourcing issues and the conflict of interest in customer relations. Secondly, this thesis provided a theoretical discussion of *guanxi* networks and leadership in respect of their emergence and function; the application of external and internal *guanxi* in a Chinese privately owned company; employee's preferences for using internal *guanxi*; relevant leadership behaviour; and the positive influence of *guanxi* between leaders and their subordinates. The thesis presented an analysis of the approaches and mechanisms used in three different types of companies in China in respect of the rationale for the role of *guanxi* and leadership function in coping with difficulties in the workplace. Specifically, it introduced the effect of internal *guanxi* on multi-national companies in China, which is meaningful, and the recognition that using *guanxi* in organisations may inspire leaders to innovate in their leadership function and to counter uncertain challenges to the business.

According to the analysis of existing scholar's research, *guanxi* has only been discussed in terms of how it interacts in organisational performance and how people apply it externally to achieve goals. Few research studies have dealt with another role that *guanxi* plays inside companies, namely as supplementing the formal system used to help employees to cope with difficulties at work. It provides subordinates with great potential to make changes in the company, such as assisting business leaders with achieving their goal and improving the regulatory system. Thus, the interaction between internal *guanxi* and leadership does affect company performance. The thesis conducted qualitative and quantitative research on a Chinese private enterprise in respect of people's perceptions of the differences in organisational culture

between the West and China. The research relied on first-hand data, such as a pilot study involving 60 respondents, a questionnaire survey comprising 337 respondents and 34 semi-structured interviews. The findings were used to determine the existence of internal *guanxi* in Chinese enterprises and the influence of Chinese leaders' implementation of internal *guanxi*-based management on employees.

As regards to how internal *guanxi* influences leadership performance, the researcher verified the fact that internal *guanxi* is able to stimulate employees to contribute and share their social resources with senior managers to cope with external company challenges; to help managers to influence employees to be more co-operative and show more initiative and cohesion in teamwork; and to build effective communication between leaders and subordinates in order to maintain harmony when conflict occurs. Specifically, senior leaders and middle managers rely on internal *guanxi* to coordinate relations among the different stakeholders, such as employees, customers and suppliers, and improve efficiency due to the rigid regulation or ineffective leadership behaviour (based on the quantitative findings). For instance, in the 'simple internal *guanxi* model', the subordinate is able to circumvent the hierarchical system and overcome hindrances to find solutions to their work problems. In the 'inter-firm internal *guanxi* model', Model 2, a strategic problem internally can be solved through subordinates' connections with their external *guanxi* networks. In the 'inter-regulatory internal *guanxi* model' leaders are able obtain resources or authority outside their company through their subordinates' internal *guanxi* network and apply it to their own company in order to deal with challenges. Statistically, the more senior leaders apply their internal *guanxi* network externally to cope with strategic problems, they could, for example, gain massive funding from the central government for their new project, build financial platforms with local authorities and provide policy-makers with an understanding of their industry. Junior staff members mainly use internal *guanxi* to solve

operational problems, such as accomplishing tasks assigned by leaders, solving conflict with colleagues and completing operational work. However, these employees also have the capability to amend the formal regulatory system or have potential power to influence senior leaders to solve problems. They can even apply their external *guanxi* network to assist their managers with achieving their goals. In terms of different departments, the Sales Department of the private company examined uses internal *guanxi* more than other functional departments due to the nature of its work.

In the Chinese private company studied, people may rely on internal *guanxi* networks to break down the hierarchy or social class, and make significant contributions to the collective and themselves. However, foreign companies may have a limited understanding of the implications of internal *guanxi* as they manage by rules rather than through employees. Western employees prefer to seek help from their managers rather than apply internal *guanxi* when they experience work-related difficulties.

Contribution

Having explored the relationship between internal *guanxi* and Chinese leadership behaviour, this research identified the role of internal *guanxi* as having a particular influence on the leadership performance of private Chinese companies. By demonstrating how internal *guanxi* is employed to strengthen leadership performance and, furthermore, facilitate three behaviour models, this research not only helps to understand Chinese leadership in a context that is institutionally and culturally different from the Western leadership philosophy, but also extends the research perspective of leadership behaviour from the Chinese private company perspective to a new internal *guanxi* influence modelling perspective.

i   Understanding the internal role of *guanxi* in Chinese companies

While a great deal is known about the external role of *guanxi* in the Chinese business context, little is known about its internal role in, and implications for, Chinese leadership behaviour. This research identified the development of *guanxi* inside companies and its underexplored influence on leadership performance, and thus helps to understand the adaptation and leadership of internal *guanxi* in Chinese private companies.

ii   Bridging the knowledge gap between internal *guanxi* and leadership

Both internal *guanxi* and leadership form the basis of extensive literature. This thesis is the first study that has developed a conceptual model that adapts internal *guanxi* within the formal Chinese business system and Chinese business leadership. Additionally, this study developed three models that could likely strengthen Chinese leadership performance, to reinforce work efficiency, controlling outcomes, and motivating individuals and organisations.

iii   Studying internal *guanxi* at junior leadership level

Studying internal *guanxi* from a different perspective, namely the influence that junior staff members' (subordinates) internal *guanxi* has on, and the contribution it can make towards, solving senior leaders' strategic problems, demonstrates how internal *guanxi* works and bypasses hindrances to find solutions.

Limitations of the study and future research

This research limits itself to the 'internal *guanxi* ('leadership') inside businesses, and specifically the case study of the firm ABLE Electric Motor Group. The research extends to significant other firms in the same sector which represent some 25% of the leading employers in the sector and is representative of the sector population. The limitations of the study include the decision to use a mixed-method approach, which is powerful in developing meanings and understanding but less reliable in statistics and validity.

The first limitation lies in the relatively small qualitative sample size. The numbers of interviewees were drawn from a single company in a single industry, which limits the extent of generalisation of the qualitative findings. The samples are far from being representative of the universal population in respect of a deep dynamic definition. Future qualitative research can be conducted by means of a large-scale survey, such as more case studies and semi-structured interviews with different companies, thus generalising the findings to a broader population.

Although the quantitative research may support the qualitative findings as being valid, the second limitation lies in the types of sample subjects chosen. Most of the quantitative sample subjects are Chinese private companies. Foreign companies were limited in number, which may be criticised as being too homogeneous and not heterogeneous enough. Future research should be conducted using a quantitative survey involving more foreign companies in order to adopt a dyadic perspective of the implications of internal *guanxi* and should set a hypothesis for testing the extent of the effect of internal *guanxi* on leadership performance.

The third limitation lies in the subject topic of '*guanxi*'. It is a sensitive subject with a negative connotation: it is associated with unethical behaviour, informality, injustice and unfairness. Thus people's attitudes may not be entirely honest. It is difficult to solicit objective views due to the subtle nature of *guanxi*. Future research should examine past qualitative findings to determine the validity of the concept of internal *guanxi* on other industries, such as the IT or agricultural sectors, and could explore the usefulness of internal *guanxi* on leadership behaviour, through paradoxical thinking, and how to manage the negative effects of *guanxi*.

Recommendations

This thesis studied companies in the electric motor industry in order to identify whether people from different types of enterprises behave differently when using the internal *guanxi* network to overcome difficulties in the workplace. For example, foreign companies investing in China prefer to report to leaders and look for solutions; but private Chinese companies prefer to use internal *guanxi* to solve problems and state-owned companies likely use both reporting to leaders and applying internal *guanxi* networks to deal with work issues. From the angle of seniority, the research manifested that the more senior a leader, the less they use their internal *guanxi* to solve problems inside company, but they more frequently use internal *guanxi* externally and gain support for solving problems in their company. These senior leaders mainly focus on coping with strategic problems and are less concerned about operational issues. In summary, this thesis aimed to illustrate another role of *guanxi* inside Chinese enterprises and point out the effect of internal *guanxi* on leadership behaviour for those people doing business in China. Some implications have been explored for the leaders from different types of enterprises.

For the foreign enterprise entering the Chinese markets

Two factors need to be realised when entering the Chinese business sector: (i) it could be a costly exercise if there is no insight into local business practices; and (ii) the foreign business may struggle to accommodate *guanxi* in an implementation model if its role is not fully understood in the Chinese context.

Besides, the necessary financial and operational analysis has been conducted, it is especially vital in China to consider the nature of localisation, such as legal barriers, business infrastructure, customers' behaviour and the competitiveness of the market. Moreover, the application of *guanxi* inevitably becomes a solution to manage compliance risks from inside and outside organisations, such as strengthening informal arrangements between suppliers, customers and local partners. It specifically makes it possible to create more effective operational models to accommodate the capability of employees in critical areas; resolve conflicting opinions between leaders and followers, and to ensure that there is a clear path to achieving a win–win situation.

For the wholly owned foreign enterprise or joint venture enterprise already in China

Those foreign leaders may ask questions: 'have I ever considered the effect of an internal *guanxi* network on my work performance? Do I perceive internal *guanxi* networks in the organisation and am I capable of managing them well to strengthen my leadership functions? Do I really understand the subordinates' needs and capabilities behind their *curriculum vitae* or performance appraisal form, such as people's background or their social resources in the *guanxi* network? The only difference between success and failure of business in China is that people who are successful are more willing to talk and learn about how things work on the

ground. Senior leaders may be competent and sound in the art of managing people and resource, but they should share their resources in terms of the internal *guanxi* network for the benefit of subordinates and the company. Based on the principle of reciprocity, leaders will receive returns from others. During the process of interaction with each other, they both build trust and loyalty for future cooperation. Trust can facilitate inter-organisational relationships, and enhance leader–subordinate collaboration. The establishment of trust is a potent force in overcoming the otherwise adverse reactions that employees may exhibit in reaction to decisions yielding unfavourable outcomes. However, leaders need to keep their distance and ensure that their prestige and judgment are not affected by the close informal *guanxi* networks, which could be a parallel power base to the formal organisational structure.

For state-owned enterprises in China

State-owned enterprises, which carry social responsibilities, but which are now dwindling, are still part of Chinese culture. With the trend of gradually reforming privatisation in state-owned enterprises, business leaders need to rethink whether their management system is operating too rigidly; how to improve the efficiency of operational performance; determine whether there are any excessive regulations to hinder people from doing their job?; establish how people cope with issues when their colleague behave bureaucratically or are uncooperative; and examine whether innovative changes could be made under their authority?

For the private enterprise

With the rapid Westernisation in China in the past two decades, private enterprise has grown fast and absorbed advanced Western concepts, which have become the most significant components of the Chinese economy. In recent years, under the influence of the organisational systematics, Chinese entrepreneurs tried to implement the systematisation of management to improve organisational performance. However, Chinese business leaders have inherited the traditional Chinese culture and applied it in their practical leadership behaviours in their respective enterprises, because the biggest challenge is always people, Chinese people. The Chinese care about feelings, strive to save face, and are accustomed to combining informal influence and formal authority. There is long way to go to eliminate the effect of *guanxi* on the organisation, especially since its regulation is imperfect.

For local government

Those leaders who have no experience of business practices in local authorities do not understand how difficult Chinese entrepreneurship is. Corruption in personal *guanxi* between employees inside enterprises and local government needs to be eradicated completely. Moreover, the local authorities should show initiative and lead enterprises to overcome regional challenges; for example, how most entrepreneurs should respond to one of the most difficult challenges, namely financial resources. The local government may coordinate the conflict of interest between the enterprise and the bank in order to strengthen cooperation between all sides; in addition, the local government may assist the enterprise in upgrading its business model and service projects in its business. Moreover, the central government as the open market policy is partly responsible for the existing interactions between new and old business context,

make balance between the state-owned company and private company, they should introduce some policies to help industrial upgrading and become more innovative, greater competition, and support superior performance over weaker business models.

This chapter concluded this research. It discussed the contribution of this study to the academic world, the implications of this study for the practice for Chinese private companies in the electric motor industry, offered suggestions for future research and noted the limitations of the research.

APPENDICES

APPENDIX A: CASE STUDIES

Case study 1:   The Internal *guanxi* (relationship) approaches to enhance the new production development and shape operation efficiency.

Location: Marketing office, No. 2 Plant.

Time: 25 October 2011 to 11 December 2012.

People: Customer: Manager XXX. Salesperson: Mr. Wang. Plant Manager: Mr. Wu. Research and Development (R&D) Manager: Mr. Lin. Raw Material Manager: Ms. Zheng. Vice-general Manager: Mr. Hu.

Mr. Wang received a telephone call from a familiar customer, Manager XXX, enquiring whether the factory could accept an order of a batch of upgraded electrical motors and consign it to him in 10 days. Manager XXX sounds very anxious on the telephone, salesperson Mr. Wang promised to give a reply as soon as possible. Subsequently, Wang spoke to a colleague who is responsible for the recording of the production plan, but he was told that it was impossible to arrange resources to produce this order because the whole of No. 2 Plant was fully operational in November, the peak time of consignation. However, Wang was aware of the importance of this order. First of all, the personal interest taken in account, the profit value of these products is far higher than similar products he has produced. This order is a decisive factor for him to accomplish the sales target of this year. If this order could be completed, the leader would recognise his co-operative capability and give him more credit for future promotion. Second, to consider the interest of the company, this new product development would greatly enhance the overall level of this series of products and also be in line with the company's future strategic objectives, enable it to get ahead of the competition and quickly to

seize the market. According to the company's standard system process, the Marketing Department should place and approve the validity of the order first, and then a formal document would be forwarded to the R&D Department, if the R&D Manager: Mr Lin confirms the product specifications, they would be capable of meeting the customers' requirement, the order document would be taken through to the Planning Department. If The Plant Manager, Mr. Wu, makes sure there are sufficient production capacity and resources for the order and precisely predicts the date of delivery to fulfil the customer's demand, he will pass the document to the Raw Materials Department. The Raw Material Manager, Ms. Zheng, has to check the stock to guarantee the supply for the production. The three departments' views would be handed over to the Finance Department to get approval for this project. Finally, the Finance Department would inform the Marketing Department to arrange for the specialist supervisor to track the whole process of production. Wang was faced with several challenges to overcome.

1.   Is the Design Department able to develop the products required by customers?

2.   How does the Production Department rearrange the schedule, to mobilise the production line and workers to complete these special motors?

3.   Are there enough spare parts for this batch of new motors in the Raw Materials Department?

4.   Will the |Finance office give approval for funds to support this project?

Wang decides to use his internal relationship approaches to facilitate these challenges in order to accomplish this project. Wang has strong relationship (*guanxi*) with the Vice-General Manager, Mr. Hu, because Wang's father and Hu are old comrades from the Military. Wang pays much attention to maintaining the interpersonal relationships with colleagues and the leaders in his daily life. It is certain that Wang goes to visit Hu quite frequently, also Wang

cultivated quite a close relationship with Hu's family members. So the whole company is aware that the General Manager is much appreciated by Wang and also everyone likes Wang's diligent, polite and sensible personality. He often gets work done more efficiently by his internal relationship approaches and the General Manager's influence.

As regards this case, first of all, Wang went to the Vice-general Manager's office and reported in detail his considerations of this order and called for Mr Hu's support to accomplish this project. Mr Hu endorsed Wang's opinions and promised to look after each department in order to accomplish this project on time. Since Wang met Vice-General Manager, the order document had been past to three departments at the same time, it only took 3 days to complete the feasibility audit of this project. During this time Wang politely and smartly mediated issues among the three departments. Eventually, the project was completed in 17 days, which saved 15 days compared to the formal systemic procedure.

Case study 2: Weak internal *guanxi* (relationship) approaches would also result in reduction in operation efficiency.

Location: Sales Office; Fuzhou Factory

Time: 7 September 2012

People: Salesperson: Mr Zhang. Sales Manager: Mr Wang.

The Salesperson, Mr. Zhang, who also works in the Marketing Department, has quite weak internal relationships with people by contrast to Mr. Wang. He often delays consignations for customers because of the colleagues in the Purchasing Department's lack of cooperation are reflection on the productivity. This uncooperative behaviour is very difficult to assess through the formal regulatory system of the company; it is a form of subjective initiative of human

beings. The phenomenon of unstable internal relationships leading to work trouble is very common in Chinese enterprises. Talented people with principles may not be well adapted to a Chinese organisation, but talent people with good internal relationships, are well adapted to Chinese organisations. The company had recruited two professional managers in the past year. They brought 8 years' experience of the electrical motor sector and hold advanced management philosophy but only remained in the company for less than six months and then resigned. The key reason was the poor internal relationship approach that restricts their specialty in management performance. They did not fully understand the complex internal relationships of the organisation in the process of operational philosophy and did not apply suitable ways to communicate with colleagues and subordinates on time. Consequently, these two professional managers were intentionally obstructed and excluded by employees all the time. Finally, the lack of cooperation in team work negatively influenced them and forced them to resign from the company.

Case study 3: The internal *guanxi* (relationship) approaches to improve the smooth flow of information between subordinates and leaders and perfect the Human Resources Department base.

Place: No. 1 Plant.

Time: January 2012 to April 2012.

People: Workshop Director: Mr. Zeng. New Cadre: Mr. Xu. Group President: Mr Li.

Until 2012, Mr. Zeng (Workshop Director) had been Mr. Lin's (Group President) subordinate for ten years. Although Mr. Zeng has dedicated himself to the jobs Mr. Lin has assigned, his performance had not been very prominent in the past 10 years because of his limited

educational background. Mr. Lin (Group President) was still impressed by Mr. Zeng's diligence and loyalty. They had cultivated a strong internal *guanxi* (relationship) in the past 10 years. Sometimes, Mr. Zeng plays an internal role in the coordination of information between Mr. Lin and workers. For example, the Human Resources Department recruited a new group of cadres for each key job position in future. According to the formal regulation of company, they are going to be trained for one year in the Workshop in order to familiarise themselves with the whole production procedure. One of the cadres, Mr. Xu, has the aspiration to become a marketing professional manager in the first six months of his training programme. He has mastered the procedure and characteristics of the products by his learning ability and relevant educational background. Perhaps the company's training system is not personalised for employees; Mr. Xu became impatient in his job and wanted to join the Marketing Department earlier. However, he was criticised for being conceited and arrogant by his training supervisor. The training effect of ABLE Group is very well known throughout the motor industry, so the competitors certainly poach new employees when their negative emotions emerge. Although Mr. Zeng (Workshop Director) is not responsible for the training programme, he is concerned about the things beyond the scope of his own work. Mr. Zeng was anxious about the pending loss to the company. The key element to solving this issue would be the influence of Mr. Lin (Group President) in Mr. Zeng's considerations. Mr. Zeng went over the Training Manager's head and even the Human Resources Department Manager's and directly reported to his senior manager, Mr. Lin. Subsequently, the Group President called for a proposal to restructure the training system and modify the regulation to be more personalised for new employee. He also had a deep discussion with the new cadre, Mr Xu. Mr Lin expressed his gratitude for his talent and commitment and said that he would make appropriate arrangements for accommodate Mr Xu's situation. Eventually, Mr. Zeng (Workshop Director) adopted his close internal

relationship with Mr. Lin (Group President) to solve the issues of human resources and perfect the training system to be more flexible and effective.

Case Study 4: Internal *guanxi* (relationship) approaches to improve quality control.

Place: No. 5 Plant, Quality Management Department. Raw Material Department.

Time: 15 January 2012 to11 February 2012.

People: Frontline Worker: Mr. Chen, Plant Manager: Mr. Li, Quality Controller: Mr. Yu. Warehouse Manager: Mr. Lu.

It was the second warning of a product fault for Frontline Worker, Mr. Chen, in one week. He was very depressed by his situation, because he was always honourable and responsible for his job. Mr Chen returned to the Workshop at night, carefully recalled products for each procedure and inspected the material he had assembled during the day. He suddenly realised that there were two bearings that were a bit shorter than other assembled bearings. He was relieved that the problem had been found, but he was nevertheless frustrated. He was worried that his internal (*guanxi*) relationships could be ruined if he directly reported to the Workshop Director. Chen's boss would be disciplined harshly, because of his dereliction of duty in allocating bearings. His boss is relatively narrow-minded and would not admit his mistake immediately. According to the informal regulatory system, this issue should be reported to leader step by step and to wait for arrangements to be made for someone to do inspections. The process is estimated to take a week at least. In addition, Mr. Chen could not identify whether or not it was his boss's mistake in allocating the bearings, because there are many connections that could be flawed in the process of delivering spare parts from the suppliers to the Warehouse and Workshop. Fortunately, Chen has a relationship with the Warehouse Manager, Mr. Lu; they are quite closely related. Chen consulted Mr. Lu to look for a congruent solution for this issue.

The Warehouse Manager, Mr. Lu, was aware that the situation was more serious than Mr. Chen reported; it was not just that someone had neglected their duties, but there were problems with the supply chain and mechanism of the operational system, which could affect the quality of the entire production line.

First of all, the Warehouse Manager, Mr. Lu, accompanied Mr. Chen to exchange information with the Quality Controller, Mr. Yu, in order to confirm doubly that the bearing Mr. Chen used met quality standards. Secondly, Lu informally reported this issue to his supervisor, the Raw Materials Manager. They discussed every aspect of the delivery procedure: from the supplier to the Warehouse. Mr. Lu discovered four other boxes of unsuitable bearings in the Warehouse, which was a delivery mistake on the part of the supplier. The Workshop also made timely adjustments and replaced the new bearings, which not only minimised the loss to the factory, but also ensured the quality of the product. In this case the Frontline Worker, Mr. Chen, had smartly applied his internal *guanxi* (interrelationship) approach not only to improve his work attitude, but also to avoid the opposition of his manager.

APPENDIX B: PILOT STUDY

Question 1

The data collected from 60 respondents' answers to Question 1, 'Can you give an example of a particular/typical challenge task or problem you have successfully sorted out recently?', were classified according to their particular challenges into three categories, respectively (i) department, (ii) type of problem and (iii) position.

The percentage of respondents by department

Department	Percentage (%)
Finance	5
Workshop	44
Human Resources	14
Sales	11
Research and Development	5
Administration	5
Quality Control	5
Technology	11
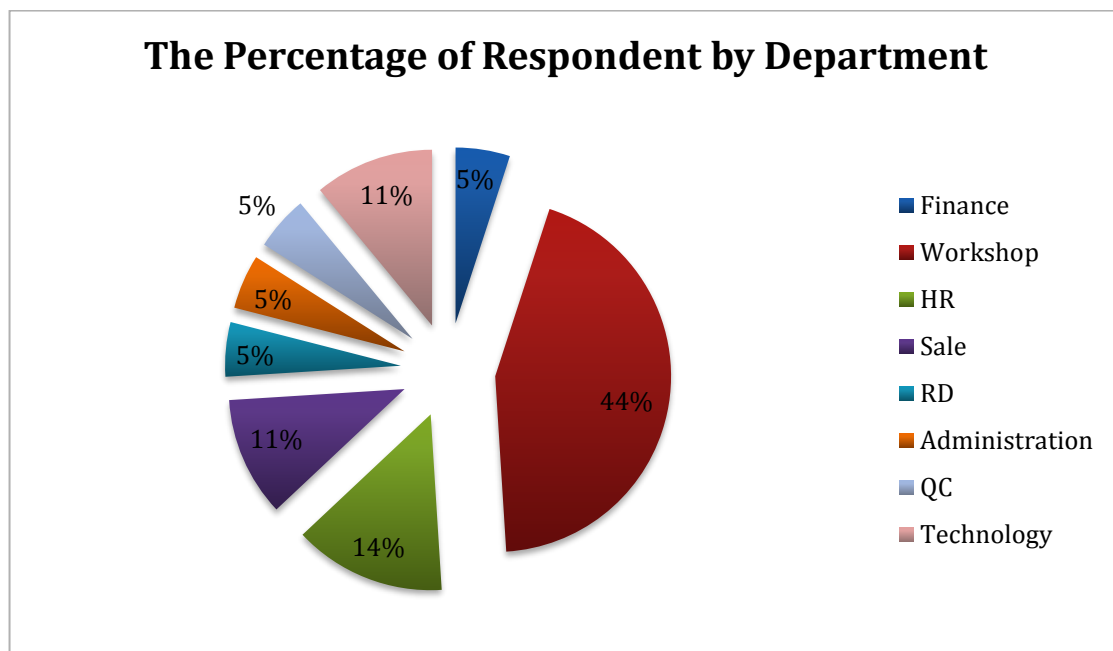
The percentage of respondents by position

Position	Percentage (%)
Group Leader	45
Department Officer	40
Manager/Assistant	10
Director	5
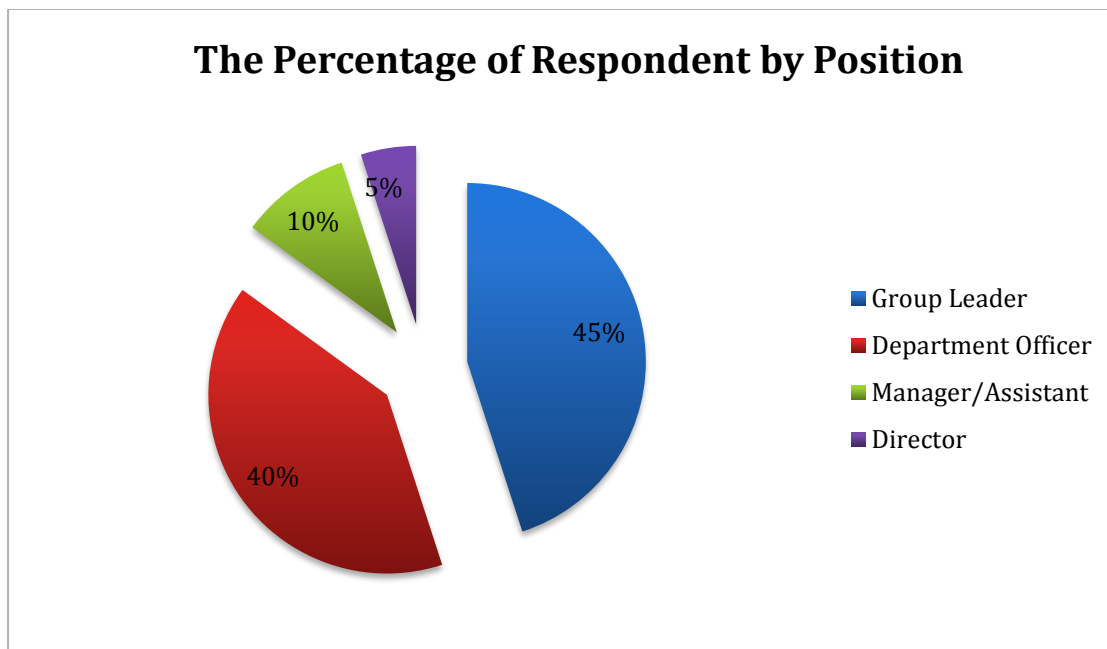
The percentage of respondents by problem

Problem	Percentage (%)
Operational	60
Management	30
Strategic	10
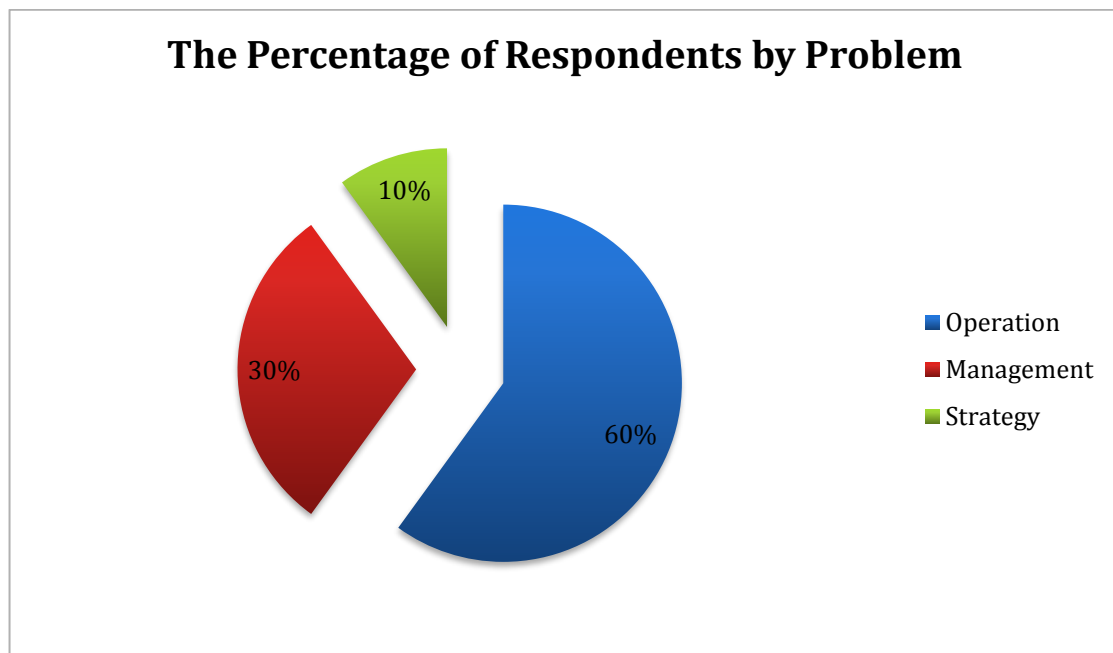
All respondents' work problems have been classified into three types, respectively (i) operational, (ii) management and (iii) strategic problems. For example, *operational problems* have been defined as a process or series of routine work that involves major planning and discharging functions that have been disrupted or caused poor performance, such as insufficient productivity, quality defect and delay in delivery.

Management problems refer to an activity that has been influenced by some unpredictable issues and leads to the inability to coordinate the efforts of people to accomplish desired goals

and objectives using available resources efficiently and effectively, such as unco-operative behaviour, inefficient work and loss of human resource.

Strategic problems, in turn, may be related to those pressures that exert a decisive influence on an organisation's likelihood of future success. These problems are not only driven externally by an organisation's future competitive position, but may also face internal strategic challenges, such as the organisation's capability and human capital resources.

Percentage of problems by department

Problem	Finance	Workshop	Human Resources	Research and Development	Sales	Admini-stration	Quality Control	Technology
Operational (60)	11	25				10	3	
Management (30)		17	8					5
Strategic (10)				6	15			

Percentage of problems by department
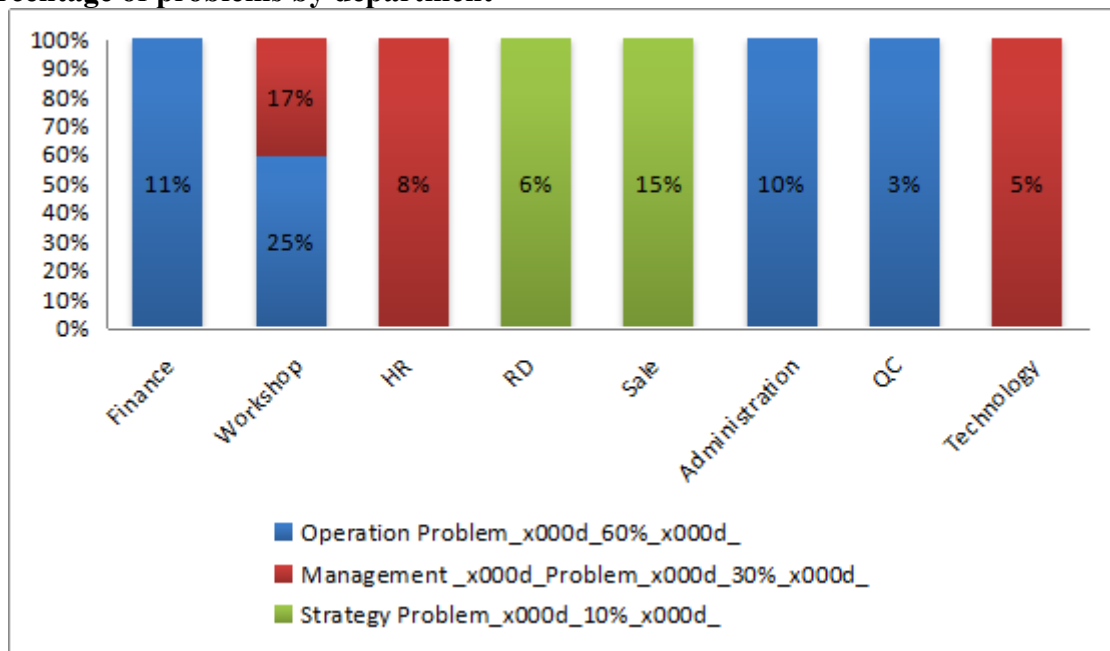
Percentage of problems by position

Problem	Director	Group Leader	Manager/Assistant	Officer
Operational (60)		30		23
Management (30)		8	15	
Strategic 10%	15			9
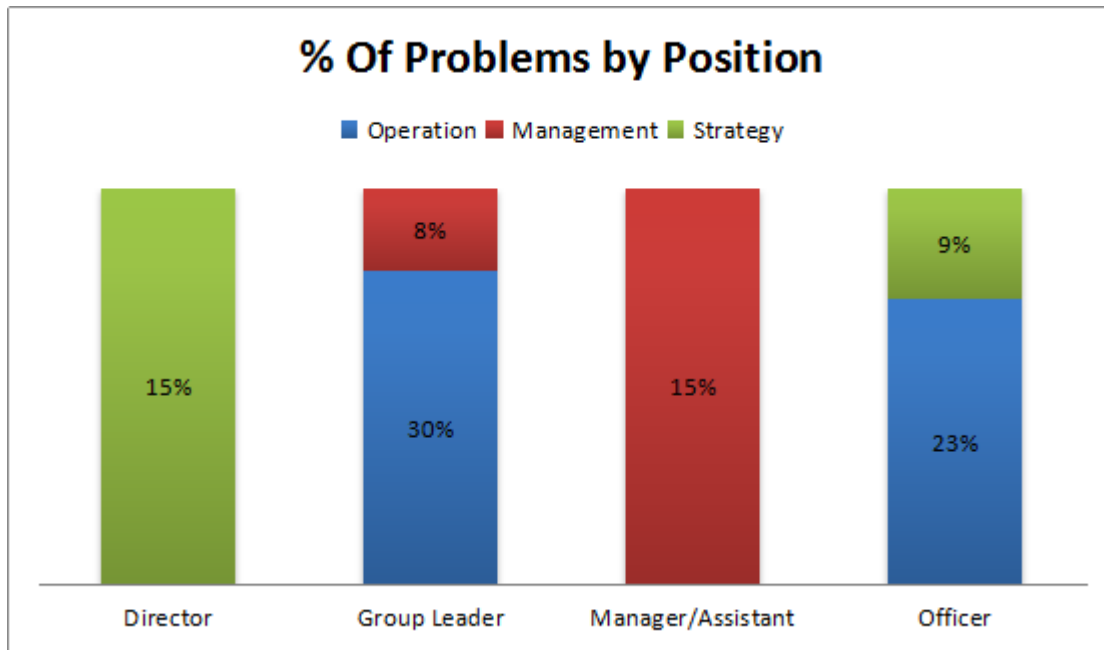
Question 2

Regarding the respondents' answers to Question 2, 'How often do you sort out your problems through your internal personal connections? Can you give an example?' after analysis, it was found that:

The percentage of respondent by problem and solution

Problem	Percentage (%)
Operational	73
Management	17
Strategic	10
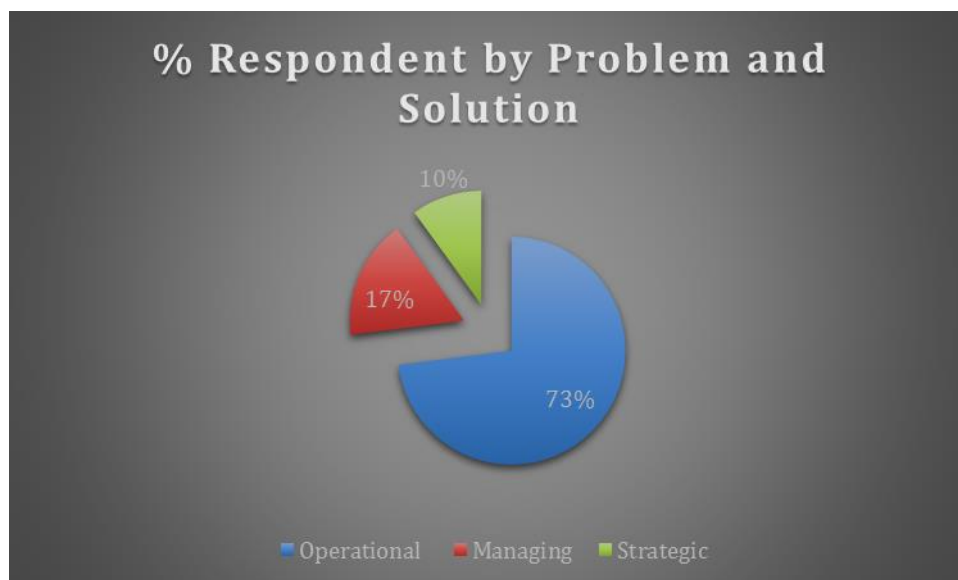
The percentage of respondents by departments

Department	Percentage
Logistics	5
Workshop	34
Human Resources	10
Sales	17
Research and Development	5
Administration	8
Quality Control	9
Technology	12

The frequency with which internal *guanxi* is used to solve problems by department

Department		Logistics	Workshop	Human Resources	Research	Administration	Quality	Technology	Sales
Yes 86% (apply internal *guanxi* network)	5+ Times/Month		20			5		5	15
	3-4 Times/Month	5	11		5	3	2	7	
	1-2 Times/Month		3	10			6		2
No 14% (never apply)									

% of Respondent by Department

424
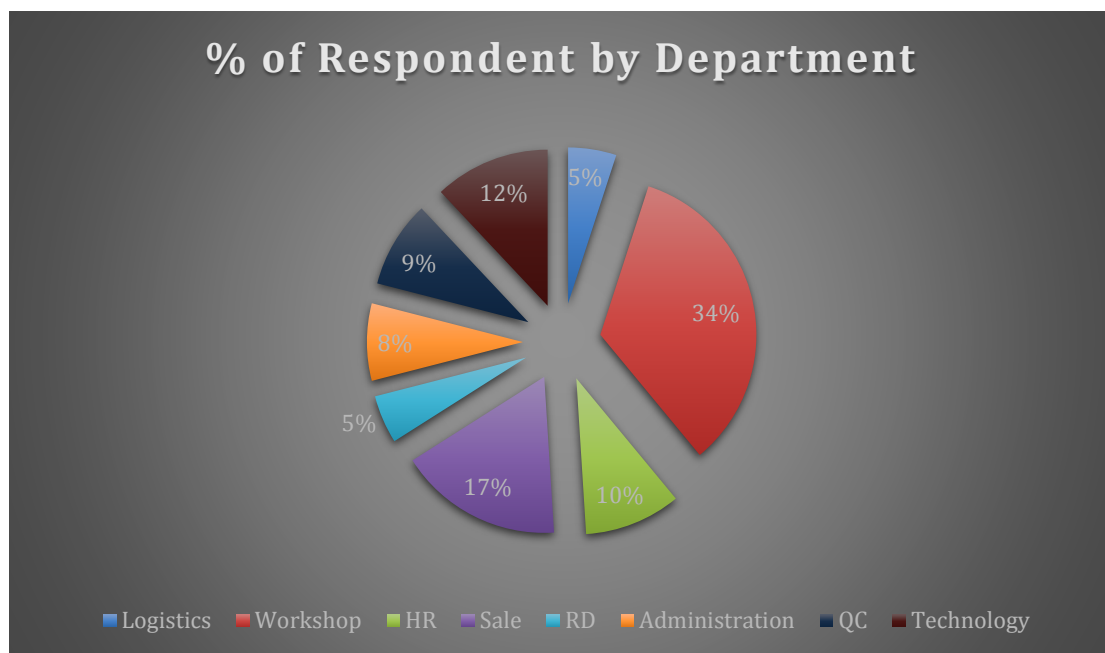
The frequency with which internal *guanxi* is used to solve problems by department
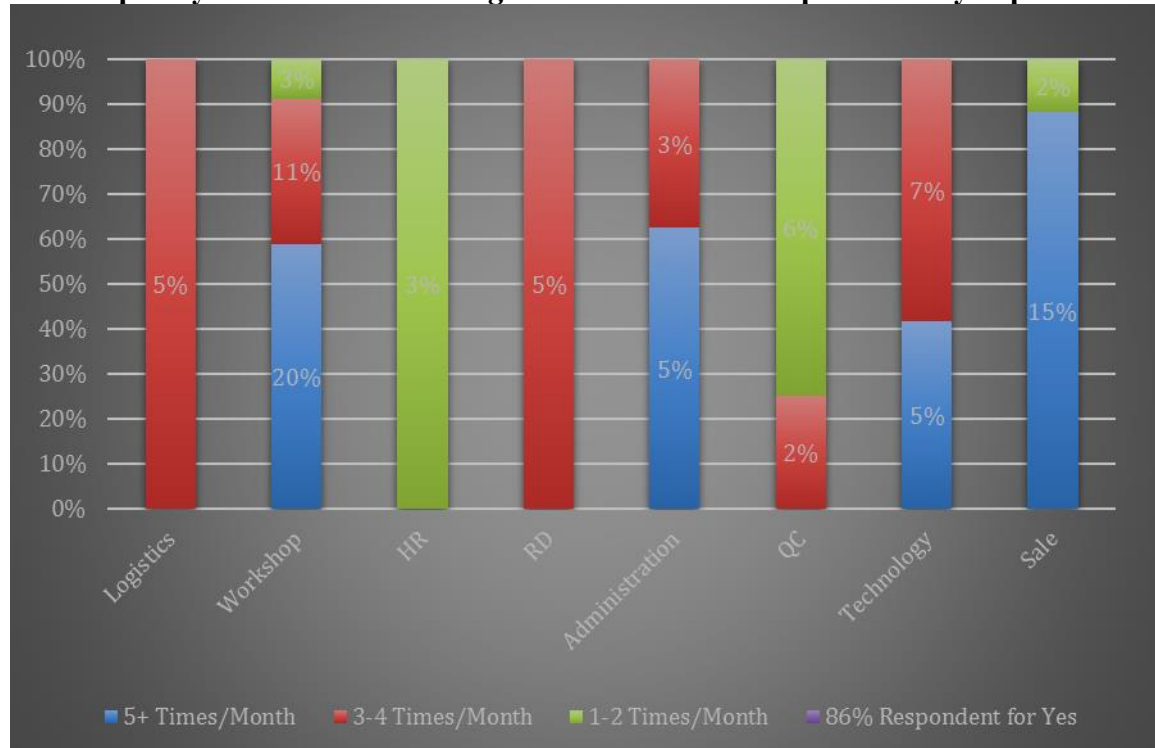
The tables and figures above indicate that the Workshop department is the major group who is the most concerned with utilising the internal *guanxi* network to look for job solutions. They frequently use the internal network to solve operational and management problems, which 20% used more than 5 times a month and 11% said they used 3 times a month. For example, one report from a main leader in charge of the Japanese custom motors admitted that he used internal *guanxi* network very often to keep up the productivity (4 times a week on average).

> *Before the Japanese custom motor line was located in the Shanghai factory, there was no specific production line for the Japanese custom motor in our main factory and I had to apply all my personal guanxi to coordinate with other leaders of related production lines and to integrate necessary resources from Plants 1, 2, 3 and 4 in order to complete my task on time.*

Another line Supervisor also said:

When the production capacity of the Workshop is insufficient, I use my personal guanxi to coordinate with several experienced supervisors to obtain my custom parts on order to insure my order can be completed on time. Normally twice a month.

These two cases explain how group leaders deal with operational problems by applying an internal *guanxi* network in order to improve the efficiency of cooperation.

Furthermore, according to a report from a line leader in the Workshop,

The drilling process has been considered as the most unstable work position. Disgruntled workers have complained about the piecework commission, large workload and poor treatment conditions compared to surrounding factories. As a front line supervisor, I always try my best to stimulate my team members to work hard. Last week, I used my personal connection to ask my colleague who works for the Technology Department to re-ascertain the measurement of the piecework commission, compared to our competitors. And then he reported to the Workshop Manager and required increasing piecework payment for my team members. In recent days, my team members' emotions very stable and highly concentrated on their work since the manager had increased the piecework payment. Also, I have to use my private internal connections to help or comfort my team members on certain ways. Normally, three times a month.

This case is a typical example that of group leaders uses internal *guanxi* to deal with management problems and try to inspire people's dedication to their duties and to work hard.

Moreover, the Sales and Technology departments also constantly utilised internal *guanxi* networks in operational management: 17% and 12% respectively used *guanxi*. For example, a seller described the only way to complete orders earlier and satisfy clients was to use his internal network to coordinate the relevant departments to complete work effectively. Especially when a custom product has been ordered, he has to consider many segments in the whole operation, such as convince the Technology colleague to test quickly, arrange with the Workshop colleague to take a sample on time and make sure the order can be slotted into the production schedule if the customer requires a large quantity. Regarding the Technology Department, it also sometimes faces operational or management problems such as uncooperative behaviour when data are collected from the Workshop, misunderstanding the training course when people are required to work overtime. The internal *guanxi* network could be a better way to influence people to do job rather than regulating them by formal policy. Of the respondents from the technology group, 12% implement internal *guanxi* in solving problems.
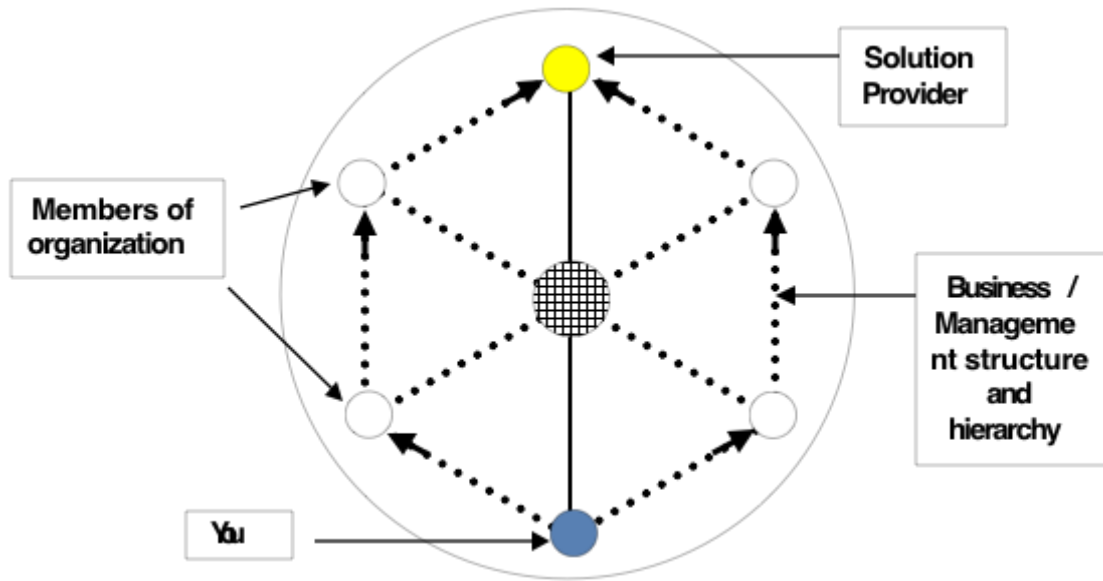
This model illustrates how internal *guanxi* works in the organisational operations. In the organisational hierarchy system, a subordinate at the bottom who wants to reach the top leader and to look for the support will usually be obstructed by certain problems, which could be the hierarchical regulation (the big smile in the middle), could be the leader or other uncooperative effects. However, this subordinate could apply his or her internal *guanxi* network to bypass the problems in connecting with the other person or contact the top leader and attain an effective solution for completing the work.

The percentage of respondents by positions

Postion	Percentage (%)
Group Leader	21
Department Officer	50
Manager/Assistant	19
Director	10
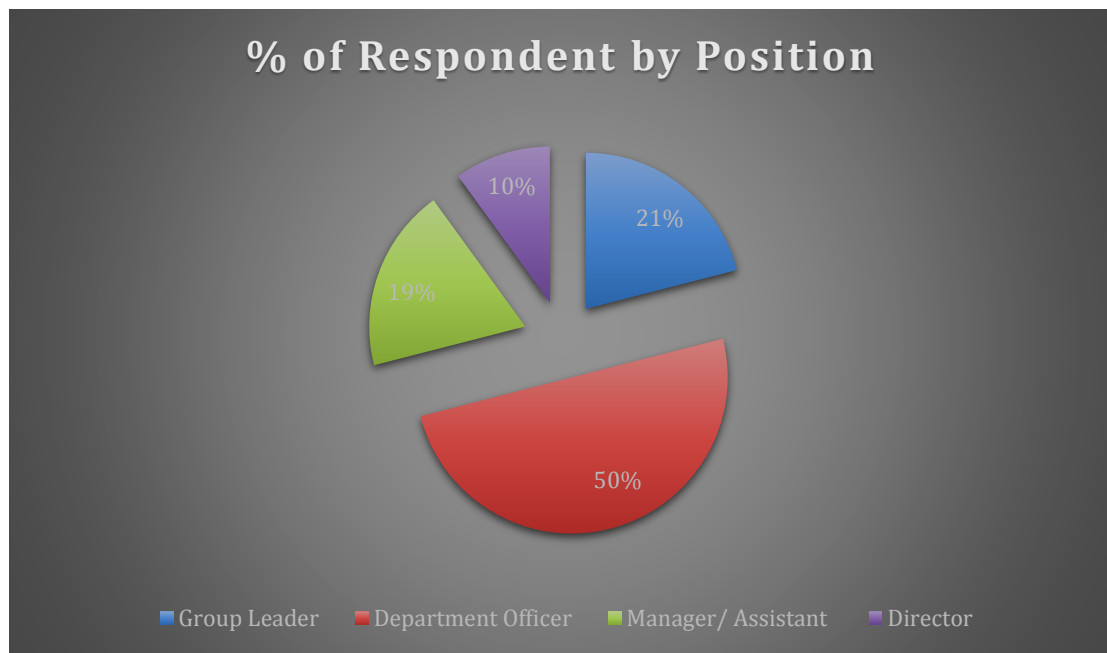
Frequency by Position		Director	Manager/ Assistant	Department Officer	Group Leader
Yes 86%	5+ Times/Month			15	10
	3-4 Times/Month		15	28	6
	1-2 Times/Month	10	4	7	5
No 14%					

Frequency with which internal *guanxi* is used to solve problems by position

	Director	Manager/Assistant	Department Officer	Group Leader
■ 1-2 Times/Month	10%	4%	7%	5%
■ 3-4 Times/Month		15%	28%	6%
■ 5+ Times/Month			15%	10%
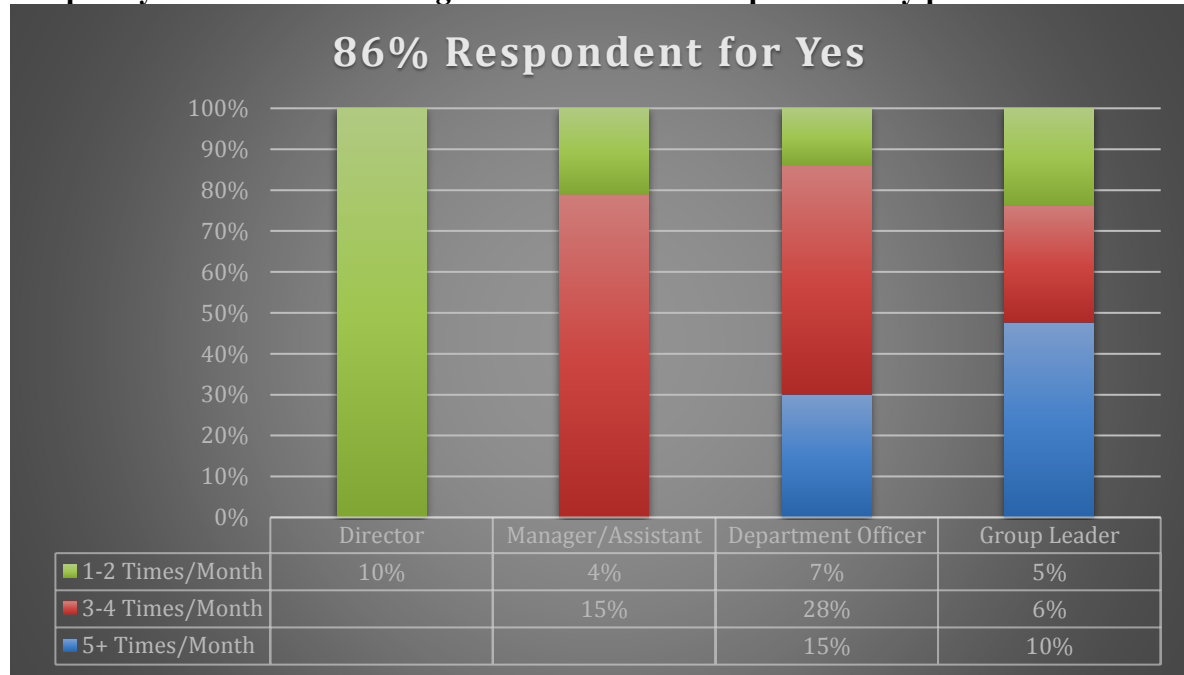
The table and figure above indicate that the largest group is the Departmental Official; 50% of which described that they had applied internal *guanxi* networks to deal with work twice a month at least, 15% of them even used them more, that is, 5 times a month. Not only ordinary officials perceive the effect of internal *guanxi*, but also senior leaders (directors or board members) prefer to use it in order to raise the level of leadership performance. For example, one of the leaders said:

> *The most challenging job I did last week was that I had successfully convened a project appraisal by operating all my internal connections (personal* guanxi*), to gather technical information from various relevant departments, to mobilise our engineers to work overtime, to encourage the experimenters repeated estimates, to arrange our public relations colleagues to coordinate the third-party experts' itinerary. Also, I sought special components from our supplier through my colleague's assistance (we have a good personal relationship), because there is*

no a clear policy system that regulates other relevant departments concerning my work.

A Director of the Production Department responded that,

In the manufacture, we face unpredictable problems beyond the regulatory system almost every day. We need to resolve them in the fastest way possible; sometime the internal guanxi *network could be an effective way. Our employees have volatile emotions caused by personnel issues, logistical problems, equipment problems, quality issues, safety issues . . . etc. As a leader, I cannot always regulate organisational policies among them and I have to use my private network to influence and comfort them. In the process of production, there are many reasons why support is not provided, thus we need a human-centred pattern to schedule the disconnected node, to rearrange resources and to organise people. The internal* guanxi *network has been considered as the way for my subordinates to report all conflicts and issues to me the first time when they are unable to apply regulations to operate. Thus, I would use my internal* guanxi *once a month on average.*

Additionally, a board member provided another example,

In recent days, I used the prototype to demonstrate a test for an important client. I found that the test is not very convenient unless we rebuild a test device on it. However, we do not have a good solution for this test device (because we cannot figure out the design drawings). We only know what we want, but we do not know

how to do. The only one who have the capability to do this job is the tooling group. But, they are very busy with their own work (our job is unplanned, the priority is lower). As a board member, I could assign a task to their direct boss to build this test device in a short time, but I am worried that they may not do the best job because the mandatory command could make them unhappy. I used my private connection to contact a supervisor (Mr Wang, I introduced him to this company) who works in the winding group, because Mr Wang comes from the same hometown with two key workers in the tooling group (also they have very close relationships). During Mr Wang's introduction, I invited the two key workers of the tooling group to dinner together, and I modestly asked them a few questions and tried to stimulate their enthusiasm for this job, also gradually raising challenges for their proposals. Eventually, they proactively took on the task of building the test device. After this incident, they became my great helpers in the internal guanxi *network and even better than my own department sometimes.*

Generally, the more senior a leader，the less they used an internal *guanxi* network. However, the more senior the leader, the more they used the network to solve strategic problems.

Question 3

In terms of Question 3, 'Can you think of any examples of where you contacted your external personal connections to sort out internal organisational problems?' the researcher found the following:

The percentage of respondents by problems and solution

Problem	Percentage (%)
Operational	30
Management	25
Strategic	45
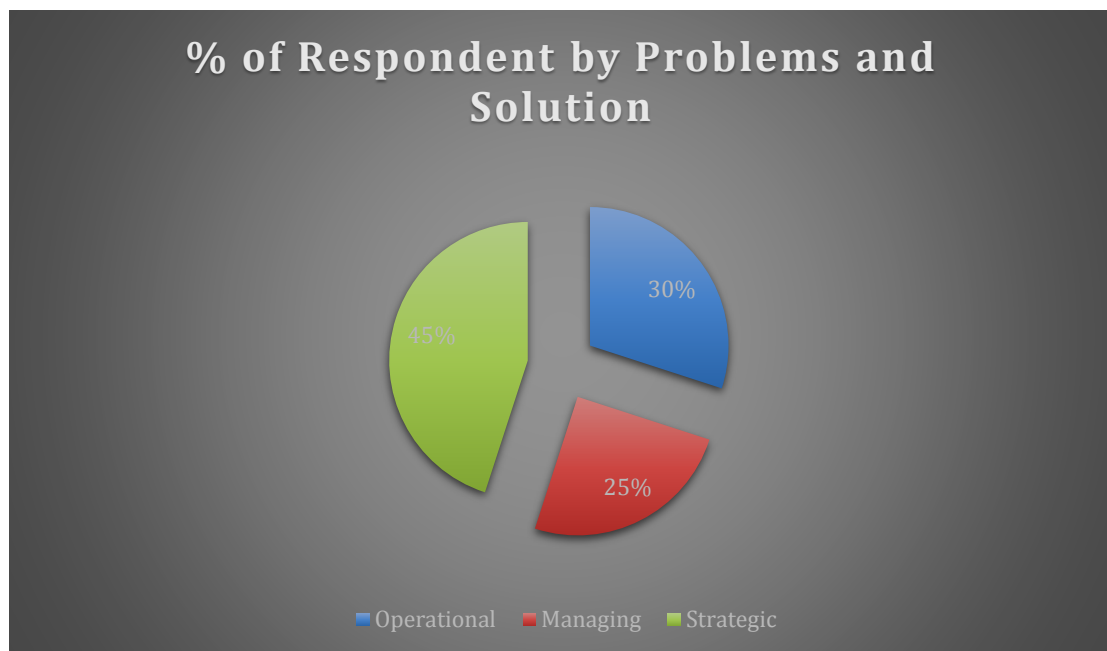
The percentage of respondents by department

Department	Percentage (%)
Workshop	10
Human Resources	12
Sales	25
Research and Development	9
Administration	11
Quality Control	15
Purchase	7
Finance	11

% of Respondent by Department

15%   13%
9%   16%
20%   12%
15%

Workshop ■ HR ■ RD ■ Administration ■ QC ■ Purchase ■ Finance
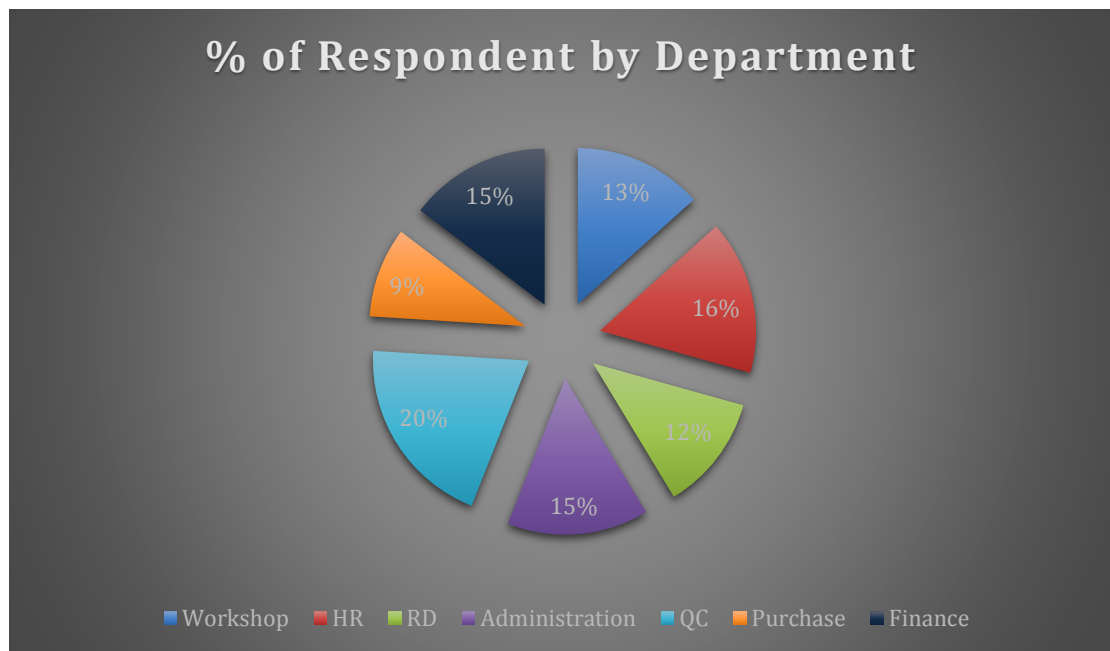
External *guanxi* used to solve type internal problems by department

		Workshop	Human Resources	Sales	Development Research and	Administration	Quality Control	Purchasing	Finance
Operational 35%		7		13		5	3	7	
	Yes 78% (used)								
Management 25%		3	12		4	6			
Strategic 40%				12	5		12		11
	No 22% (never)								
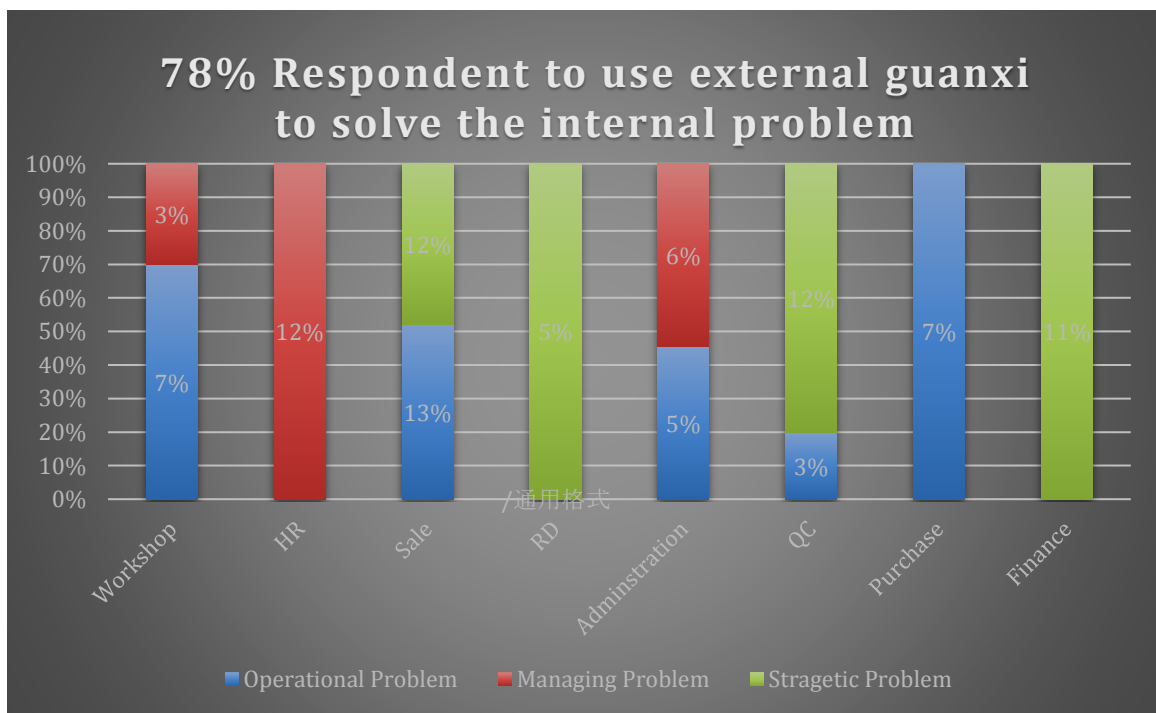
The above table and figure show that the Sales Department is the major group who uses an external *guanxi* resource to solve internal organisational problems. There are 25% people in the Sales Department who responded that they applied external *guanxi* networks frequently to do their work effectively and create interest in the company.

For example, a salesman described it as follows:

> *Our two factories delayed completing the order, the client asked for indemnity, but I used my personal connection to meet their purchase manager (this manager's mother and my mum used to be college friends). Eventually, the client company agreed to revoke the charge through the close connection between the Purchasing Manager and me.*

In addition, one of the Salespeople reported:

> *Our customers have been owed a balance due for half a year. I use personal* guanxi *to find the key person in their company and after removing the obstacles, I recovered the balance due.*

Also, 15% people from the Quality Control Department admitted that external *guanxi* networks played quite helpful roles in solving organizational, operational and management problems.

One of respondents said:

Our client complained about a quality problem in the product and requested that it be returned for reimbursement. We found during a quality control investigation that some parts were defective, which affected the quality of the product. But our supplier had refused to re-produce the parts even though the Purchasing Department had contacted it a couple of times. Finally, I used my internal guanxi *to contact the head of the supplier company; my uncle made the introduction (my uncle is the senior local government officer in charge of enterprise tax). I briefly explained the situation to the head of this supplier, and he was willing to offer replacements for all the defective parts to us free of charge.*

Another example comes from the Quality Control Department:

When the governmental monitoring bodies randomly tested our company's products, there were some errors in the information in the paperwork that could seriously affect the verification result. I used my guanxi *to get in touch with the head of the oversight bodies and corrected the errors. Finally our product passed the supervision and inspection.*

The use of external *guanxi* to solve internal problems by position

Problem		Director	Manager/Assistant	Officer	Group Leader
Operational (30)		5	10	30	7
Management (25)	Yes 78% (used)		5		
Strategic (45)		20	10	10	3
	No 22% (never)				

The use of external *guanxi* to solve internal problems by position

	Director	Manager/Assiatant	Officer	Group Leader
Strategy	20%	10%	10%	3%
Management		5%		
Operation	5%	10%	30%	7%
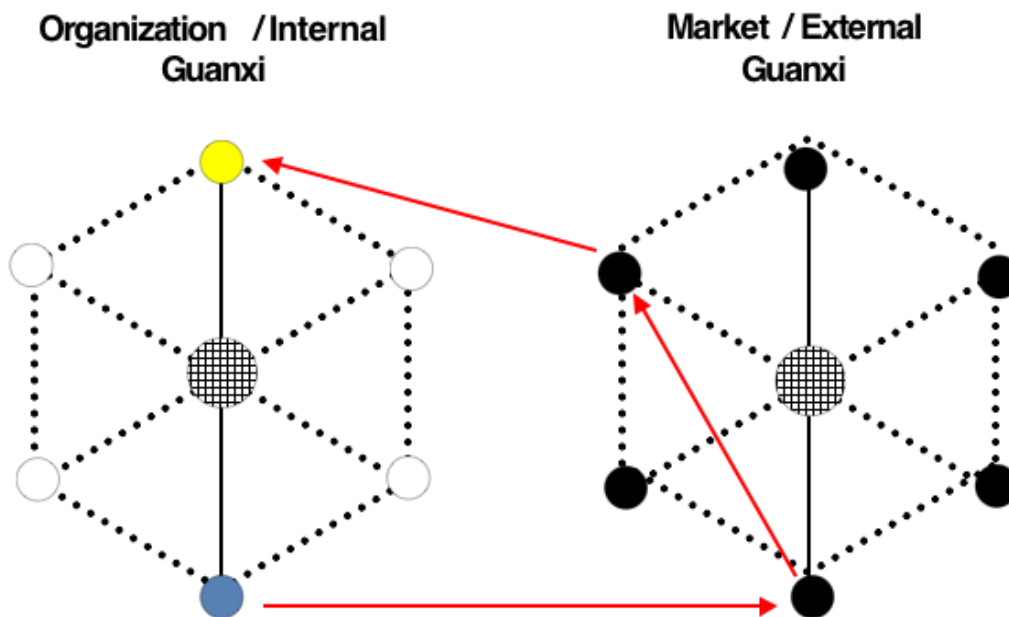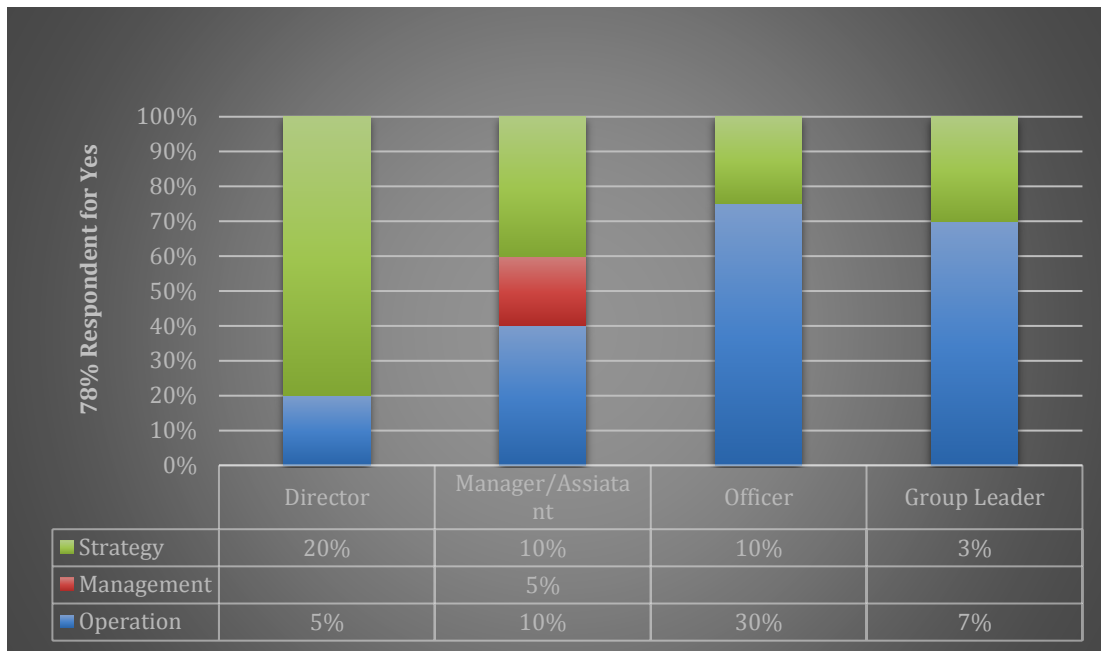
This model demonstrates how the internal *guanxi* affect influences an external resource to solve organisational problems. An example comes from the Chief Financial Officer:

> *We were planning to locate a new technology factory in Shanghai, but faced a funding constraint when the project processes were half way. I used my external*

guanxi *to meet up with a head of an investment company and brought in two million United States dollars in three days.*

A manager gave a similar example:

> *When the Land and Resource Bureau audited our company's right to use the land, we waited for half a year to get the approval documents. I used my external* guanxi *to connect with the head of the Land and Resources Bureau since our boss searched for external resources inside company to work out this problem. Finally, the head of Land Resource Bureau assigned his assistant to help me get the paperwork done efficiently.*

These cases explain that internal *guanxi* cannot only impact on inner organisational performance, but also makes it possible to bring external resources into the organisation to complete tasks.

Moreover, another model has been found, namely the direct internal *guanxi* exchange. The internal *guanxi* network of organisation A is able to connect with the internal *guanxi* network of organisation B and also influence the decision of the leader of organisation B. Consequently, the problem of organisation A is solved.

Direct Internal GuanXi exchange
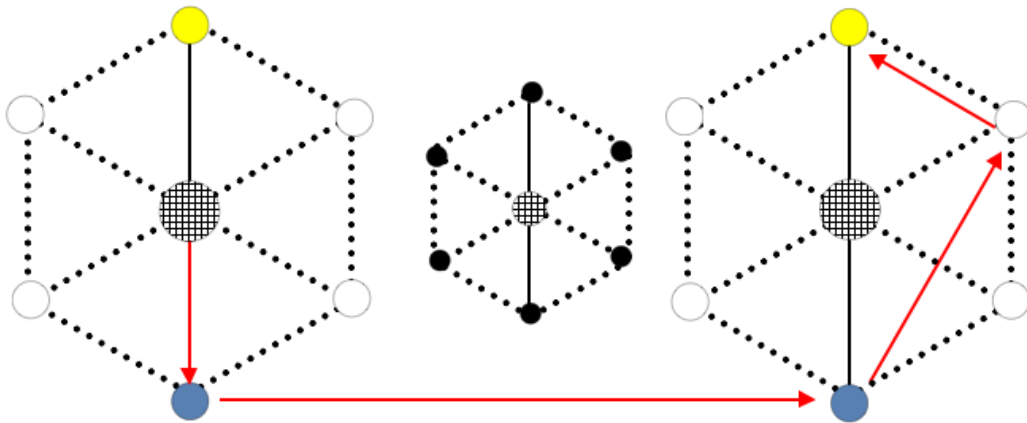
For example, the factory delayed completing an order, the client asked for compensation, but a salesperson used his external *guanxi* to contact the Purchasing Manager of the client company (this manager's mother and the salesperson's mother were college friends). Eventually, the head of the client company agreed to revoke compensation as a result of the Purchasing Manager's effort.

In addition, the Purchasing Manager responded:

> *When we require the suppliers to produce samples, they always give certain excuses to raise the price or delay the production cycle. Normally, I will use my personal connections to influence the key person to make a privileged arrangement for our company.*

The percentage of respondents by position

Position	Percentage (%)
Group Leader	10
Department Officer	40
Manager/Assistant	25
Director	25
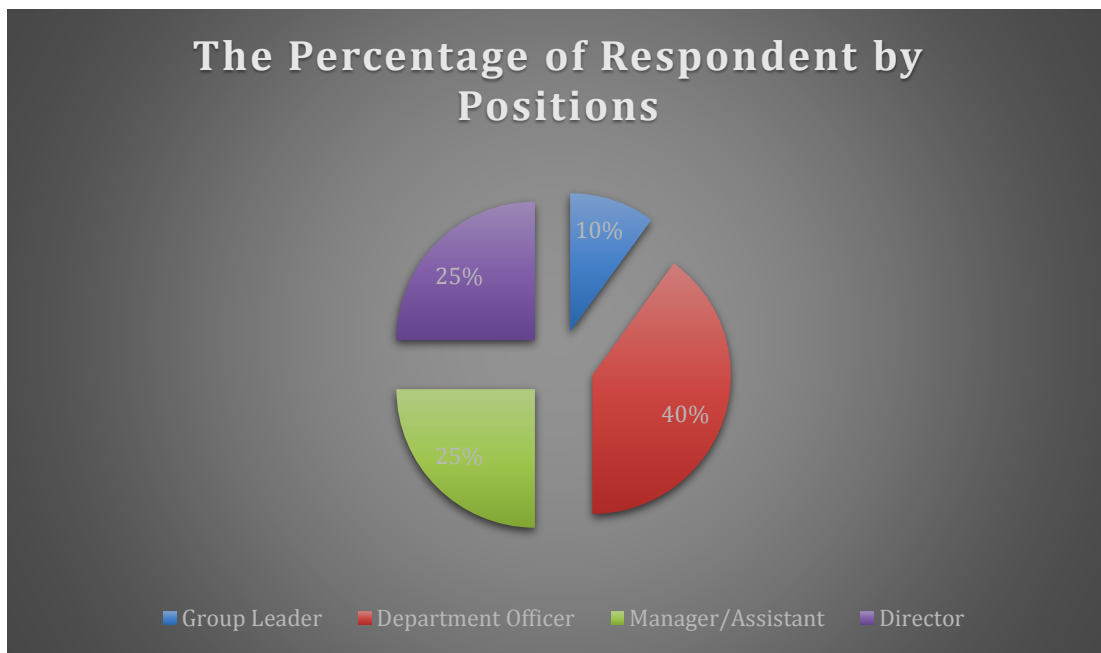
The table and figure indicate that the director and manager have been placed at 50% by all respondents who apply external network to deal with internal work problems, especially with strategic problems.

For example, a board member said:

> *There is an engineer in our Research and Development Department who was not very confident about our project and lacked understanding of the importance of our project. As the head of the Research and Development*

Department, I tried to convince him in private a couple of times, but he always

thought I was the board member, reflecting the company's point of view and my

suggestions were not objective enough. Thus I decided to find a person outside

the company to talk to him in order to convince him. I used my personal

connection to find another engineer (this engineer often works with us) and let

him intentionally make some positive comments in front of our engineer. Such

as, 'Your project is significant. I want to be part of it.' 'Your boss's knowledge

and technique are very advanced; you must learn many things from him.' 'I

heard you received a lot of government funds; other companies did not get

sponsorship'. Consequently, this engineer gradually realised how far-reaching

our project was and fully focused on his job.

The Chief Financial Officer gave an example:

We were planning to locate a new technology factory in Shanghai, but the Group

faced a funding constraint when the project was going to be completed. I used

my private connection network to find an investment company and brought us

four million United States dollars in the form of factory shares. Also, I have to

apply my external guanxi *quite often to connect with bankers in order to ensure*

that there is enough funding for the company's strategic projects go well.

A Manger from the Administration Department reported:

When the Land and Resource Bureau audited our company's right to use the land,

we waited for half a year for the approval documents, even though our

application totally complied with the legal system and regulatory rules, and we had provided completed information. I contacted each relevant department of the Land and Resources Bureau and received formal replies that greatly differed from one another. Thus, I had to apply my guanxi *network to connect with the head of the Land and Resources Bureau and ask for further cooperation, and then I visited all relevant departments and monitored that all paperwork was being completed. Finally, the enterprise of land has been examined and verified successfully.'*

A Manager in the Purchasing Department answered:

When we require the suppliers to produce samples, they will find certain excuses to raise the price or delay the production cycle. Normally, I will use my personal connections to make a privileged arrangement for our company.

Conclusion

From this pilot study, initially the inferences were drawn that in Chinese enterprises people have greatly perceived the effect of *guanxi* networks, whether it has been applied internally or externally to the organisation. In addition, most people have used their internal *guanxi* networks very often to solve their work-related problems when the regulatory system was not operating well. In addition, people were willing to bring their social *guanxi* resources to assist the company to operate well and create great interest in the company. The leaders are playing a significant role in applying their external *guanxi* networks to achieve the company's strategic goals. Based on the data collected from the respondents, the researcher assumed this internal

guanxi may improve the efficiency in cooperation, to inspire people's dedication to their duty and to make the leadership performance more effective. The researcher then went on to investigate further how internal *guanxi* influenced leadership behaviour in Chinese enterprises.

APPENDIX C: INTERVIEWS

Interview questions

1.   How long have you been working in the company? What are you mainly in charge of?

2.   What kind of challenges or difficulties do you always have at work?

3.   What kind of abilities or leadership skills is critical at work according to your experience?

4.   Have you ever felt that some rigid rules or regulations of the company restrict you from doing your job or managing the team? If you have, could you please give me an example?

5.   Have you ever used your internal *guanxi* network within the company to solve work-related problems?

6.   How do you define your internal *guanxi* network within the company? Do you think the network is a supplement to the formal management system of the company or a network that could affect operations of normal management and have a negative impact? Could you please give me some example?

7.   Generally, what makes you or motivates you to use your internal *guanxi* to solve work-related problems?

8.   Have you ever used internal *guanxi* outside the company to solve problems that occurred within the company?

Interviewees: Brief biographical details

Leader group

Interviewee background	Detail
Interviewee	
Gender	Male
Age	55 years old
Position	Vice-President/Chief Finance Officer (CFO)
Education	Master's degree in Economics
Work experience	5 years in military 10 years in China Commerce Department 15 years in the electric motor industry
Responsibility	Responsible for strategy of operations in the main factory and the financial management of the company group; has contacts with the government.
Essential leadership trait	Possesses basic knowledge, vast experience and dedication. Believes it is necessary to be easygoing and understand the traditional code of conduct. Whatever a leader does, he or she should be able to build an internal *guanxi* network quickly. Therefore, everyone is keen to help him or her.
Perspective on *guanxi* inside company	He thinks internal *guanxi* exists inside the company and private *guanxi* is a double-edge sword, which can be a solution or short cut to overlook the formal rules in order to deal with emergencies. He uses internal *guanxi* to approve funds for the finance office. He avoids getting involved too much with the internal *guanxi* members in order to manipulate the positive influence it has on leadership performance.
Perspective on *guanxi* outside company	Whether it is in government or corporates, a *guanxi* network is significant. At present, their system is being improved as it has not been perfect. *Guanxi* networks can make up for some deficiencies and play an important role in optimising processes and improving efficiency. He used his internal *guanxi* network to improve efficiency and save time on

Interviewee background	Detail
	examining and verifying a high-technology project for the company through several government authorities in a very short time; also helped the company to win a national reward and attain significant financial support from the central government.
Motivation for using *guanxi*	He used internal *guanxi* solely for the benefits of the company and for getting the job done well.
Interviewee	
Gender	Male
Age	40 years old
Position	General Manager
Education	Bachelors degree in Mechanical Engineering
Work experience	18 years in the electric motor industry
Responsibility	Responsible for operational management in main factory
Essential leadership trait	Leaders need to be equipped with professional knowledge on their own manufacture. A leader should have some skills in the management of human resources; it is important to cope well with all kinds of *guanxi* as problems could occur in any link. Thus it is significant to have a good internal *guanxi* with people in order to get the job done well.
Perspective on *guanxi* inside company	He thinks that internal *guanxi* is an effective way of communicating with people to co-operate during conflict. However, it is necessary to manage those who have internal *guanxi* networks strategically, to prevent them from starting a strike to threaten the company as they are easily united to do so.
Perspective on *guanxi* outside company	He thinks that internal *guanxi* relates to all aspects of the operations of a company. It is important no matter whether it is internal or external *guanxi*. Generally, he used internal *guanxi* outside his company to solve technology innovation and management reform; also seeks effective cooperation from suppliers.
Motivation for using *guanxi*	He used internal *guanxi* in order to achieve better team performance.

Interviewee background	Detail
Interviewee	
Gender	Male
Age	43 years old
Position	General Manager in Tai Wan Subsidiary
Education	Master's degree in Marketing
Work experience	10 years in electric motor industry
Responsibility	In charge of daily operations, and sales, design, production and finance departments.
Essential leadership trait	Ability to take command is the most important trait. Personal charisma, professional knowledge, and the ability to inspire teams and make them follow leader willingly, not pretend to agree with leader and do things carelessly.
Perspective on *guanxi* inside company	He thinks that internal *guanxi* within a company is public relations and interpersonal relationships. Good *guanxi* is conducive to solving problems. The formal system is a general rule, which might not cover everything. As long as people do not violate the principle and get the job done efficiently by solving problems, internal *guanxi* networks inside the company can be seen as a supplement to the formal management system. He used internal *guanxi* to improve the recruitment regulations for the senior management.
Perspective on *guanxi* outside company	He used *guanxi* outside the company to solve a problem with financing from a local bank and funding support. He often gets information on trends in the industry and technology through internal *guanxi* network with business associates.
Motivation for using *guanxi*	He used internal *guanxi* to get problems solved as fast as possible without violating principles but not to gain personal interests without principles.

Interviewee background	Detail
Interviewee	
Gender	Male
Age	45 years old
Position	Investment Director
Education	Master's degree in Finance
Work experience	13 years in iron and steel manufacture 10 years in electric motor industry
Responsibility	Responsible for investment in new projects and coordination with government.
Essential leadership trait	He strongly believes that professionals should handle professional matters. As a good leader, the priority is that he or she must understand the nature of his or her business, work rules, rules of the game or routine. Possess the ability to handle affairs in the business.
Perspective on *guanxi* inside company	He does not think he has internal *guanxi* inside the company, but he admitted that on some key issues, internal *guanxi* enables people to work very well together; as the saying goes: 'One co-operates better with his father and brothers on the battlefield.' In addition, internal *guanxi* can have negative effects on a company, such as on leaders' judgement, employee performance and operational management. In his personal opinion, internal *guanxi* inside a company is not practical.
Perspective on *guanxi* outside company	He considers that internal *guanxi* is a crucial element of doing work with the government or doing business in China. As a senior leader, he should use social resources and private *guanxi* to achieve the goals of the company or share internal *guanxi* networks with the company. He used internal *guanxi* outside the company to obtain large amounts of funding from the government to support a new project in the company and also tried to cut down on the company's expenditure on project design.
Motivation for using	He used internal *guanxi* to maximise the interest of the company.

Interviewee background	Detail
guanxi	
Interviewee	
Gender	Female
Age	48 years old
Position	Vice-General Manager/Supply Logistic Director
Education	Master's degree in Law
Work experience	5 years in local government Judiciary 10 years in the electric motor industry
Responsibility	Responsible for purchasing, and management of logistic support and supplier cooperation.
Essential leadership trait	As a good leader, emotional intelligence quotient (EQ) is more important than intelligence quotient (IQ), which indicates the ability to build great interpersonal relationships (*guanxi*) with others. A leader needs to be good at discovering subordinates' strengths, let everyone do their best according to their ability. Finally, a leader may make a forward-looking decision.
Perspective on *guanxi* inside company	She believes that even though all companies have their formal rules and everyone should obey those rules, when problems occur, results could be varied by using internal *guanxi*. To some extent, internal *guanxi* must be used to deal with operational problems by breaking rules, such as shorten the procedure for examining and approving supply cooperation. She used internal *guanxi* to coordinate different factories in order to optimise the limited production resources.
Perspective on *guanxi* outside company	She used private *guanxi* outside the company very often, mainly in two aspects: (i) increasing cooperation with suppliers and (ii) working more efficiently with government. She thinks that the private *guanxi* between the company and the government plays a key role in the development of the company. Generally, she used *guanxi* externally to get priority supplies when the demands exceeded supply in the market. She also helped the company to get land certificates and real estate licences with

Interviewee background	Detail
	her internal *guanxi* and speed up the procedure of transferring shares from a public Hong Kong company to a domestic capital.
Motivation for using *guanxi*	She used internal *guanxi* to overcome limited production capacity in order to meet the requirements of key customers, that is, in the interests of the company, also for self-interest, more or less.
Interviewee	
Gender	Male
Age	45 years old
Position	Chief Technology Officer (CTO)
Education	Doctorate in Electric Engineering
Work Experience	12 years in the electric motor industry
Responsibility	Responsible for technology research and development of new products.
Essential leadership trait	Leaders should possess high-level technical capability in order to build a good reputation and authority by helping people when they have problems. Important for a leader to mobilise resources; especially to pay attention to the influence of good private *guanxi*.
Perspective on *guanxi* inside company	He defined internal *guanxi* in terms of two aspects: (i) personal interests that conflict with the interests of the company or have nothing to do with the company, which should be prohibited; and (ii) where personal interests and the interests of the company are consistent, which is exactly what the company needs, which has a positive influence on the company. This type of *guanxi* is an invaluable resource, which cannot be stipulated by regulations. He used internal *guanxi* to get human resources support and financial assistance to strengthen his prediction of a new product. He convinced his superior to support his new technology proposal by using internal *guanxi* (strategic problem)
Perspective on *guanxi* outside company	Internal *guanxi* outside the company has been applied to motivating employees and stimulating their performance. It helps to obtain essential information for research funding, technology development and

Interviewee background	Detail
	overcoming technical obstacles.
Motivation for using *guanxi*	He tries not to use internal *guanxi* inside company as possible as he can, as a senior leader. When the emergency happens, private *guanxi* can be used as an effective solution, but have to ensure the process should under the regulations.
Interviewee	
Gender	Male
Age	65 years old
Position	Vice-Chief Financial Officer/General Accountant
Education	Bachelors degree in Accounting
Work experience	40 years in Manufacturing, 10 years in electric motor industry
Responsibility	Responsible for Accountancy in company Group
Essential leadership trait	Leaders should be knowledgeable about the operations and production of the company; also have the ability to guide subordinates and to design effective methods that are suitable for the company's management system and mechanism, especially the flexibility to adapt. Chinese culture shows that people do not fear leaders in senior positions, which is an important guide in corporate management. Leaders must set a good example to all and employees should get along with others to maintain a harmonious working environment that is known as internal *guanxi* network.
Perspective on *guanxi* inside company	The existence of internal *guanxi* has been determined by Chinese culture. Good internal *guanxi* could greatly benefit the performance of the company and improve efficiency of management. If a leader cannot harmonise *guanxi* among employees, it is possible that the subordinates might disobey orders, be two-faced or cause some problems to the leader on purpose. It is necessary to manage internal *guanxi* in a proper way. Internal *guanxi* networks among employees are like equipment: we cannot produce a quality product if a screw spike on the equipment goes missing. The screw spike is trust among employees, and every one can

Interviewee background	Detail
	contribute to the company. When they evaluate performance, people should evaluate performance of a group but not the workload of a single employee. Thus, internal *guanxi* networks, among group members are important. He usually used internal *guanxi* to coordinate accounting matters among different sub-companies.
Perspective on *guanxi* outside company	It is inevitable to use very often in various aspects, such as in finance, tax, industry and commerce and audit in order to coordinate or communicate with managing departments and government agencies. He has to use internal *guanxi* to communicate with policy-makers or people who are in charge to get things done well.
Motivation for using *guanxi*	He used internal *guanxi* only for work.
Interviewee	
Gender	Male
Age	38 years old
Position	Manager in Logistic and Supply
Education	Bachelors degree in Marketing
Work experience	13 years in electric motor industry
Responsibility	Mainly responsible for daily work in developing suppliers, that is, looking for potential suppliers, because new suppliers will help develop new products and get through bottlenecks in capacity. When there are issues with equipment or staff so that production is slowed down, he finds new plants to help.
Essential leadership trait	Give people effective assistance in order to achieve win–win cooperation us.
Perspective on *guanxi* inside company	His point of view is that internal *guanxi* could be beneficial to daily management. For example, he used internal *guanxi* to convince a subordinate to do the job due to a regulatory fault. Fixed the production problem in time through private *guanxi*. When he makes mistakes,

Interviewee background	Detail
	people who have a good internal *guanxi* will point them out so that he can correct them right away and boost the work efficiency quickly. Internal *guanxi* could have negative impacts: a small group of people could resist decisions made by the company out of personal interests; some people may take on an extra job outside the company using the company's resources which could affect the interests of company. Overly stressing importance of internal *guanxi* in the company, some people may spite colleagues out of self-interests. Even if people do not have a good internal *guanxi* with others, it would affect and reduce their work efficiency than following rules. According to the current situation, his employees have good internal *guanxi* with others. As for the efficiency of the team, employees are highly efficient following rules and regulation. As employees interact with others well, they are willing to solve problems at work with a positive attitude. He used internal *guanxi* to cope with emergencies in daily operations and convince his subordinates to complete tasks.
Perspective on *guanxi* outside company	He used internal *guanxi* to mobilise a labour force from other factories to improve productivity and to select reliable suppliers by checking their credit verification.
Motivation for using *guanxi*	For the interests of the company and better work efficiency.
Interviewee	
Gender	Male
Age	42 years old
Position	Senior Manager in the Public Relations Department
Education	Bachelors degree in History
Work experience	7 years in news media 8 years in electric motor industry
Responsibility	Responsible for the commercial cooperation with government and supervising human resources development

Interviewee background	Detail
Essential leadership trait	There are two important sections in my leadership. First, professional proficiency of ours is essential without a doubt. Only by looking into an issue from a bigger picture, are able to operate better, which is required in strategic cooperation and supervision. Second, personal charisma is important too. So-called strategic coordination refers to collaboration, coordination and synchronisation. Coordination requires personal charisma as it determines if one is able to mobilise resources.
Perspective on *guanxi* inside company	As a matter of fact, a company is like a family or a mini society as people are most important. As long as there are people, there are *guanxi* (networks), which is inevitable. Therefore, he believes a good internal *guanxi* network within a company is the key to success. However, internal *guanxi* must be used for the interests of the team and company, which depend on individual's characters, qualities and abilities, which are decisive. It is necessary to differentiate the concept of *team* from the concept of *small group*. The difference lies in the purpose for using internal *guanxi*. If private *guanxi* is used for the interests of the company instead of personal gains, this could be called *teamwork*. He prefers to solve problems on his own rather than ask for help from leaders, especially when work-related problems occur. He has used his internal *guanxi* with colleagues as a form of communication to solve work-related problems. He motivated and rewarded his subordinate by using internal *guanxi*.
Perspective on *guanxi* outside company	He used internal *guanxi* outside the company for two purposes: (i) in the interests of the company and (ii) for uniting team members. For example, he used his internal *guanxi* to help the senior members' family needs, also to gain key information and support from the government in order to get funding for the company.
Motivation for using *guanxi*	In general, he used internal *guanxi* either for solutions to work-related problems or for the interests of his team members, which is necessary. He believes that only by doing so, can team members be united firmly.

Interviewee background	Detail

Interviewee	
Gender	Male
Age	36 years old
Position	Senior Manager in Human Resource
Education	Higher National degree in Secretarial Studies
Work experience	14 years in electric motor industry
Responsibility	Mainly responsible for recruitment, staff training, performance appraisal and management of staff relations (communicates with staff to give them a sense of belonging).
Essential leadership trait	Give people a good salary, promote performance and treat employees nicely. Leaders must adapt to changes: a decade ago when I posted a job advertisement, hundreds of people came for interviews and tried to get in. However, times have changed. We should keep up with the change as younger generations have stepped into society. Being in the Human Resources Department, we have to adjust policies to adapt to change. Nowadays, employees tend to value corporate culture and corporate activities more, and less so overtime.
Perspective on *guanxi* inside company	He thinks that internal *guanxi* exists everywhere, especially in Chinese enterprises. He believes it is not a bad thing. In training and team-building processes, he asks team members to socialise with others and to build internal *guanxi* networks. Chinese are different from Westerners. Westerners value law, moral sense and then sentiment in order of priority. The Chinese value sentiment, moral sense and then law. If we cannot work things out through personal *guanxi* and moral senses, we go to court and seek help from the law. Therefore, the national condition of China is different from other countries and internal *guanxi* is important. Is it good or bad? He thinks private *guanxi* is like a kitchen knife. It is good when you use it to cut vegetables, but not if you use it to hurt people. For example, American citizens are allowed to have guns, but

Interviewee background	Detail
	Chinese are not. Are guns good or bad? We cannot answer the question by generalising all circumstances. What I am trying to say is that we should use internal *guanxi* networks properly. It would be okay to use internal *guanxi* as long as they can benefit the company. We encourage employees to use internal connections properly to benefit the company. If someone overuses an internal *guanxi* network, it shows a bad character. The action, abuse of effort of internal *guanxi*, should be stopped. For example, he used internal *guanxi* to convince his subordinate to stay at the company and continue to serve. He also stimulated the subordinate's work performance through internal *guanxi*. Generally, he uses internal *guanxi* three to four times a month.
Perspective on *guanxi* outside company	He used internal *guanxi* with the local government to co-operate in social activities in order to increase benefits to employees. He helps the families of employees to settle down and arrange a good career for them by his internal *guanxi* with local authorities.
Motivation for using *guanxi*	He only uses personal *guanxi* in the company's interests. He wants to do a better job and be more efficient in order to encourage employees to do a good job, make them more united and improve their efficiency.
Interviewee	
Gender	Male
Age	36 years old
Position	Senior Manager in Standard Motor Division
Education	Bachelors degree in Mechanics
Work experience	7 years in electric motor industry
Responsibility	In charge of day-to-day business of the entire international Sales Department for standard motors, as well as staff and operation
Essential leadership trait	Ability to make everyone perform as a team and how to inspire the team from a positive point of view to achieving the common goal with concerted efforts. Giving full play to everyone's initiative and realise subordinates' potential.

Interviewee background	Detail
Perspective on *guanxi* inside company	He certainly has used internal *guanxi* very often and believes that good internal *guanxi* will make the work more effective, people work tacitly together with higher efficiency in the interests of the company and serving customers better. But he will weight pros and cons before using internal *guanxi* to do a job, try not to affect others' interest as much as he can. He used private *guanxi* to reach a superior to claim bigger budgets for entertainment expense of the client. He used internal *guanxi* to support subordinates to coordinate production progress more effectively.
Perspective on *guanxi* outside company	He used *guanxi* outside the company to enhance the image of the company by reconstructing the website at a good price. He used *guanxi* in the government to cover A colleague's error and remedy the company's loss. Mostly, he used internal *guanxi* to place more orders and maintain the stable business of existing customers.
Motivation for using *guanxi*	He used internal *guanxi* for team honour, tasks assigned by leaders and sales goals in the plan. Generally, it is used for getting the job done well.
Interviewee	
Gender	Male
Age	38 years old
Position	Factory Director
Education	Bachelors degree in management
Work experience	13 years in electric motor industry
Responsibility	In charge of No. 1 Factory, responsible for operational management, manufacturing management and human resource management
Essential leadership trait	The ability to build a team is the most essential leadership trait. Compared to foreign companies, the Chinese private company is very different in implementing regulations. In foreign companies employees have to abide by regulations and follow orders as soon as they get enrolled. However, in a company like ours, we have to supervise employees by guiding and coaching them, and checking their work by our management team. Therefore, if the staffs are under control, things

Interviewee background	Detail
	will work out as we will always find solutions to solve work-related problems.
Perspective on *guanxi* inside company	By building good internal *guanxi* with my team members, not only can we get to know one another better, but they can understand my leadership purposes and skills better. Thus, they would work more efficiently when tasks are assigned to them. He is able to mobilise resources to complete tasks in time. For example, he very often arranged for people to work overtime to complete tasks through his private *guanxi*, even if it was at midnight. In addition, he uses internal *guanxi* to communicate effectively with subordinates in order to find out what they really thought and give great support.
Perspective on *guanxi* outside Company	During labour shortage periods he uses internal *guanxi* with leaders of other factories or vocational schools to hire technicians and front-line workers to help out with productivity.
Motivation for using *guanxi*	He used it for collective interests but not for personal interests.
Interviewee	
Gender	Male
Age	34 years old
Position	Sales Manager in South China
Education	Master's degree in Management
Work experience	4 years in electric motor industry
Responsibility	In charge of sales management in the Shanghai department
Essential leadership trait	He thinks that there are three important leadership traits. First, leaders need to be able to communicate with people effectively. Knowing the real difficulties his or her subordinates have through formal or informal communication, they will be able to help them solve the problems. Second, leaders need to be able to get the best out of their subordinates and put them in the right position so that they could maximise their

Interviewee background	Detail
	value. Third, leaders should be able to unite their team. As individuals' ability is limited and the team should complete goals, everyone should make some contributions to the team. As a team leader, he or she should be able to arouse team members' potential, and mobilise resources and internal *guanxi* network.
Perspective on *guanxi* inside company	The company makes profits by effectively mobilising resources, and internal *guanxi* could be considered as one of the essential resources. People need to pay attention to two points while using this resource. First, they have to make sure that interests of the company are not compromised. Second, they only use it when it is necessary. If not, everyone will take a shortcut and regulations will be useless. He usually used his internal *guanxi* twice a month in offering the best service to customers, when productivity of the factory or other internal causes impact on his work performance. For example, he used his internal *guanxi* by turning to colleagues to solve problems such as being unable to deliver goods on time, meet customers' requirements of technology or improve products. Under these circumstances, they cannot solve problems in a short period depending on the regulations of the company because regulations are not able to evaluate the importance of a customer or value of an order, or guide people to solve emergencies. Sometimes when his subordinates fail to effectively communicate with colleagues from other departments and get the help they need, he has to use his internal *guanxi* to help them solve problems. (It is because private *guanxi* network of a leader is more influential than that of general staff.)
Perspective on *guanxi* outside company	He sometimes recommends friends with talent to the company. Compared to other companies of the same size, they are more willing to come and work in our company because of the internal *guanxi* they have. The private *guanxi* will enable them to display their talent here fully and do a very good job. Moreover, he very often recommends some service agents to the company to lower cost as well as competitive suppliers to get the most cost-effective contract through his internal *guanxi* networks.
Motivation for using *guanxi*	He used internal *guanxi* to work more efficiently, get guidance and more resources to complete tasks.

Interviewee background	Detail

Interviewee	
Gender	Male
Age	46 years old
Position	Senior Manager in Domestic Market
Education	Bachelors degree in Marketing
Work experience	12 years in electric motor industry
Responsibility	In charge of sales in domestic market, mainly responsible for sales management, and also trains talented customer managers
Essential leadership trait	Offer more opportunity for those employees who are capable and enthusiastic in Sales. Should pay attention to fostering excellent reserve forces for Sales.
Perspective on *guanxi* inside company	His point of view is that private *guanxi* could contribute to the stability of the whole team. He disagrees with copying regulations of foreign-funded corporations and manages the company by following rules rigidly. Instead, facing the current situation that mechanisation has yet to be improved and perfect; people should deal with problems more flexibly. Moreover, as with the rapid development of the company, he considers internal *guanxi* an effective supplement, for instance, to adjust the training programme by breaking the rules in order to discriminate the new employees' potential in sales capability in the short term; to shorten the lead time by coordinating with different related departments. However, overuse of the private network could prevent the development of the company, or more seriously, could jeopardise the whole company. Therefore, all employees should supervise the motives for using the internal *guanxi*. All leaders should discipline themselves by using private *guanxi* properly. He used private *guanxi* to make efficient progress in production and improve the training system.

Interviewee background	Detail
Perspective on *guanxi* outside company	He used internal *guanxi* outside the company to tout for sales orders and achieving sales goals. Sometime he needs to use private *guanxi* to resolve problems caused by subordinates.
Motivation for using *guanxi*	He mostly used internal *guanxi* for the interests of the company.
Interviewee	
Gender	Male
Age	41 years old
Position	Finance Manager
Education	Bachelors degree in Accounting
Work experience	10 years in electric motor industry
Responsibility	In charge of overall work of the Financial Department at Ningde Head Office
Essential leadership trait	There are some key leadership traits for a good leader: the ability to organise, coordinate, to make decisions, analyse and to communicate with others.
Perspective on *guanxi* inside company	He personally considers internal *guanxi* within a company a relationship beyond work. It is like relationships with friends, relatives or enemies, which could have some influence on work. It is like a double-edged sword. If they overuse it, it could affect the daily operation of the company and have a negative impact. When he cannot effectively communicate with some department and people do not understand each other well enough, people have misunderstandings and people are standing their ground, he uses internal *guanxi* to clear the air; effective communication in sales department in order to control the cash flow: make it stable and healthy. In addition, he learns about the detail of products and gains professional knowledge under the effect of internal *guanxi* so that he would be able to help the senior leadership analyse costs and prices to keep sustainable growth in profit.

Interviewee background	Detail
Perspective on *guanxi* outside company	He used *guanxi* outside the company to solve problems at work and improve ways of managing as well as financial regulations through information and experience with his acquaintances (private *guanxi* members). Moreover, he used internal *guanxi* in banks and other financial institutions to help the company solve financing difficulties in a short time.
Motivation for using *guanxi*	Only for work, when he has difficulties, all he needs to do is to overcome difficulties by using internal *guanxi*. When he is not able to do it with his own resources, he could look for solutions through other resources to get the job done well through his internal *guanxi* network.
Interviewee	
Gender	Male
Age	37 years old
Position	Sales Manager for Southeast Asia market
Education	Bachelors degree in Industrial Design
Work experience	7 years in electric motor industry
Responsibility	In charge of Southeast Asia market. There are four targets in Southeast Asia, which are Singapore, Malaysia, Thailand and Indonesia. Several important strategic projects are launched there. One of them is a branch project. There are three branches, which are Singapore, Malaysia and Indonesia. Another project is a Siemens project.
Essential leadership trait	To pay full attention on the job is the most important leadership trait. The second is circumspection. He prefers to integrate job distribution and servant leadership style, which means assigning work to subordinates and do it with them as well, especially, helping them to analyse the big client's cooperation habit and personal likings and so on.
Perspective on *guanxi* inside company	He thinks the internal *guanxi* network in the company is good. He believes that internal *guanxi* between two departments or internal *guanxi* he has with his superiors or subordinates can have a positive influence on work as not every problem can be solved at work, meaning that he

Interviewee background	Detail
	sometimes needs to call his colleagues to seek help. If he has bad internal *guanxi* with them, he might not be able to do his job well. If he has bad internal *guanxi* with colleagues when he does his job, his colleagues might get in the way by following rules rigidly and strictly. Those colleagues might not answer his calls or just ignore him. Thus, he believes that private *guanxi* can have positive influences on work and improve efficiency. It is also conducive to problem solving. He used internal *guanxi* to gain colleagues' cooperation and skip company procedures to increase the work flow and also support subordinates to work effectively.
Perspective on *guanxi* outside company	Normal operational problems that they cannot solve within the company are rare; only once a month on average. He will use internal *guanxi* outside the company and seek help at that time, such as looking for solutions for customs import issues.
Motivation for using *guanxi*	He wants to do his job well for the benefit of the company, for his goals at work, and for the honour or interest of his team by using his internal *guanxi* network.
Interviewee	
Gender	Male
Age	27 years old
Position	Manager in Coordination of Sales and Production Department
Education	Higher National Diploma in Automation
Work experience	4 years in electric motor industry
Responsibility	Mainly responsible for coordinating a process that is about transforming sales orders (or contract orders for sales checkout) into a production plan: how to review, account and forecast delivery time, and how to optimise storage.
Essential leadership trait	Firstly, he thinks professional ethics are important to a leader. It is essential for people to have the right attitude towards their job. If the leader has a positive work attitude, he or she could do a very good job,

Interviewee background	Detail
	and vice versa. Secondly, basic skills such as staff management are important. There are several points in management skills. First, personal influence, known as *influencing management*, is one of them. It can be seen when people in his team trust him and are willing to follow him. Second, strong communication skills are important. If one of his subordinates has conflict with another or if one of them wants to resign, good communication skills are essential for problem-solving as his subordinates trust and listen to him. Even he needs to apply private *guanxi* to influence them. Third, the ability to control situations and deal with emergencies is also important. This leads to efficient problem-solving: When an emergency arises, he needs to have a plan to solve it first time.
Perspective on *guanxi* inside company	Speaking of an internal *guanxi* network, he thinks it is meaningful and helpful in the daily management of the company. Why? The Chinese have a saying: 'Rely on family at home, and rely on friends outside'. In the company he would reach out to colleagues with whom he has a good private *guanxi* instead of leaders when it comes to difficulties. He is used to solving them by using private *guanxi*. If he goes directly to leaders, leaders would think that he is incapable of solving problems and have a bad impression of him. Moreover, it is meaningless to seek help from leaders as they care about results more than processes. He thinks the better the internal *guanxi* is and the bigger the network, the more efficient his work will be. Private *guanxi* can determine the process and results. He used internal *guanxi* to coordinate his department to communicate more effectively and simplified the process of replacing faulty products.
Perspective on *guanxi* outside company	He asked his friend from a neighbouring factory a favour, when his factory was short of workers in the production line with low capacity.
Motivation for using *guanxi*	There are two reasons to use internal *guanxi*. First, it is for personal interest. Second, it is for the completion of tasks assigned by leaders. When his superiors assign a task to him and he has difficulties with them, he would reach out to his colleagues or use the internal *guanxi* to look for solutions horizontally.
Interviewee	

Interviewee background	Detail
Gender	Male
Age	39 years old
Position	Factory Director
Education	Bachelors degree in engineering
Work experience	16 years in electric motor industry
Responsibility	In charge of No. 5 Factory, mainly of the production of standard motors, including energy material, production of machines, quality inspection, process improvement, and the human resource management, among other things
Essential leadership trait	He believes that team building is the key leadership trait. In a labour-intensive enterprise like his, *guanxi* between people is very important, which could directly influence the success of team building. If they do not have a proper form for the team and make it efficient when it comes to executing orders, it would not work. As a matter of fact, there are three things that are essential: the ability to (i) communicate, (ii) organise, and to (iii) mobilise resources, which are complementary to one another.
Perspective on *guanxi* inside company	He personally values this internal *guanxi* inside a company. Though they need to manage the company based on rules and regulations, rules are so rigid. If they follow rules completely, it might not be the best for them to solve work-related problems. He thinks that the Chinese value friendship and internal *guanxi* very much. Thus building and employing internal *guanxi* are indispensable, as he has good internal *guanxi* with his subordinates, they would work overtime and overnight willingly if they have emergency orders. In this case, rules or regulations would not work as no one would respond to rigid rules and work overnight. Internal *guanxi* could be a possible approach to enhance system performance.
Perspective on *guanxi* outside company	He used his internal *guanxi* outside the company on surveys. Because he can reflect his own operational management style in order to amend the system and improve management performance.
Motivation for using	He has to complete tasks. Another reason would be for the honour of the

Interviewee background	Detail
guanxi	team.

Interviewee	
Gender	Female
Age	39 years old
Position	Senior Sales Manager
Education	Bachelors degree in Management
Work experience	10 years in electric motor industry
Responsibility	In charge of international marketing for the European region
Essential leadership trait	The most essential trait is the ability to communicate effectively with stakeholders, such as to maintain smooth communication with leaders, clients and subordinates. Also, as a sales leader, he or she should pay full attention to the plants' capacity, lead plants to make progress and make more profits.
Perspective on *guanxi* inside company	She admits that internal *guanxi* does exist in the company. Historically, internal *guanxi* network have existed in state-owned companies for a long time. As for private enterprises, it exists for sure as they are family businesses. As with the trend of globalisation, Chinese private enterprises are influenced by Western management models. Therefore, private enterprises are becoming more institutionalised and standardised. As far as she is concerned, the influence of internal *guanxi* within companies cannot be replaced with regulations. The Chinese's value of *guanxi* and *renqing* (favour) will not be changed overnight. Her definition of private *guanxi* is that it is an interpersonal relationship among employees outside of work. This kind of relationship is a supplement to the daily operation of the company. However, it is hard to handle as it has negative impacts on us. For example, some workers were excluded in workshops when others formed a small group. It was not healthy for the development of the team. On the other hand, though people are able to solve problems without using internal *guanxi*, it could waste more time and energy.

Interviewee background	Detail
	Personally, she tries not to use internal *guanxi* if possible, because using private *guanxi* too often could affect her prestige as a leader, which may give subordinates the wrong impression and have a negative impact. They may misunderstand that private *guanxi* is more important than regulations within the company. Generally, she only uses internal *guanxi* to coordinate production among plants, meet the demands of major clients, satisfy clients, and efficiently and effectively complete orders. Especially when internal affairs involve multiple departments, using internal *guanxi* could improve working efficiency and enable us to complete goals fast. Sometimes, she also uses it to get priority in financial examinations and approval or application of special budgets.
Perspective on *guanxi* outside company	She used external *guanxi* with her old classmates who worked in the Bureau of Customs to consult and solve problems in business. She also used internal *guanxi* with the Tax Bureau to solve problems and get to know the tax policies of the state as well as detailed preferential treatment so that they could secure more profits for our company.
Motivation for using *guanxi*	Sometimes, she used internal *guanxi* network to be efficient and avoid making mistakes.
Interviewee	
Gender	Male
Age	48 years old
Position	Chief Executive Officer
Education	Bachelors degree in Engineering
Work experience	22 years in electric motor industry
Responsibility	In charge of management of logistics of the whole company, as well as production material control
Essential leadership trait	Strategy and human resource management are very important. Especially, using *guanxi* networks correctly determines the effect of leadership performance.

Interviewee background	Detail
Perspective on *guanxi* inside company	As far as he is concerned, internal *guanxi* within the company is a type of normal personal relationship beyond work relations, which is an important supplement of daily management; thus, it is called a *network* within the company. Of course, this kind of network should be built with on the premise of agreement with the company's philosophy and basic code of conduct. Otherwise, it might affect the company and should be forbidden. At the start of the promotion of a new equity investment company, the company intended to benefit key personnel. However, everyone was hesitant as they were not sure if the plan would be beneficial to them. Therefore, he communicated with some personnel with whom he had good internal *guanxi* and persuaded them to sign the agreement first. Then, as a result, it led to the full implementation of the plan as the rest of them followed suit.
Perspective on *guanxi* outside company	Sometimes when inspection errors occur and affect delivery, he would use long-term working relations between the company and China Inspection and Quarantine and his private *guanxi* to solve the problem. When Mawei Customs make mistakes sometimes that could affect the delivery and cause losses, he uses private *guanxi* to solve the issues. During the recruitment of senior management, he always uses company relations or his internal *guanxi* to contact or interview candidates. There are are many other examples where he applies *guanxi*.
Motivation for using *guanxi*	Usually, when he cannot achieve goals or objectives in the normal exercise of the company's rules and regulations or when he cannot risk his relations with key personnel, he uses internal *guanxi*, as a supplement, to solve the problem.
Interviewee	
Gender	Male
Age	45 years old
Position	Production Director
Education	Bachelors degree in Engineering
Work experience	22 years in electric motor industry

Interviewee background	Detail
Responsibility	In charge of the management of logistics of the whole company, as well as production material control
Essential leadership trait	Though professional knowledge and ability are key traits, he also believes that sense of responsibility, passion, commitment, appreciation, inspiration, the win–win principle, trust and giving are more important.
Perspective on *guanxi* inside company	He personally thinks internal *guanxi* networks within the company should be banned. As they are colleagues (also friends), they should solve work-related problems as a team instead of being a part of them. He believes that internal *guanxi* networks could affect the operations of the company and have a negative impact on the company. During the periods of 2002–2003 and 2007–2008, the internal *guanxi* network of small groups of employees strongly affected development of the whole company. He never used internal *guanxi* internally to do his work.
Perspective on *guanxi* outside Company	He used *guanxi* outside the company to reach someone in the Tax Bureau in order to avoid tax. He also used private *guanxi* to make sure the daily operations worked well.
Motivation for using *guanxi*	He used internal *guanxi* to solve work-related problems only for the protection of corporate interests and to reduce losses.

Subordinate group

Interviewee background	Detail
Interviewee	
Gender	Male
Age	29 years old
Position	ERP Specialist
Education	Bachelors degree in IT
Work experience	7.5 years in electric motor industry
Responsibility	Mainly responsible for three aspects. One is early stage of implementing

Interviewee background	Detail
	the enterprise resource planning (ERP) system and for promoting the line. He coordinates work between different departments, writes down the process and assigns tasks to all staff through meetings. Two, he deals with problems during the application of the system or in IT, such as entering different data into the system. If some department does not enter data based on ERP standards he deals with problems from his own perspectives, otherwise there would be problems in the system. The third thing is the daily maintenance of IT and the server.
Essential leadership trait	He thinks the most important thing is the individual influence which is explained as the ability to control the power balance and the ability to coordinate relations between colleagues.
Perspective on *guanxi* inside company	He personally defines internal *guanxi* into three categories, which are (i) workers in workshops; (ii) leaders in senior management teams and (iii) ordinary employees like him. Regarding workers in workshops, they are mostly workers who were once farmers who left the countryside to work in cities. The way they think is that as long as they do not work overtime, finish their workload in time and are able to go home and get some rest, they are satisfied. Thus, *guanxi* among them is the unity among a small group of people, such as forming cliques with their fellow townspeople. They resist anything that is beyond their daily work. They care less about leaders' ideas unless the leaders are someone whom they admire and have good internal *guanxi* with. Only from them would accept work assigned by them willingly and listen to their advice. The second category is ordinary employees. As they have a good education and get along with colleagues, they would help only if it does not compromise their personal interests and the favour is not beyond their power. Of course, there are some colleagues who are not very easygoing, not easy to get along with and very old-fashioned. Concerning leaders in management, he often needs to use internal *guanxi* with other colleagues to seek their help to do the work. Generally, in most cases, he had to use internal *guanxi* to reach the senior leader to complete his tasks, though his boss had told all departments to support his work when he often has obstacles at work.

Interviewee background	Detail
Perspective on *guanxi* outside company	He usually used internal *guanxi* to look for technical support and consulting solution on the IT programs, when he has problems that are beyond his ability and the colleagues would not be able to help.
Motivation for using *guanxi*	He used internal *guanxi* mainly in the interests of the company; also for his team because he hopes everyone in the team gets along with others and has a comfortable working environment; this is harmony.
Interviewee	
Gender	Male
Age	25 years old
Position	ERP Specialist
Education	Bachelors degree in IT
Work experience	2 years in electric motor industry
Responsibility	Mainly responsible for ERP system, some software and hardware programs, and training on how to use basic equipment
Essential leadership trait	As for leadership skills, because he is not a leader but an employee, effective communication with colleagues and leaders to get help or resources when problems occur is the most important skill to him.
Perspective on *guanxi* inside company	He thinks that in a company internal *guanxi* networks are important. As regards the role an internal *guanxi* network plays, at least it enables you to help and encourage others and learn from them. But sometimes, the network could affect daily management. For example, two employees have a good relationship. One makes a mistake at work, and the other may not blame him or give him some form of punishment for the good of internal *guanxi*. Thus, this employee may keep making the same mistake. Thus, proper use of internal *guanxi* is important. People should avoid negative impacts. Moreover, he thinks people should employ the normal management system as the main management operation and follow rules. Personally, he used internal *guanxi* to convince his colleague to take his training courses and also seek more effective cooperation in multi-departments. These cases happen at least once a

Interviewee background	Detail
	month.
Perspective on *guanxi* outside company	He has not used internal *guanxi* outside the company to do his work
Motivation for using *guanxi*	He prefers not to use it unless it is necessary, namely on two occasions: First, he uses it when he has to complete some tasks and does not want to bother leaders. Second, he uses internal *guanxi* for fear of hurting people's feelings with whom he has good internal *guanxi* ask him for a favour.
Interviewee	
Gender	Female
Age	24 years old
Position	Ordinary staff member in the Workshop
Education	Bachelors degree in Secretarial Studies
Work experience	2 years in electric motor industry
Responsibility	Mainly responsible for the documentary record of the Workshop and coordinating certain customer services with the client
Essential leadership trait	She thinks communication and coordination abilities are important. The communication ability means that she need to express her purpose clearly to others to seek help. In the meantime, she needs to build an internal *guanxi* with colleagues based on mutual trust, because only with a good internal *guanxi* network is she able to adapt to her post and do her job effectively. The ability to coordinate means she should able to get resources and help or solutions from colleagues. In the meantime, when colleagues ask her for help, even if it is beyond her ability, she could use her internal *guanxi* and seek assistance to help them. Thus, by taking care of others' feelings, she is able to build an internal *guanxi* network based on mutual trust, which enables her to always get help.
Perspective on *guanxi*	She thinks as long as employees use internal *guanxi* properly, it will not

Interviewee background	Detail
inside company	have negative impacts on them. If clients with whom she has long-term cooperation experience difficulties, she cannot be harsh on them and follow rules without standing in their shoes. If colleagues who are responsible for such matters follow rules only without being flexible, it could affect company service quality and lower the working efficiency because they would be stuck in rules and have no way out. If she uses internal *guanxi* to solve problems and bypass the rules, she would be able to solve them effectively and get the job done easier. When she is happy getting the job done, the clients are grateful and satisfied with her service and the whole company. Usually, she uses internal *guanxi* to reach other leader to communicate with her direct boss and solve her difficulties at work. In addition, she offers the clients a better service through her internal *guanxi*.
Perspective on *guanxi* outside company	She has not used internal *guanxi* outside the company to do her work.
Motivation for using *guanxi*	She only used it to get the job done better and make sure it is implemented properly.
Interviewee	
Gender	Female
Age	24 years old
Position	Team Leader in the frontline staff
Education	Bachelors degree in Marketing
Work experience	3 years in electric motor industry
Responsibility	Mainly responsible for the motor assembly line
Essential leadership trait	As for leadership, communication and organisational coordination are the most important traits. Communication refers to how a leader communicates with staff, namely how he or she convinces staff to work for the goal. She tries her best to get along with her team members, for example, she pays attention to her attitude when she communicates with team members. As for organisation coordination, for example, it is very

Interviewee background	Detail
	common that some motor sets are not completed in the assembly line, as a result, sometimes staff in her team is ready to work but there are no parts for them to assemble. Then she needs to coordinate and ask other colleagues or other leaders if this motor set can be produced first by using her private *guanxi* network.
Perspective on *guanxi* inside company	She thinks that internal *guanxi* inside the company is good. By using this kind of private *guanxi*, people can enhance the efficiency, fight for her team's interests. Of course, the starting point must be for the good of the work and for the company. For example, she used internal *guanxi* to find out what the quality problems in the production design were and allocated resources to amend them in time.
Perspective on *guanxi* outside the company	She used internal *guanxi* outside the company to help her in the business.
Motivation for using *guanxi*	The first reason is that she has to and must do the job, and then she may use internal *guanxi* to deal with it. The second reason is that she thinks that maybe she needs others' help in the future in return for a favour.
Interviewee	
Gender	Female
Age	39 years old
Position	Regulation System Inspector
Education	Bachelors degree in Management
Work experience	4 years in electric motor industry
Responsibility	Mainly responsible for system management, including management of quality system in early years, and management of environment and safety system. Then, she was appointed to manage the operational system of the whole company based mainly on a pattern of performance excellence.
Essential leadership trait	Professional knowledge is above everything. To build a system, one must know about its standard. There is a pattern for excellent

Interviewee background	Detail
	performance. One have to figure out what the standard is and which system the standard is set up for. Besides, a leader must combine the actual situation of the company with the method people are going to use because one standard system could be suitable for all walks of life. However, people have to make it operative for manufacturing to a great extent. If regulations are too strict for employees to obey or to operate, the whole procedure could increase employees' workload by being over elaborate and dull. Coordination ability is second to professional knowledge because designing systems could involve all departments. For example, a quality system is used mainly by the Tablet Department, but it always involves Procurement, Production, Sales and so on. Therefore, the ability to coordinate is important for people to get everyone to follow orders.
Perspective on *guanxi* inside company	She expects the support of colleagues if people have good internal *guanxi* with one another. However, the truth is they would be more co-operative, have a better attitude and do their job more efficiently if she does have good internal *guanxi* with them. People could slow down the process or do it carelessly. However, if she has good internal *guanxi* with them, they would do their job actively and maybe propose some suggestions to her sometimes. She used internal *guanxi* to contact a more senior leader to help her to influence another leader who was unco-operative in order to complete a task. She also used internal *guanxi* to ask the Human Resources Department to comfort colleagues when she had to use punitive measures on them, so as to give them clearer guidance to understand how the regulatory system worked and that they had to abide by rules. Because she was the person who gave the punishment, the colleague might be resistant to her..
Perspective on *guanxi* outside company	If some professional knowledge is beyond her cognitive level, she always seeks assistance from her *guanxi* network outside the company. She also asks for consulting solutions to overcome difficulties in her work by using internal *guanxi*.
Motivation for using *guanxi*	She wants to do her work well and more efficiently.

Interviewee background	Detail

Interviewee	
Gender	Male
Age	24 years old
Position	Ordinary staff member in the Administration Department
Education	Bachelors degree in Management
Work experience	1 year in electric motor industry
Responsibility	Mainly responsible for administrative affairs, such as purchasing and distribution of office supplies, decoration of staff dormitories, maintenance of employees' residential buildings, supervision of outsourcing of the canteen, management of company cars and staff and so on.
Essential leadership trait	The ability to coordinate and create service awareness are important traits. Generally, he can finish jobs within schedule and do them well, step by step. When he needs the collaboration of other departments, he is always able to get help as he is an easygoing person and has good internal *guanxi* with most of his colleagues. However, if there is an emergency and he needs to mobilise all sorts of resources to solve the problem, he needs work experience to know what to do and what is the best for the situation on the one hand. On the other hand, he needs a good internal *guanxi* network. It is essential for him to mobilise resources, get help and work out a solution. Most important of all is to react and respond fast.
	As to service awareness, when colleagues or others have difficulties, such as breakdown of central air conditioner, breakdown of network routers in dormitories, and family financial difficulties of employees', he should be the one who lends a hand at once and does his best to find a solution. As a matter of fact, his administrative department is a large back service department, and ought to serve everyone and help everyone solve problems. When he helps others, people will be grateful and lend

Interviewee background	Detail
	him a hand if he has difficulties later. Thus, he has a good internal *guanxi* network that is conducive to form a cohesive force for both individuals and the company.
Perspective on *guanxi* inside company	He believes that internal *guanxi* could help him greatly at work. Sometimes, it even becomes a part of his ability, which enables him to get the work done well and get the approval of leaders. He usually uses internal *guanxi* to ask colleague/leaders to help him to complete the work, such as ask other leader to adjust unrealistic regulations; pick up customers from the airport when all drivers fully occupied, get the engineer to repair the living quarters facilities immediately.
Perspective on *guanxi* outside company	He used private *guanxi* with a real estate company and found a flat that met senior leaders' family requirement. He helped company to purchase furniture in a big discount deal. Recently he used internal *guanxi* outside the company to help the manager of the Sales Department to make up for an error where his colleague forgot to clear one batch of goods through Customs. The company managed to get the duty drawback which was about US$1 million according to regulations.
Motivation for using *guanxi*	He wants to solve problems and get his job done well.
Interviewee	
Gender	Female
Age	28 years old
Position	Quality Engineer
Education	Bachelors degree in Industrial Design
Work experience	3 years in electric motor industry
Responsibility	Mainly responsible for various matters that relate to quality, such as follow-up on products, surveys of customer satisfaction, handling customers' complaints and so on.
Essential leadership trait	The ability to communicate and coordinate are important. People should

Interviewee background	Detail
	be approachable and have a good internal *guanxi* network; in other words, people need to maintain a good *guanxi* with colleagues and leaders and gain their trust and recognition so that they are able to have effective communication while dealing with problems and gaining others' support.
Perspective on *guanxi* inside company	She thinks there are two sides to a coin. An internal *guanxi* network is no exception. Good private *guanxi* networks can be a supplement to the regulatory system, fast track problem-solving procedures and enhance strained capacity of the company and be a cohesive force among colleagues, especially when the company is small and the system is imperfect. However, internal *guanxi* could have negative impacts on them. If people do not have good characteristics or the right attitude, it may lead to abuse of power. Thus, companies should have a complete system to inspect it. For example, once the canteen of the company colluded with some department to get more invoices for reimbursement using the excuse that it was the staff's meal fee. In addition, *guanxi* among leaders could affect the subordinates' opinion and work efficiency. For instance, sometimes two leaders have two different opinions on the same matter for some personal reasons. When it happens, it is always difficult for her to figure out what they mean. Meanwhile, she has to consider *guanxi* between them thoughtfully and try not to offend either of them. In this case the work efficiency is always low, and in the end, she has to report it to different leaders, explain reasons to them and let them to decide. When the decision is made, it is hard to tell if it is made in the interests of the company or for their personal gains. In general, she used internal *guanxi* to speed up job procedures in order to solve problems for clients and also amended the complaints policy to improve the quality of customer service.
Perspective on *guanxi* outside company	As she built a good internal *guanxi* with staff from the Consumer Protection Committee while dealing with customer's complaints, they often help her company defuse customers' anger. To irrational and unreasonable customers, they often talk sense to them to resolve conflict. During the peak time of customer's complaints (15 March), the

Interviewee background	Detail
	committee will actively remind her to avoid complaints, which is good for the reputation of her company. Besides, her internal *guanxi* with public relations practitioners and media could be key to solving problems for the company.
Motivation for using *guanxi*	She uses it to get problems at work solved as soon as possible to show her capability, especially for hard tasks assigned by leaders. In this case, when she has problems, she usually uses internal *guanxi* to solve them and try not to worry the leaders.
Interviewee	
Gender	Female
Age	27 years old
Position	Ordinary staff member in th Administration Department
Education	Bachelors degree in Management
Work experience	6 years in electric motor industry
Responsibility	Mainly responsible for the procurement and infrastructure work, such as purchasing office supplies and facilities; infrastructure work means the décor and betterment of offices, repair of office facilities and so on.
Essential leadership trait	She thinks the ability to execute and plan is indispensable in her daily work. She should respond as fast as possible to problems reported by any department and implement solutions. Speaking of ability to plan, it needs skills. For instance, in the procurement plan, she usually has to purchase every week or sometimes do temporary procurement. Thus, she needs to plan purchasing orders, costs that are not beyond the budget and so on.
Perspective on *guanxi* inside company	She thinks internal *guanxi* provides her with benefits; using internal *guanxi* to find shortcuts in problem solving. Where no rules are broken this is harmless and conducive to improving her work efficiency and performance. However, if she needs to make other people's work easier and point them to a shortcut for fear of hurting their feelings, it might affect her work sometimes and cause problems for her. So it is

Interviewee background	Detail
	contradictory as she has a good internal *guanxi* network and she cannot turn them down. In private enterprises, as grey areas in regulations exist, well-connected individuals have priorities. Generally, she used internal *guanxi* to ask for cooperation in her décor tasks by contacting senior people. Also she helps the company to purchase cheaper office products with a good quality by her internal *guanxi*.
Perspective on *guanxi* outside company	She used internal *guanxi* outside the company to help complete the décor work with good quality and at a reasonable price.
Motivation for using *guanxi*	All she needs is to do her job diligently and conscientiously. She think the purpose of using private *guanxi* is to simplify cumbersome procedures at work and hasten the process.
Interviewee	
Gender	Female
Age	28 years old
Position	Ordinary staff member in the Human Resources Department
Education	Bachelors degree in Management
Work experience	6 years in electric motor industry
Responsibility	Mainly responsible for human resource management and employee relations. She handles disagreements and employees' problems, observes relations among employees and evaluates the influence of employees' different characteristics at work.
Essential leadership trait	Communication skills are critical and the most important trait. When she took this job in the beginning, she made snap decisions at work based on her thoughts. However, everyone has his or her ideas, which could lead to various circumstances. If one shows negative feelings, he or she will leave a bad impression on the other party, which is like a bomb because no matter how well people do their job, they will be denied by the other party for their earlier negative feelings. As a result, people will mess things up. Later, she came to know how to communicate with different individuals. Results could be varied if she

Interviewee background	Detail
	uses different methods to handle the same thing. For example. Letters have no expressions or any temperature. When people text others, emotions of the messages depend on how the recipients interpret them. Being aware of that, she can notify others of good news by telephone calls, electronic mails and so on. But as for bad news, she makes telephone calls first and then sends emails to reduce negative opinions of employees. When she informs them of bad news, she also pays attention to her tone and wording.
Perspective on *guanxi* inside company	She thinks that people can turn relationships with subordinates or colleagues to internal *guanxi* as there is no absolute working relationship. In many cases she uses internal *guanxi* when she deals with problems of disagreements among employees. In her experience, people cannot write internal *guanxi* in regulations to promote it. To the Chinese, it can be understood but cannot be described. To leaders, internal *guanxi* is a management skill and to employees, it is an effective way of solving problems. It is complicated, every company, every employee or every area is not the same. Thus, she does not think it is in order to overuse it. If people do overuse internal *guanxi*, it will be break rules and cause trouble. In her case, she uses internal *guanxi* very often, because if she wants to speed things up, she needs to either be in a senior position or have a good internal *guanxi* network, which is an unspoken rule that can be seen everywhere. She uses internal *guanxi* to make her working life more convenient and comfortable. Also she gives assists her colleagues effectively through her internal *guanxi*.
Perspective on *guanxi* outside company	She used internal *guanxi* outside the company to strive for the best advertising deal on television and get free extra service on product design without a special budget from the company. She thinks that in China if one does not know how to handle things flexibly and use resources and internal *guanxi*, one will be excluded by society and washed out by life.
Motivation for using *guanxi*	In most cases she uses internal *guanxi* to make things easier and get her job done fast and well. As people know, there is no such thing as a free lunch, meaning that she has to return the favour if someone helped her

Interviewee background	Detail
	first. This kind of *guanxi* is built on the principle of reciprocity. She has no choice because private *guanxi* has to be maintained. Therefore, she tries not to use private *guanxi* often unless it is urgent as she prefers to stick to the regulations and procedures.
Interviewee	
Gender	Male
Age	25 years old
Position	Team leader on the special Japanese motor
Education	Bachelors degree in Management
Work experience	4 years in electric motor industry
Responsibility	Mainly responsible for process management on the special Japanese motor
Essential leadership trait	He thinks the most important skill is how to improve his professional proficiency and manage time well. Especially for time management, he needs to make overall plans for all links and make sure each task is completed in time.
Perspective on *guanxi* inside company	He believes that, to some extent, it could be helpful at work. He frequently needs to coordinate collaboration among departments. Each workshop carries out their duties, and production value and quality are very clear. Before his production line was transferred to Shanghai, many processes (e.g., casting, pressing, rust-proofing, vertical lathing) required the collaboration of No. 4 Workshops, and completion of goals greatly relied on his internal *guanxi*.
Perspective on *guanxi* outside company	He has not used external *guanxi* so far.
Motivation for using *guanxi*	His reason for using internal *guanxi* is when he has trouble getting jobs done on his own or when tasks assigned by superiors must be completed.
Interviewee	

Interviewee background	Detail
Gender	Male
Age	30 years old
Position	Assistant to the Director of No. 5 Workshop
Education	Bachelors degree in Management
Work experience	7 years in electric motor industry
Responsibility	Mainly responsible for production arrangement of rotors in the No. 5 Workshop
Essential leadership trait	It should be the ability to organize and coordinate that focuses on how people handle interpersonal relationships, build internal *guanxi* networks and become influential to others. In key moment a leader should be able to arouse the enthusiasm of others and enable people to release their potential so that they can work together and complete their tasks.
Perspective on *guanxi* inside company	Internal *guanxi* networks within the company reflect interpersonal relationships within the company, which he believes is a supplement to the formal regulatory system. Of course, every coin has two sides. Other than unjust interests, he believes supervision of the company will not have a negative impact. Under the same working hours and with the same work, it will benefit those who have good internal *guanxi* with him without affecting the process. In return, they will help him as well. In any working environment people share common points with others, which is the internal *guanxi* network that people use to solve problems. The common point includes similar points of view, family background, educational background and the same hobbies. They could all become the common point and lay the foundation for building internal *guanxi*. He used internal *guanxi* to consult on processes with the personnel involved, find solutions and get over problems when he has to deal with some coordination issues between departments.
Perspective on *guanxi* outside company	He asks a previous subordinate from a competitor to help him when he has production bottlenecks through the influence of internal *guanxi*. Also he always consults with his private *guanxi* in the business sector

Interviewee background	Detail
	and seeks solutions to the same problems inside the company.
Motivation for using *guanxi*	He used internal *guanxi* to solve problems at work as fast as he can. No matter whether the task is assigned by his superiors, or it is his own work or his subordinates', he used internal *guanxi* to work efficiently.
Interviewee	
Gender	Female
Age	27 years old
Position	Secretary of the General Manager
Education	Bachelors degree in Finance
Work experience	3 years in electric motor industry
Responsibility	Mainly responsible for assisting the staff who are responsible for performance assessment and auditing piecework in the Workshop.
Essential leadership trait	She thinks the most important skills are social skill and the ability to organise. There are several aspects to social skills, which are the ability to communicate, network and to effectively build a mutual trust internal *guanxi* network with colleagues from all departments. The ability to organise means one is able to get human resources and other resources once tasks are assigned. If there is any problem, people should try to get resources they need, gather information and use their internal *guanxi* network to get the job done without disturbing leaders.
Perspective on *guanxi* inside company	She think that though internal *guanxi* is conducive to work, improvement of work efficiency, betterment of *guanxi* among colleagues and increase of team awareness, it is a double-edged sword and needs a supervisory mechanism to oversee it. Moreover, she considers everyone should put the interests of the company first before using internal *guanxi*. She used internal *guanxi* to contact another leader to extend her client's delayed payment. Furthermore, she readjusted the workload distribution in the Workshop in order to assist her to audit the quality of parts through her internal *guanxi* network and she arranges better canteen service for the client.

Interviewee background	Detail
Perspective on *guanxi* outside company	She used internal *guanxi* outside company to ensure that her leader completed the task in time when this leader did not follow the traffic laws and was stopped by a traffic police.
Motivation for using *guanxi*	When she has some emergencies to handle or when she is unable to finish a job on her own (it usually requires collaboration with other departments), she uses her internal *guanxi* network. Of course, when she cannot get the job done for personal reasons, she uses it as well.
Interviewee	
Gender	Female
Age	28 years old
Position	Ordinary staff member in the Human Resources Department
Education	Bachelors degree in HR
Work experience	5 years in electric motor industry
Responsibility	Mainly responsible for recruitment and training of administrative, financial and sales staff. Training means training for new employees so that they can get to know the company's ethos, mode of operation, their basic rights and obligations, overall job responsibilities and obtain other basic knowledge.
Essential leadership trait	She thinks the ability to communicate and express oneself, are the most important leadership traits. First, when she recruits new employees, she needs communication skills with people, which allows her to listen to their real thoughts, express their recruitment requirements on behalf of the company and discuss salary issues and so on. If she is not able to communicate with people well, the company could lose talent and have further unnecessary employment disputes. Moreover, when she trains new employees, she needs to make it concise and interesting. As she has to carry out unified training sessions for all employees who are from different backgrounds, she needs to make them understand the company they are working for and the responsibilities of their jobs. Each time after training, new employees always ask her all kinds of questions so

Interviewee background	Detail
	that she has to give them specific and individual answers in order to inform them of problems that they could encounter in future before they start working.
Perspective on *guanxi* inside company	She thinks *guanxi* is an indispensable element in both the company and in society. At least in her company, it always exists. However, with more formalised management of the company, the impact of *guanxi* in daily management is smaller. As a matter of fact, the phenomenon '*guanxi* is all-powerful within the company' is gone. She does not think that *guanxi* is a supplement to normal daily management as many leaders would choose the company's interests over *guanxi* when it comes to conflict between the company's interests and *guanxi*. They have specific rules in the company. If people always use internal *guanxi* to solve problems, it may be unfair to other colleagues who without internal *guanxi* networks or less powerful *guanxi* networks; in other words, internal *guanxi* should not be always used and can only be used when it is necessary. In many cases people do not allow the use of private *guanxi* and only follow rules as leaders cannot punish them for following rules. To her, she will have benefits while using internal *guanxi* but sometimes when people ask a favour of her, she would be hesitant. In her case she used internal *guanxi* with the senior leader to make a proposal to host special staff training to attain her job goal.
Perspective on *guanxi* outside company	She used internal *guanxi* outside the company to solve family problems for high-technology talent in the company, such as schools for their children, rent issues and job vacancies for their family members. She also used internal *guanxi* to invite some well-known entrepreneurs and scholars to give high-end training sessions for new employees in the company.
Motivation for using *guanxi*	Generally, she believes that she is an experienced employee rather than a leader; she would not use her internal *guanxi*. When she is not able to implement some tasks, she would report them to leaders and let the leaders use their internal *guanxi* to solve those problems. Of course, before that, she would try her best to solve them on her own in order not to disturb the superiors and make them think that she is incapable. If

Interviewee background	Detail
	they lose faith in her, they may give her fewer tasks to complete in future which would affect her individual interests.

APPENDIX D: QUESTIONNAIRE SURVEY QUESTIONS

QUESTIONNAIRE

SECTION 1

Company

1.   What type of company do you work for?

A.   Private enterprise. B. Foreign enterprise. C. State-owned enterprise.

2.   What size is your company?

A.   5–50 people. B. 51–200 people. C. 201–1000 people. D. 1001–2000 people. E.

2000 people or more

3.   For how many years has your company been operating?

A.   1–3 years. B. 4–8 years. C. 9–15 years. D. 15 years or more.

4.   Where does your CEO come from?

A.   China. B. Hong Kong, Taiwan C. Asia. D. Europe. E. America F. Middle East. F.

Other__

5.   Where does your departmental manager come from?

A.   China. B Asia. C Europe. D America E Middle East. F. Other__

6.   What is the main field or function of your business?

A.   Manufacture. B. Service. C. Supply. D. Trading. E. Other__

SECTION 2

Individual

7. What is your age?

    A. 18–25 years old.

    B. 26–35 years old.

    C. 36–45 years old.

    D. 46–55 years old.

    E. 56 years old or more.

8. What is your highest educational background?

    A. Technical secondary school

    B. High school

    C. Higher National Diploma

    D. Bachelors

    E. Master's

    F. Doctorate.

9. What is your gender?

    B. Male. B. Female.

10. How long have you been working for your company?

11. What is your job position?

12. For what job are you responsible?

13. Which department do you work for?

14. Do you have any internal *guanxi* in the management layer? If yes, what type?

A. Family. B Friendship. C. School friend. D. Fellow-townsman. E. Cultivated by work friend. F. None.

B. Who do you think are the most powerful people in your company except for the owner?

C. Do you have any difficulties at work?

A. Yes. B. No.

B. Who causes the difficulties you have at work? (Multi-choices)

A. Leader. B. Colleague. C. Yourself. D. Subordinate.

SECTION 3

The relationship between you and your leader

18(a) Have you ever experienced the following situations? (Multi-choice)

A. My leader's reward and penalty assessment is unfair.

B. My leader's communication style is unsuitable for me.

C. My leader distributes a workload that is not reasonable.

D. My leader is unqualified for the current position and often gives ineffective solutions.

E. My leader's interpersonal power is limited in a narrow range and unable to receive people's assistance.

F. My leader does not properly manage negative morale in the team.

G. My leader is unwilling to change.

H. My leader sets goals that are not always clear enough.

I. My leader cannot make decisions timely in an effective manner.

J. I have no idea whom I should report to when I experience difficulties.

K. I lack support from my leader.

L. I am in a dilemma when I receive multiple leaders' suggestions on the same task.

M. I am not clear at what standard my leader evaluates my work.

N. My senior leaders bypass my immediate superior to assign work to me.

O. None of these.

18 (b). Which of the situations above happens to you most often? Please rank these situations by the most common first.

SECTION 4

The relationship between you and your colleagues

19(a) Have you ever experienced the following situations? (Multi-choice)

A. Lack of support/cooperation from my colleague.

B. My departmental colleagues and I do not strive for the same goal sometimes.

C.   My departmental colleagues and I cannot constructively propose solutions and resolve conflict.

D.   My departmental colleagues cannot take initiative to do their own work.

E.   My colleagues are inefficient in teamwork.

F.   Other departments' colleagues cannot handle my needs in a timely manner.

G.   Other departments' colleagues are not easy to get along with and are kind of bureaucratic.

19(b) Which of the above situations happens to you most often? Please rank these situations by the most common first.

20.   Have you ever experienced the following situations? (Multi-choice)

A.   Workload is too heavy for me.

B.   My professional ability is inadequate.

C.   Not clear about my duties and authorities.

D.   Do not know how to integrate and utilise existing resources (*guanxi* network).

SECTION 5

The relationship between you and your subordinate

21(a) Have you ever experienced the following situations? (Multi-choice)

A.   My subordinate does not work hard enough.

B.   My subordinate does not report his or her work progress in a timely manner.

C. My subordinate does not finish his or her work target on time.

D. My subordinate sometimes cannot give me effective suggestions.

E. My subordinate is unqualified for his or her position.

F. My subordinate's negative emotions sometimes affect teamwork.

G. My subordinate sometimes does not understand my order or intention.

H. My subordinate sometimes cannot accept my leadership style very well.

21(b) Which of the situations above happens to you most often? Please rank the situations above by the most common first.

SECTION 6

Internal *guanxi* in the company

22. When you are looking for help at work, who are you most likely to ask for help in the company?

    A. My leader. B. My internal *guanxi*. C. Both.

23. Have you ever applied your internal *guanxi* network (private connections) in the company to go round the formal regulatory system or skip your leader in order to solve your job problems?

    A. Yes. B. No.

24. In the past three months, how often have you applied your internal guanxi internally to deal with internal job issues?

A. Once B. Twice. C. Three times. D. Four times. E. Five times or more. F. None.

25. In the past three months, have you connected with your internal *guanxi* network to deal with internal job issues? Yes. B. No.

26. In the past three months, how often have you applied your internal *guanxi* network externally to deal with internal job issues?

A. Once B. Twice. C. Three times. D. Four times. E. Five times or more. F. None.

27(a) What are your reasons (motivations) for applying internal *guanxi*? (Multi-choice)

A.   For my personal interests.

B.   To prove my personal ability.

C.   Try to make up for my previous job error.

D.   For my duty and responsibility.

E.   For the collective honour or interest.

F.   Assist my leader to achieve a goal.

G.   Not confident about my leader's capability.

H.   Unable to get effective support from my leader, but have to finish the job.

I.   Disagree with my leader's solution, because there is a better way if I applied my private connection.

J.   In the company interests.

27(b) Choose the reasons (motivations) above and rank them by the most common first.

ANNEXURE E: RELATIONSHIP BETWEEN RESEARCH, INTERVIEW AND QUESTIONNAIRE QUESTIONS

Interview question	*Research question*	Questionnaire question
Q1: How long have you been working in the company? What are you mainly in charge of? This question was posed to survey each interviewee's working experience and his or her post in order to verify whether his or her level of seniority impacts on the effect of internal *guanxi* on leadership performance.	*Q1: Does* **guanxi** *apply internally in Chinese private companies?*	*Q1–Q13:* From Q1 to Q13, the researcher tried to investigate the surveyed people's basic background, such as the type of company they worked for and its main business functions; employees' gender, education background and seniority; and job description. These questionnaire questions were posed to see whether different types of companies, different sizes or functions, different leadership layers, nationalities, working experience and education impacted on people's used private *guanxi* in their work. The expectation was to design hypotheses, such as is private *guanxi* applied internally in private enterprises more often than foreign enterprises? More senior people have more power and more often manage private *guanxi* networks to solve problem. Do people from the Sales Department use private *guanxi* more than other departments

Interview question	*Research question*	Questionnaire question
		because of their job obligations and characteristics?
Q2: What kind of challenges or difficulties do you always have at work? This question was posed to discover what type of difficulties people experience at work. The aim was to determine whether they used internal *guanxi* to solve difficulties so as to strengthen leadership behaviour, and how.	*Q2: How does internal* **guanxi** *influence leadership behaviour in Chinese private companies?*	*Q16: Do you have any difficulties at work?* The researcher posed this question to discover what difficulties people experienced in their work. What caused people to have difficulties at work? The researcher designed three dimensions to investigate what difficulties people may have at work based on a 360-degree feedback system. The aim was to find out how people overcame the difficulties between them and colleagues, leaders and subordinates with the help of private *guanxi*. Specifically, how people solved difficulties when their leaders created them? *Q17: Who causes the difficulties you have at work?* This question was posed to understand who caused the difficulties for employees at work. The researcher categorised all possible reasons into four sections: (i) leader, (ii) colleague, (iii) yourself and (iv) subordinate. The researcher

Interview question	*Research question*	Questionnaire question
		expected to find what the problem in leadership was or if there was conflict between colleagues.
Q3: What kinds of abilities or leadership skills are critical at work according to your experience? This question was posed to discover how people evaluated the leadership skills in their own experience and verify if there was any relation to the application of *guanxi*. What role *guanxi* had in leadership behaviour and how to influence leadership performance in order to understand what the internal *guanxi* is, to inspire people to maximise the positive effect of internal *guanxi* and minimise the negative influence on operational practices. The expectation was to explore how different leadership layers defines the important skills from their point of view and how they perceived the implications of a *guanxi* network in the company?	***Q1: Does*** **guanxi** ***apply internally in Chinese private companies?*** ***Q2: How does internal*** **guanxi** ***influence leadership behaviour in Chinese private companies?***	***Q18. The relationship between you and your leader. 18(a) Have you ever experienced the following situations?*** This question was posed to determine what difficulties employees experienced with their leader and what the most frequent situations were that they faced when the leadership became the problem. The aim was to determine how people completed their job when they faced these problems. Do they solve them by using private *guanxi*? How often did people use *guanxi* to solve problems? If they did not use private *guanxi*, did they look for help from the leaders? ***Which of these situations happens to you most often? Please rank these situations by the most common first.*** This question was posed to investigate which situations between people and their leader occurred most often in order to understand what the most

Interview question	*Research question*	Questionnaire question
		significant issues in leadership behaviour were. The aim was to draw on these themes in order to improve their leadership performance in future. *Q19. The relationship between you and your colleague: Q19(a) Which of these situations happens to you most often? Please rank these situations by the most common first.* This question was posed to discover what difficulties people have with their colleagues and what the most frequent situations they faced at work are. How do they solve these difficulties: Do they use private *guanxi* to complete tasks or ask for help from leaders? The aim was to see if they used private *guanxi* to solve problems in order to complete tasks or ask for assistance to achieve their leader's goal. *Q19(b): Which of the situations above happens to you most often? Please rank these situations by the most common first.*

Interview question	*Research question*	Questionnaire question
		This question was posed to establish which situations employees experienced between them and their colleagues in order to understand what the most significant issues were in their operations. The results hold implications for inspiring leaders to make changes in their leadership functions.
		Q20: Have you ever experienced the following situations? *A. Workload is too heavy for me.* *B. My professional ability is inadequate.* *C. Not clear about my duties and authorities.* *D. Do not know how to integrate and utilise existing resources (guanxi network).* This question was posed to compare what the most concerning factors were for doing a good job when people were willing to improve their work performance. The aim was to see how important the role of *guanxi* was in people's perceptions.

Interview question	*Research question*	Questionnaire question
		Q21: The relationship between you and your subordinate. 21(a) Have you ever experienced the following situations? This question was posed to investigate how leaders reviewed the relationship between them and their subordinate. What difficulties did they face at work? What are the most frequent situations they have to deal with in daily management? The aim was to see how leaders solved these problems in order to manage employees and if they used private *guanxi* as a supplement to the formal management approach.
Q4: Have you ever felt that some rigid rules or regulations of the company restrict you from doing your job or managing the team? If you have, could you please give me an example? This question was posed to investigate how people appraised the formal regulatory system in their company, difficulties they faced when the formal system failed to govern	*Q1: Does guanxi apply internally in Chinese private companies?* *Q2: How does internal guanxi influence leadership behaviour in Chinese private companies?*	*Q18: The relationship between you and your leader. 18(a) Have you ever experienced the following situations?* This question was posed to determine what difficulties employees experienced with their leader and what the most frequent situations were that they faced when the leadership became the problem. The aim was to determine how people completed their job when they

Interview question	*Research question*	Questionnaire question
people to do their job. What specific difficulties they have with their own seniors or posts? Are they able to overcome these rigid regulations to complete the task? Is there an alternative way to help people to overcome? This question closely corresponds to interview questions 5 and 8, 'Have you ever used your internal *guanxi* in the company to solve work-related problems?' and 'Have you ever used internal *guanxi* outside company to solve problems occurred within company?' Is *guanxi* a supplement to the formal system operating the company? If yes, how will they overcome or go around these rigid regulations by using their *guanxi* network? The expectation was to see how employees used internal *guanxi* to deal with the rigid regulations to accomplish their task.		faced these problems. Do they solve them by using private *guanxi*? How often did people use *guanxi* to solve problems? If they did not use private *guanxi*, did they look for help from the leaders? ***Which of these situations happens to you most often? Please rank these situations by the most common first.*** This question was posed to investigate the situations between people and their leader that occurred most often in order to understand what the most significant issues in leadership behaviour were. The aim was to draw on these themes in order to improve their leadership performance in future.
Q5: Have you ever used your internal* guanxi *network within the company to solve work-related problems? This question was posed to investigate the role of internal *guanxi* in companies, does it play a positive role in solving	***Q1: Does guanxi apply internally in Chinese private companies?*** ***Q2: How does internal guanxi influence leadership behaviour in Chinese private companies?***	***Q14. Do you have any internal* guanxi *in the management layer? If yes, what type?*** This question was posed to verify whether or not private *guanxi* objectively existed in a company and to prove that *guanxi* applied internally in

Interview question	*Research question*	**Questionnaire question**
work-related problems or a negative role in reducing in the efficiency of work performance. How do people evaluate the role of *guanxi* when they have difficulties at work? In addition, the researcher expected to see how people used internal *guanxi* to solve these difficulties in their individual cases. What type of problems they have overcome at the work, such as operational problem, or strategic problem? In comparison to using internal *guanxi*, if people do not used *guanxi* how different would the results be?		Chinese companies. Alternatively, the researcher attempted to determine what relationships (*guanxi*) existed between leaders and their staff, in addition to the formal hierarchy. Does this *guanxi* improve the performance of the formal system as a supplemental management approach? What about those people who do not have *guanxi* with the leadership? Do they perform work worse than people who have closer *guanxi* with the leadership? Have they made changes to build and apply *guanxi* after joining the company? *Q15. Who do you think are the most powerful people in your company except for the owner?* *Q22: Internal guanxi in the company. Q22(a). When you are looking for help at work, who are you most likely to ask for help in the company?* This question was posed to verify whether *guanxi* has been used for solving difficulties in companies; *guanxi* as a social adaptation reflecting a series of

Interview question	*Research question*	Questionnaire question
		types of Chinese cultural morality such as hierarchy, interdependence, liabilities and reciprocity. The aim was to try to determine what the role of *guanxi* is in the leadership behaviour in Chinese enterprises and how much people depended on it to do their work?
		Q23. Have you ever applied your internal* guanxi *network (private connections) in the company to go round the formal regulatory system or skip your leader in order to solve your job problems? This question was posed to prove whether private *guanxi* applied internally in Chinese companies and to try to understand aspects of the conceptual model of internal *guanxi* in terms of the solution process.
		Q24. In the past three months, how often have you applied your internal* guanxi *internally to deal with internal job issues? This question was posed to identify the role of internal

Interview question	Research question	Questionnaire question
		guanxi in employee's work performance; how much they relied on *guanxi* to solve problems; are there different factors that influence how they applied internal *guanxi* internally at work, such as different types of company, levels of seniority and different types of department. ***Q25. In the past three months, have you connected with your internal* guanxi *network externally to deal with internal job issues?*** This question was posed to identify the role of internal *guanxi* on people's work performance; how much people relied on *guanxi* to solve problems; if there were different factors that influenced people in how the applied internal *guanxi* externally for work, such as different types of company, levels of seniority and different departments.
Q6: How do you define your internal* guanxi *network within the company? Do you think the network is a supplement to the formal management system of the company or a network that	***Q1: Does* guanxi *apply internally in Chinese private companies?***	***The relationship between you and your leader. 18(a) Have you ever experienced the following situations?*** ***A. My leader's reward and penalty assessment is***

Interview question	Research question	Questionnaire question
could affect operations of normal management and have a negative impact? Could you please give me some example? This question was posed to understand how people perceived the role of a *guanxi* network in the company. What influence did *guanxi* have on people's behaviour, does it have positive effects on work performance or negative effect on leadership performance? Are there different forms of using internal *guanxi* from different positions of seniority? The researcher expected to see why *guanxi* existed in Chinese enterprises. Why it is important for people. What reasons employees had for considering *guanxi* as a supplement to the formal system in a company? What reasons employees had to decline to use internal *guanxi* in companies? What the negative influences were for people and the company?	*Q2: How does internal guanxi influence leadership behaviour in Chinese private companies?*	*unfair.* B. *My leader's communication style is unsuitable for me.* C. *My leader distributes a workload that is not reasonable.* D. *My leader is unqualified for the current position and often gives ineffective solutions.* E. *My leader's interpersonal power is limited in a narrow range and unable to receive people's assistance.* F. *My leader does not properly manage negative morale in the team.* G. *My leader is unwilling to change.* H. *My leader sets goals that are not always clear enough.* I. *My leader cannot make decisions timely in an effective manner.* J. *I have no idea whom I should report to when I experience difficulties.* K. *I lack support from my leader.* L. *I am in a dilemma when I receive multiple leaders'*

Interview question	*Research question*	Questionnaire question
		suggestions on the same task.
		M. I am not clear at what standard my leader evaluates my work.
		N. My senior leaders bypasses my immediate superior to assign work to me.
		O. None of these.
		This question was posed to discover what difficulties people have with their leader and what the most frequent situations were that they faced when the leadership becomes the problem. The researcher expected to see how people completed tasks when they faced these problems. Do they solve them by using private *guanxi*? How often is *guanxi* used to solve problems? If they do not use private *guanxi*, do they look for help from their leaders?
Q7: Generally, what makes you or motivates you to use your internal **guanxi** *to solve work-related problems?* This question was posed to discover employees' reasons/motivations for using internal *guanxi* to solve work-related problems? The purpose	*Q1: Does guanxi apply internally in Chinese private companies?* *Q2: How does internal guanxi influence leadership behaviour in Chinese private companies?*	*27(a) What are your reasons (motivations) for applying internal guanxi?* *A. For my personal interests.* *B. To prove my personal ability.* *C. Try to make up for my previous job error.* *D. For my duty and*

Interview question	Research question	Questionnaire question
was to determine the implications in terms of how to develop leadership behaviours through an internal *guanxi* network. The aim was to see how employees used internal *guanxi* not only accomplish tasks assigned by leaders, but also what significant motivations they had for doing so, such as assisting leaders in achieving their goal, fighting for team performance, striving for personal interest and for supporting their peers.		*responsibility.* E. *For the collective honour or interest.* F. *Assist my leader to achieve a goal.* G. *Not confident about my leader's capability.* H. *Unable to get effective support from my leader, but have to finish the job.* I. *Disagree with my leader's solution, because there is a better way if I applied my private connection.* J. *In the company interests.* This question was posed to discover people's purpose and motivation for applying internal *guanxi* in order to understand the implications of internal *guanxi* for leadership function and organisational performance.
Q8: Have you ever used internal **guanxi** *outside the company to solve problems that occurred within the company?* This question was posed to investigate how people valued another aspect of internal *guanxi* in companies, which could be applied externally in order to get the necessary support for solving work-related problems in the company. What the	*Q1: Does guanxi apply internally in Chinese private company? And what is internal guanxi?* *Q2: How does internal* **guanxi** *influence leadership behaviour in Chinese private companies?*	*Q25: In the past three months, have you connected with your external* **guanxi** *network to deal with internal job issues?* This question was posed to identify whether external *guanxi* can be applied internally and understand aspects of the conceptual model of external *guanxi* in terms of solution process.

Interview question	Research question	Questionnaire question
different roles of leadership were when applying internal *guanxi* outside a company? What types of difficulties have been solved by the effect of *guanxi* outside the company? Does *guanxi* apply externally and empower or restrict leadership functions?		***Q26. In the past three months, how often have you applied your external guanxi network to deal with internal job issues?*** ***A. Once B. Twice. C. Three times. D. Four times. E. Five times or more. F. None.*** This question was posed to identify the role of external *guanxi* on people's work performance, how much people relied on *guanxi* to solve problems, are there different factors that influenced how people applied external *guanxi* internally at work, such as different types of companies, levels of seniority and different departments.

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