



商學研究所
RESEARCH INSTITUTE FOR BUSINESS
恒生管理學院
HANG SENG MANAGEMENT COLLEGE

RIB Working Paper Series: RIB16-100001

Examining Structural Cronyism and Organizational Performance

Author: T.K.P. Leung¹ and Bradley R. Barnes²

Abstract

It has been widely recognized that Chinese government officials and their associated firms practise cronyism with those companies regarded as insiders. Multi-national enterprise (MNE) managers are often at a disadvantage as Chinese competitors frequently are more flexible and governmental officials have preference for dealing with loyal insiders. MNE managers also tend to perceive cultural practices, such as gift giving as being unethical. This study advances our understanding of cronyism and loyalty in a Chinese context by developing and testing a relationship model for the benefit of MNEs to leverage organizational performance in China through nurturing insider relational status with Chinese government officials and business counterparts. Our findings reveal that MNE managers should practice the art of gift giving and building *mianzi* in order to obtain *renqing* with Chinese government officials and subsequent business counterparts. The reciprocity dynamics of *renqing* will enable MNE managers to accumulate *ganqing* and become good friends with their Chinese partners. The establishment of *ganqing* between MNE managers and their Chinese counterparts also engenders the development of *xinyong* between exchange parties and loyalty then emerges as a key for generating cronyism and subsequent organizational performance.

Key words: China, organizational performance, cronyism, loyalty, *xinyong*, *gua*

¹ Corresponding author. Email address: thomasleung@hsmc.edu.hk. Department of Marketing, Hang Seng Management College.

² Research and Professor of International Management and Marketing, Sheffield Business School, Sheffield Hallam University.

Introduction

Cronyism has been defined as “a reciprocal exchange transaction where party A shows favour to party B based on shared membership and loyalty at the expense of party C’s equal or superior claim to the valued resource” (Khatri, Tsang, and Begleg 2006, p.62). It has attracted public attention notably during the Truman administration in the U.S., when he was accused of appointing friends to government posts regardless of their qualifications (Khatri and Tsang 2003). Cronyism is also widely recognized in other geographic regions including South Korea, Thailand, Indonesia, and Malaysia (Gul 2006; Wade 1988). Nevertheless, scholarly research in this arena has been somewhat scant, with the exception of Khatri and Tsang (2003) and Khatri et al. (2006) who formally examined this within a cross-cultural context.

Cronyism commonly exists in mainland China because the Chinese government is in a dominant position to allocate social and economic resources to insider Chinese firms in a bid to generate economic performance (Boisot and Child 1996). In such a social context, multi-national enterprises’ understanding of Chinese economic policy through networking with governmental officials is absolutely essential for helping them to build their business performance (Peng and Luo 2000). Many Chinese firms are accustomed to coordinating social resources through preferential treatment (Li, Poppo and Zhou 2008). MNEs are often inferior in leveraging social resources because they are more familiar with market-based, impersonal transactions and institutions. Indeed, MNE managers must enter into “more intensive relationships with the Chinese partners and other significant groups” if they are to cope with the environmental turbulence in the Chinese market (Boisot and Child 1999, p. 248).

The dearth of research into cronyism stimulates the conceptualization of this present study to decipher how cronyism is structurally seeded in an insider network and thereby influences business performance in China. In our search for its roots, we discovered that the ancient commercial codes in China were actually drafted by a small number of powerful merchant groups that directly responded to “the limits of bureaucratic control” from the ancient Chinese government (Mann 1987, p. 13). The Nationalist government (1912–1949) engaged in a similar practice by giving the Shanghai Chamber of Commerce guaranteed access to centralized decision making in return for its compliance with “certain limitations of behaviour” (Coble Jr. 1986, p. xxi). As a result, numerous commercial activities were developed to the advantage of major merchant groups which were politically driven by the Chinese government. The blurring of the Leninist Party State politics with the country’s administration in the socialistic Chinese economy to date (1949 to present) is a repetition of this unique politically driven archetype, which can be characterized by two distinctive phenomena, i.e., bureaucrats strategically align themselves with their colleagues who are responsible for a particular policy in an attempt to improve their political performance in a relentlessly shifting political landscape, and their political performance is directly linked to the economic performance in their regions (Pye 1995). The former motivates horizontal associations among government officials, whereas the latter initiates vertical connections between

government officials and their business contacts with a single-minded objective to orchestrate economic performance in their assigned regions.

The unique politically driven economy in modern China often provides opportunities for Chinese managers to seek preferential treatment through their networks at both governmental and inter-organizational levels in order to improve business performance (Choi and Zhou 2001; Peng and Luo 2000). In making these connections, Chinese managers show a degree of loyalty that is higher than their work competence (Redding 1990). This is advanced through identifying, complying with and reacting faithfully to inside member goals and values, functioning conscientiously to create a stable relationship with the government and other connected organizations (Lee 2010). Such actors reveal the personality traits of *xinyong* (the utilization of personal trust) and integrity, which are the central tenets of business behaviour in China (Butler and Cantrell 1984; Hosmer 1995; Yuki 1989). Managers demonstrate *xinyong* by exhibiting a high level of “credibility, trustworthiness, and reputation” so that verbal commitment can be trusted and acted upon commercially (Tong and Yong 1998, p. 85).

If we place MNE and Chinese managers in this context, MNE managers are surely in an unfavourable position to obtain cronyism because of their lack of cultural and political sensitivity relative to that demonstrated by their local Chinese rivals. Indeed, two parties with diverse cultural backgrounds are less able to rely on similarity and common experience to enhance the willingness to work together (Newcomb 1956). Also, the propensity of government bureaucrats and Chinese managers for negotiating with insiders simultaneously segregates MNE managers as outsiders, thereby increasing the complexity of negotiating with Chinese bureaucrats and local Chinese managers (Leung et al. 2011). An outsider MNE manager who is not familiar with Chinese culture can rarely conduct business in an insider circle (Wong, Chan, Ngai, and Oswald 2009). Also, Chinese managers are obliged to be calculative with outside commercial partners, but are expected to be generous to their insider counterparts (Gao, Ballantyne, and Knight 2010). Obviously, MNE managers, in this insider context, face some fundamental challenges: Firstly, how can they build an insider relationship network with government bureaucrats and their local Chinese counterparts so as to obtain preferential treatment and thereby improve their business performance in the Chinese market? Secondly, what are the roles and influential patterns of Chinese cultural variables such as face (*mianzi*), gift giving, integrity, *guanxi*, *xinyong* and loyalty with respect to cronyism and performance in China? Thirdly, what strategies should be used to obtain cronyism at both governmental and organizational levels to improve MNEs’ organizational performance?

This paper attempts to close the gap in the literature by offering answers to these questions and providing better knowledge of the Chinese business system, which in turn should assist MNEs and their managers to enter this unique socialist economic system and identify where power and decision making are located (Boisot and Child 1988). This study proposes a model of Chinese cronyism to explain how

MNE managers can obtain cronyism from the Chinese government and its associated Chinese companies to achieve effective organizational performance. The manuscript is organized as follows. We first present our model of Chinese cronyism and develop our propositions while attempting to establish the roles and influential patterns of Chinese cultural variables such as face (*mianzi*), gift giving, integrity, *guanxi*, *xinyong* and loyalty in the context of cronyism and performance in China. We then highlight various strategies that MNEs could use to obtain cronyism at both governmental and organizational levels in order to improve their organizational performance. We finally present our conclusions and provide recommendations ahead of suggesting avenues for future research directions.

An Integrated Framework of Chinese Cronyism and Firm Performance

Figure 1 presents a model of Chinese cronyism that is conceptualized on an insider relational continuum to describe how an MNE manager, his connected Chinese Government officials and business counterparts could evolve from a new friend to an old friend and then to an insider relationship in a Sino–Western context.

<INSERT FIGURE 1 HERE>

Organizational Performance

In contrast to the Soviet Union, which swiftly rejected communism for a Western-style democracy and initiated rapid state-guided transitions to a market economy, China refused to implement reform of its political institutions and reshaped economic institutions through state socialism reforms (Nee 1992). Starting in the 1980s, the Chinese government reformed its economy by substantially downsizing its institutions, which created a huge surplus of ex-governmental bureaucrats. To ease social anxiety and stabilize the economy, the Chinese government simultaneously privatized many non-profitable State-owned enterprises (SOEs) by selling them off to ex-governmental bureaucrats or insiders (Li and Rozella 2003; p.981).

The market reform came with a fiscal contract system requiring provinces to collect tax revenues in their own regions (Li 1998). This allowed provinces and their lower-level associated governmental units to negotiate a high proportion of the marginal tax revenue as financial reserve (Li 1998; Oi 1992). The final tax revenues collected from the provincial governments was a result of their compromise and consensus with the State Government, but the negotiation process frequently generated unstable tax revenues. In 1994, a rule-based tax assignment system replaced the fiscal contract system which was built on a standardized tax rate (Kim 2004). This tax assignment system did not allow room for compromise or consensus, but did allow provincial governments and their lower-level governmental units to retain a fixed portion of the tax revenue as financial reserves for economic development in their localities. In other words, the only way that these government units could increase their tax revenues was

to increase business growth.

The tax assignment system transformed all government units to market-oriented entities. They worked with their associated SOEs to conduct business ventures with connected insider business organizations to create regional economic performance (McMillan and Naughton 1992; Singh 1991). In fact, it has been in the interests of government bureaucrats, their associated SOEs, and insider business organizations to network with one another to determine the best available business solutions at a micro level and consider how to channel resources to generate business outcomes. The aim being to maximize local government tax revenues and organizational performance (Jin, Qian, and Weingast 2005; Peng and Luo 2000).

Ouchi (1980) and others (e.g., Butler 1983; Durkheim 1933) argued that the Chinese economy has exhibited a clan form of governance that resembles a kin type network of non-blood relationships in a bid to accomplish efficient mediating transactions between interdependent but networked organizations. Park and Luo (2001) advocated that a clan-like network had been functioning in China ever since Confucius codified societal rules, values and hierarchical structures of authority during the sixth century BC. To manage and protect the state interests within this clan or federal-like system, the Chinese government and its ministerial units retained the appointment rights of all senior positions and the management of employee relationships within SOEs (Lin 2001). Consequently, the administration of these SOEs rests primarily in the hands of insider and networking managers, who are often supported in various ways by the Chinese Communist Party (CCP) and other ministerial associates.

The Chinese government is highly likely to extend its powerful and invisible hand into an indefinite future. This will require skilful navigation of its socialistic market economy through a central allocation of economic and social resources to carefully chosen groups of inside and networking economic actors to ensure that pre-determined economic targets are met (Sun 1987). Chinese organizations with the ability to network are able to gain a competitive advantage to expel outsider competition. Outsider MNEs, if they are to compete with domestic Chinese organizations, must find ways to network themselves as insiders so as to improve their performance in China.

By studying the extant literature, we identify two categories of organizational performance that are monitored by all firms in China, that is, procedural performance and business performance. Procedural performance concerns the monitoring of macro-economic variables such as securing favourable regulatory factors, exchanging economic information with target government bureaucrats, procuring land resources, awarding contracts, assisting access to bank credit and obtaining application approval from relevant government departments (Agrawal and Knoeber 2001; Nee 1992; Peng and Luo 2000; Walder 1995a). Business executives must scrutinize these macro variables through their connected government officials to obtain the preferential treatment that is vital to the success of their commercial operations. This monitoring exercise is essential because the Chinese Government has exercised frequent macro- and micro-economic control through numerous government agencies to adjust its economic activities in accordance with its

economic policy (Yu 1997). For instance, the Chinese insurance industry has been highly regulated and the establishment of wholly foreign owned subsidiaries in the life insurance segment has been almost impossible. However, AIA Insurance Group established its second wholly owned subsidiary in Beijing in 2002, and its success was a result of its loyal support as a son to the Chinese government i.e., Chinese government's granting of exclusive business licenses to AIA was a reward given by a paternalistic father (Anonymous author, *Hong Kong Economic Times*, June 8, 2002). The "father-son" notion has been consistently emphasized in the Confucian cardinal relationship and used by numerous Chinese classical operas to describe the obligatory duty of government bureaucrats to the welfare of their people.

Business performance refers to micro business performance variables such as a firm's market-share growth, profit growth and return on equity (Peng 2004). Peng and Luo (2000) demonstrated that a well-established inter-organizational network has a positive impact on business performance, and Wong and Chan (1999) argued for the existence of in-group favouritism. A reciprocal exchange of favour between connected but non-blood-related members fits nicely into the Chinese ethical code of "brotherhood" (Peng and Luo 2000, p. 490), which emphasizes commitment, altruism, giving face and empathy. The present study aims to document the business dynamics of how the "paternalistic fatherhood" and "brotherhood" linkages are structurally embedded in a complex Chinese insider-relationship environment and how they help to generate cronyism so as to improve both procedural and business performance. Peng and Luo (2000) suggested that inter-organizational micro ties are necessary but not sufficient on their own to guarantee business performance. Rather, an understanding of economic policy through the government network may greatly enhance an organization's business performance (Xin and Pearce 1996). Based on this discussion we propose that:

P₁: An organization's procedural performance has a positive impact on its business performance.

Cronyism

The complex phenomenon of cronyism can be understood by observing how individuals and organizations directly or indirectly exchange resources silently harmonized through the norm of reciprocity. That is, one actor fulfils status duties to another, and the other is obligated to respond in kind (Blau 1964; Emerson 1972 a and b; Gouldner 1960; Homans 1961). Khatri, Tsang, and Begleg (2006) synthesized the works of Fiske (1991 and 1992) and Triandis (1995, 1996, and 1998) and generated four variants of cronyism, namely, peer instrumental, peer relational, hierarchical instrumental and hierarchical relational. The ascendancy of a specific variant of cronyism in a particular culture is dependent upon how the dimensions of verticality and horizontality are superimposed on the two well-recognized fundamental cultural dimensions of individualism and collectivism (Hofstede 1997). Verticality signifies one's

propensity to stand out i.e., be different from others. Such individuals (verticals) consider people as differing in status and they think it is appropriate, even highly desirable, to stand out (Bhagat, Kedia, Harveston, and Triandis 2002). Horizontals in contrast, see people as having more or less the same status and do not want to stick out. Individualism and collectivism can be conceived on a continuum with the former on one end and the latter on the other. Individualism can be defined as a preference for a loosely knit social framework in which individuals are expected to take care of themselves and their immediate families only. By contrast, collectivism represents a preference for a tightly knit framework in society in which individuals can expect their relatives or members of a particular in-group to look after them in exchange for unquestionable loyalty (Hofstede, 2001).

In a horizontal-individualistic culture, people receive homogeneous treatment, fairness and balance in social relations. Reciprocity among equals is emphasized. People voluntarily enter into exchange often on explicitly negotiated terms and economic benefit is based on a profit-and-loss analysis. Exchange is based on calculative achievement and unemotional self-interest. This cultural configuration generates the least amount of cronyism and exchange is regarded as peer instrumental, i.e., equality is openly matched among peers and the social justice system is instrumentally enforced (Khatri et al. 2006).

A horizontal-collective culture emphasizes equality matching and communal sharing. An individual sees the self as an integral aspect of the in-group, family and community. That is, one's self is merged with one's own in-group members, who are extremely similar to each other in terms of their tastes and preferences in various aspects of social life. The variant of cronyism most likely to emerge in such a situation is peer relational. The Israeli kibbutz is an excellent example (Bhagat et al. 2002). A strong sense of fairness among equal-status members is combined with intensely personal in-group exchanges that reinforce group harmony and cohesion (Khatri et al. 2006). The power distance index is not available for a specific community as such, but research shows that the power distance between individuals in a typical Israeli kibbutz community is low (Erez and Earley 1987).

In a vertical-individualistic culture, which respects authority and rank, individuals emphasize differences in status and perceive inequality as natural. Lower-ranking members show respect to their superiors through submitting to their desires. When market pricing interacts with authority ranking, calculative, achievement-oriented individuals aspire to higher status through deferring to the desires of superiors in an attempt to secure resources. The emphasis of market pricing on measured individual contributions as the basis for reward tempers superiors' wilfulness (Khatri et al. 2006). The real market ties are the result of deliberate management to reduce dependence and to exploit power in inter-organization relations (Baker 1990). In this context, organization loyalty is based purely on calculated self-interest. The variant of cronyism most likely to emerge is hierarchical instrumental (Khatri et al. 2006); that is, each actor seeks cronyism incrementally along the hierarchy and the extent of cronyism obtained is dependent upon his/her positioning in this hierarchy.

In a vertical-collective culture, people position themselves differently based on hierarchy, authority, unconditional giving, conformity, and strong in-group feelings. The variant of cronyism most likely to develop in this case is hierarchical relational. This culture should see the most cronyism and in-group relational association is strategic. Individuals yield to the dictates of the in-group leader, exhibit conformity and allegiance to the in-group, willingly sacrifice their own interests for the in-group's goals, and seek to maximize in-group success in competition with out-groups. Intergroup competition for status, the pursuit of in-group goals, expectations for enduring relationships where members have their needs met, and a focus on deference, loyalty, and obedience to superiors are likely to encourage substantial levels of cronyism (Khatri et al. 2006).

China is a vertical-collective society (Tjosvold, Law, and Sun 2003). The Chinese have a very different national concept from what is practiced in the West. The term "country" is represented by two Chinese words, namely, state and family (Glosser 2003). From this perspective, the Chinese conceive that the family is a basic social production unit and the collective survival of family members in the same lineage is directly protected under the state umbrella (Cheng 1944). The amalgamation of this family state concept together with the Confucian hierarchical indoctrination has silently infiltrated the Chinese social system and has motivated the Chinese to classify people according to three distinctive dimensions: relationship closeness, pedigree with the same family name, and the five Confucian hierarchical relationships within a clan or federal forms of governance (Butler 1983; Ouchi 1980). These together generate five major and one embedded relationship categories (Figure 2): (1) Inside-family members (*jiaren*), (2) outside-family members (*wei-jiaren*), (3) new friends (*shen pengyou*), (4) old friends (*lao pengyou*), (5) the de facto brotherhood relationship (embedded), and (6) the paternalistic (fatherly) role of the Chinese government.

<INSERT FIGURE 2 HERE>

Four Confucian hierarchical relationships i.e., father–son, older brother–younger brother, husband–wife, and friend–friend can easily be identified in Figure 2, whereas one Confucian relationship, namely, minister–subject, has disappeared since the feudal *Qing* dynasty collapsed in 1911. Erben and Gunerer (2008) noted that the paternalistic Chinese leaders are like fathers and take care of their people like a father would his son. In Hofstede's (1984) study, the power distance in Chinese society is high (power distance index: 80). However, power distance in each of the relationship categories described have not to date been explored. These relationship categories are now discussed in turn.

New friend (*shen pengyou*) (Category 1). This friendship is the only relational bond out of the five Confucian relationships that can be freely chosen. It is the only non-hierarchical relationship (i.e., is horizontal), which dramatically sets it apart from hierarchical (vertical) relationships (Graham and Lam

2003; Hwang 1999). Because of the non-hierarchical nature of this relationship, the power distance between friends may be low or almost non-existent, and the Chinese always converse with their friends in a horizontal or harmonious ambiance. However, the Chinese are cautious regarding the establishment of friendship, because friends well chosen could improve one's morality and potentially help extend one's business circle, whereas poorly chosen friends may tempt one with evil pursuits such as drinking and gambling (Kutcher 2000). When two individuals initially associate with one another, each individual will regard the other party as a new friend or an outsider (Leung et al. 2011) based on either one of two conditions: (1) an individual associates with another individual for only a very short period of time, or (2) an individual does not become familiar with the other individual even though either one of them has known of the existence of the other party for a long period of time. For instance, an MNE manager may associate with a Chinese manager for a long period of time and meet him on various business-related occasions, but this MNE manager may still not be able to build an acquaintance with him. In other words, the MNE manager's relationship with him is remote, "inferior", or "ambiguous", and their psychological distance is high (McIsaac 2000, p. 1641). The tie between this MNE manager and the Chinese manager is instrumental, voluntary, unstable and temporary. Information exchanges are impersonal and are based on the norm of equity exchange in resource allocation and contribution (Hwang 1987). A transaction is succinctly conducted at arm's length and each party perceives the other as an outsider with little exchange of information, obligation, or sentiment (Dwyer, Schurr, and Oh 1987). Cronyism seldom exists in this ambiguous situation.

Old friend (*lao pengyou*) (**Category 2**). The above discussion implies that two new friends must go through an adaptation process that is characterized by a mixed tie consisting of assurance, emotion, affection and affirmation to reduce psychological ambiguity if they both want to pursue an enduring business relationship (Leung, Wong, and Tam 1995). The non-hierarchical nature of this relationship category also implies that the power distance between old friends is low. The major difference between new friends and old friends is that two old friends have an obligation to support one another when it is needed and they can converse in a more emotional, excited and enlightened tone. Also, they frequently exchange information concerning their family, their work and other interests. Obligation and sentiment are cultivated through a social and pragmatic reciprocal exchange of favours that is mixed with physical and emotional behaviour (Chen, Chen, and Xin 2004; Hwang 1987). Conversely, the old friend linkage may be broken if a request for help and support cannot be fulfilled or a viable solution cannot be provided. Fang (2011) identified 601 foreigners that the Chinese Government officially categorized as "old friends" of the Chinese people from the database of the influential newspaper *People's Daily* for a 62-year period starting from 1949. These old friends included high-profile political figures, such as Edgar Snow, Norodom Sihanouk, and Henry Kissinger, who consistently *helped* China to establish diplomatic relationships with the outside world in difficult times, or *supported* China to implement controversial political practices such as the one-child policy. The Chinese Association for Friendship with Foreign Countries maintains their

personal profiles and *responds* in appropriate codes of friendship. For instance, official birthday greetings are sent to these old friends either locally or abroad depending upon their current residential location. Also, the Chinese Government at times *reciprocates* with these old friends. One of the Chinese old friends, Indian Doctor Basu, travelled around Northern China to save lives for nearly five years starting from 1938. The Chinese Government *repaid* him in a similar way: Basu, at the age of 74, was invited to receive medical treatment at Beijing in 1985 by the former Chinese Communist Party secretary *Hu Yaobang* (“Old Indian friend is welcomed by Hu”, 1985).

An MNE manager may move closer to his Chinese counterparts to become an old friend of the Chinese government official or the Chinese manager by using a mixed-tie approach as described. The intimacy between an MNE manager and a Chinese government official or a Chinese manager increases the MNE manager’s social capital, that is, “a quality created between individuals”, which normally creates “an opportunity” through coordination and helping one another (Burt 1997, p. 339). Bian (2001) found that *guanxi* is a form of social capital that promotes *xinyong* (interpersonal trust) (Farh, Tsui, Xin, and Cheng 1998; Leung et al. 2011) and transforms a relational bond between an MNE manager and a Chinese government official or a Chinese manager from a new friend to an old friend status. This is represented by arrow A in Figure 2. Although cronyism between old friends may exist, the extent of it is not comparable with that between inside-family members (Brady 2003).

Outside-Family Members (*wei-jiaren*) (Category 3). Two families (A and B) with different surnames and pedigree can be connected through marriage. When a daughter branches out from family A and marries a man B, daughter A becomes B’s wife and a core member of family B, while B will become the head of family B and the son-in-law of family A’s head. The Chinese hierarchical relationship will naturally put the father-in-law A at a higher position than son-in-law B. In this context, family B (the outside family) is related to family A but family B will be situated outside family A’s nucleus because family B has a different surname and B’s pedigree does not follow A’s bloodline. The sons of B will become the outside grandsons of family A. The word “outside” signifies that these grandsons follow family B’s surname and that their blood has been diluted and dominated by their father B. The sense of obligation between families A and B decreases while their blood distance increases (Su and Littlefield 2001), and the determination of the psychological distance between the two families is dependent upon how often and extensively they are connected to one another. In this sense, the expressive ties between family A and B are semi-close, and the level of cronyism is conditional upon the extent of affection and the psychological distance between the two families. The concepts of “inside” and “outside” also affect the allocation of family A’s resources. For instance, the sons and the grandsons of family A inherit A’s resources after A dies. Wife B (daughter A) and the outside grandsons may have only a fraction of A’s resources or even none depending upon the extent of affection between the two families, because the future of wife B (daughter A) and the outside grandsons should rest upon B’s shoulders. While an

exchange of cronyism between inside- and outside-family members may exist, its extent is not comparable with that between inside-family members.

Inside-Family Members (*jiaren*) (**Category 4**). The term “inside” signifies that all members in a family (A) have the same family head (father A) and the same family name with a direct pedigree and lineage relationship. While a family is treated as a functional unit within a social network, as mentioned above, all family members are “tied together through their common biological, legal, cultural and emotional history and their implied future” (McGoldrick, Gerson, and Shellenberger 1999, p. 7). A’s wife is an adopted inside member who obtains her inside status through marrying family A’s head. Both of them become core members of family A and their lineage members become their branches. Lineages are horizontally connected by sons and extend vertically downwards through the grandsons. These lineage relationships are permanent. While the power distance between senior and junior members is high, the psychological distance between them is minimal. The genealogical relationships described are consistent with Confucianism, which has long emphasized marriage and the production of sons to carry on the family name as the essential elements of manhood (McIsaac 2000). Three of the five Confucian cardinal (vertical) relationships can be found in this category, namely, father–son, husband–wife, and older brother–younger brother.

Expressive ties among inside-family members are intimate, personal, involuntary, unbreakable, affective and stable (Hwang 1987; McIsaac 2000). Familial loyalty is not a mere abstract; rather, it is the cornerstone of Chinese ethical tradition (Waltner 1984). The exchange of information, obligation, commitment and sentiment are extremely close, and in-group cronyism is considered moral and unconditional (Tsui and Farth 1997). Lu (1996, p.32) noted that many “princelings” of the Chinese top leaders have occupied important positions within SOEs. Nevertheless, an MNE manager simply cannot establish an inside-family membership because he does not share the same family name and pedigree, and a relationship with target family members such as the father and the mother cannot be established. As such, cronyism does not exist.

De facto brotherhood (sworn brothers or *jié yì xiōng dì*) (**Category 5**). Ironically, the Chinese classics such as *Romance of the Three Kingdoms* and *Shui Hu Zhuan (All Men Are Brothers)* depict a traditional ethical code of brotherhood in which men group together through apparently chance encounters, a shared commitment to the values of friendship that have been expressed as loyalty (*zhong*), which is “the essence of benevolence” (Pines 2002, p. 39) and the quality or state or an instance of being allegiant to one's lawful sovereign or government (Mish 1991), and *yi* (righteousness), which is a morally good thing that a man should do regardless of its consequences to maintain a good relationship between people based on faith, obligations and responsibilities (Chen and Chung 1994; Su and Littlefield 2001). These men had no pedigree relationship and did not share the same family name, but had the strength and force of kinship to survive in a society that had a weak legal structure in a riotous environment (McIsaac 2000). For example, the righteous hero *Guan Yu* in *Romance of the Three Kingdoms* was never reluctant to sacrifice

his own life in performing his “righteousness” or to keep his verbal commitments even in difficult times and regardless of the danger. Once induced by the wealth and beauty offered by *Cao*, he maintained his loyalty and righteousness with his de facto brother *Liu Bei* and persisted in escorting *Liu Bei*’s family out of danger at the risk of his own life (Lei 2011). The power and the psychological distance between two de facto or sworn brothers are low and the interactions between them are based on loyalty (*zhong*) and righteousness (*yi*). Braendle, Gasser, and Noll (2005) noted that the Chinese do business with the closest representatives or insiders of other companies or authorities even if these representatives are not blood related. Su and Littlefield (2001) concurred that an MNE manager can align as an insider with a powerful Chinese manager through the “brotherhood bond” (p. 201). The dynamics of horizontal cronyism between de facto or sworn brothers likely to emerge is represented by arrow B in Figure 2. Horizontal cronyism is instrumental in nature and is motivated by task-, utilitarian-, and self-interest-based factors that include preferential treatment to associates without considering their qualifications (Khatri et al. 2006). Kang (2003) argued that horizontal cronyism might improve economic efficiency under certain circumstances. In a system with weak legal, economic and political institutions such as China, information about market conditions is both scarce and difficult to obtain, and investments and property rights are insecure. The transaction costs of making and keeping agreements and securing property rights can be prohibitively high. Horizontal cronyism among a small, stable number of brotherhood-like actors or insiders can reduce transaction costs because it leads to better information, monitoring, and sanctioning, strengthens property rights and provides alternative means for reciprocity. Horizontal cronyism such as accessing the resources of bank loans may ultimately increase a firm’s business performance (Roberts 1990; Fisman 2001; Khwaja and Mian 2005; Faccio 2006). As a result we propose that:

P_{2a}: A Chinese manager’s provision of horizontal cronyism to an MNE manager elevates the business performance of the MNE.

The paternalistic fatherhood (Category 6). Many authors have noted that a significant feature of the Chinese economic system lies in the ways in which government and powerful organizations work together within a system that derives legitimacy from embedded social practice rather than from formalized ownership and property rights (Bruun 1993; Coble 1986; Tu 1993). This system seems illogical from a Western perspective, but it is perfectly rational if the Chinese State Government assumes a paternalistic (fatherly) role to control, protect, care for, and nurture its community and its people (Child and Tse 2001). In this context, the Chinese state government is like a father and takes care of the insiders or followers like a parent would (Eeben and Gunerer 2008). It provides a holistic concern for the insiders and their families in exchange for indisputable obedience and loyalty on the part of the followers, as indicated by arrow C in Figure 2. Kornai (1992) and others (e.g., Potter 1999) noted that the Chinese state government has implemented paternalism through a complex governance mechanism, and extends its control through a politically driven administrative legal system with decentralization of authority to local

governments and, to a lesser degree SOEs. The Chinese state government is situated at the high end of the power hierarchy to supervise its organizations and civilians. Kirkman, Chen, Farh, Chen and Lowe (2009) and others (e.g., Farh and Cheng 2000; Hofstede 2001; Kirkman and Shapiro 1997) noted that a paternalistic leader exhibits a strong leadership style that directs his followers more firmly in task execution and provides a specific direction (Robert, Probst, Martocchio, Drasgow, and Lawler 2000; Welsh, Luthans, and Sommer 1993). Nevertheless, paternalistic leadership may turn into nepotism, and provides cronyism vertically downwards to only a handful of loyal insider groups (Khatri et al. 2006). Vertical cronyism is defined as favouritism shown by the superior to his subordinate based on non-performance i.e., a subordinate–superior relationship, rather than performance-related criteria (e.g., the objective performance, competence, or qualifications of the subordinate) (Khatri and Tsang 2003). It is associated with particularism, that is, the way in which a person should be treated depends on the group to which this person belongs (Hofstede 1997). Hsu, Wu, and Zhao (2011, p.21) labelled this unique political–economic trait as “crony communism”, which concerns establishing a good relationship with the Chinese Government, which, at some point in time, is obligated to reciprocate a special treatment or favour to a particular business entity to speedily finalize its regulatory or procedural requirements. A deceased Hong Kong tycoon, Mr. Fok Yung Tung, was exemplified by the *New York Times* (Anonymous author, Oct 29, 2006). Fok’s journey into Beijing’s political inner sanctum began during the Korean War in the 1950s, when he defied a United Nations embargo and smuggled essential medical supplies, including penicillin, into the mainland. The Chinese government recognized his loyalty, granted him various business monopolies after the war, and labelled him a “patriotic capitalist”. In fact, Chinese officials have been very keen to connect with insider organizations to improve their regional economic performance. Thus, we propose that:

P_{2b}: A Chinese Government official’s provision of vertical cronyism to an MNE manager elevates the MNE manager’s procedural performance.

Loyalty

Loyalty is defined as an individual’s strong feeling of support or allegiance to a group by identifying, complying with and reacting faithfully to his group members’ goals and values (Chen, Tsui and Farh 2002; Lee 2010). Social psychologists from the west perceived that individuals are located in different complex social groups that are characterized by power, status and prestige differentials (Hogg and Terry, 2000). Individuals tend to be loyal to a specific social group with an identity that may be based on emotional values (Tajfel 1972), organization membership, religious affiliation, gender and age cohort (Tajfel and Turner, 1979). They give loyalty to the organization and take pride and identity from it (Clark 1972; Bhattacharya, Rao and Glynn 1995). Barreto and Ellemers (2002) demonstrated that loyalty was

stronger among individuals whose choice of identity in a social group was respected, whereas individuals whose choice of identify was neglected expressed little loyalty. Loyalty is a “social glue” (Van Vugt and Hart 2004, p.585) that holds all members within a group together and contributes to group stability and integrity. Also, loyalty may be individual member’s expressions of organizational or group egotism and self-consciousness (Selznick 1948). Loyal members may do personal sacrifices for the interest of the group (Levine and Moreland 2002).

Hui, Lee and Rousseau (2004) suggested that an organization is an impersonal mechanism where all employees work toward the same goals and values. The exhibit of employees’ loyalty to a firm is a form of reciprocity for the benefits that these employees receive from their employer (Aryee, Budhwar and Chen 2002). Loyal employees are likely to attach to a firm for a considerable period of time, attend work regularly, perform tasks to the best of their ability and exert extra effort to help out others (Meyer and Allen 1991). Employee loyalty has a decisive impact on a firm’s survival (Bennet and Bennet 2004), performance (Dess and Shaw 2001) and customer retention (Reichheld 1993).

Unlike the western concept, loyalty is perceived as a relational cultural domain, an essential virtue and a moral principle in Chinese society (Fairbank and Reischauer 1978). Its philosophical thinking is firmly established in the “Canon of Loyalty” (*Zhong Jing*) of the *Han* dynasty (206 BC to AD 220): “Among whatever is covered by Heaven, supported by Earth and followed by men, nothing is greater than loyalty” (Pines 2002, p. 36). The Confucian *Book of Rites* (*Li Chi*) and the five Confucian relationships (*wu-lun*) advocate that individuals who occupy the inferior role (i.e., minister, wife, son and younger brother) are morally obliged to be obedient and loyal to their superiors (Farh and Cheng 2000; Tsui and Farh 1997). Individuals who occupy the superior roles (i.e., emperor, husband, father and elder brother) are assumed to have a respectful virtue of benevolence towards their inferiors. An inferior should give faithful support to his superior by showing a willingness to sacrifice his self-interest. Nevertheless, some of these sacred ties have weakened in contemporary Chinese society (e.g., the wife to the husband) or have been transformed (e.g., the minister-to-the-ruler tie has been replaced by the subordinate-to-the-leader tie) (Chen et al. 2002).

In China’s 5000 year history, the Chinese emperors were in the absolute highest position in society and were able to demand loyalty from ministers to sustain the country’s administration and social order (Harrison 1969; Townend 1992). Loyalty was a political prescription for imperial institutions and ruling dynasties, especially aliens such as the Qing emperors that allowed them to impose absolute power across Chinese soil. Once a Chinese ruler learned the secret of this incontestable Confucian tenet and exemplified its norms, his authority was normalized and legitimized regardless of his ethnicity. As such, the political elite’s loyalty to emperors has been an attitude of norm (Harrison 1969), whereas patriotism, which is a desired love and support for the country is a continuation of the Chinese tradition and has

always been indistinguishable from the Chinese state and its objectives (Dreyer 1976). In this sense, loyalty to the emperors was equated to loving the country in ancient China.

The dynastic period of China has gone, but loyalty continues to assert its influence in modern Chinese socialistic society (Yang 1988). Whitley (1991) noted that in a traditional Chinese society that was ruled by men rather than by laws and regulations, the government guaranteed less protection of the people's rights; the virtue of government bureaucrats or superiors was essential in order to protect their inferiors and the effective mobilization of social and economic resources was a major compromise for the maintenance of their loyalty. Yang (1988, p.414) concurred that the Chinese socialistic government has extended the concept of "universalistic ethics of loyalty" by redistributing the country's resources through its collective entities and institutions to look after each individual. Likewise, Chinese organizations have been characterized by underdeveloped institutional structures and Confucian leadership has been expected by subordinates for their well-being (Cheng et al. 2004). Jacobs, Guopei, and Herbig (1995) argued that loyal and obedience to the superior power-holder (the source member) has provided a social order consistent with modern China's economic development.

Gintis (1976) described loyalty in terms of its vertical and horizontal aspects. Vertical loyalty refers to a subordinate's loyal or obedient behaviour towards his superior, whereas horizontal loyalty concerns an in-group member's righteousness or protection of other members against the attacks of their superiors (Coleman 2009). Boisot and Child (1988) recognized that the weak Chinese legal environment motivates strong inside/key officeholders of organizations to generate fief-like loyalties that typically contain key norms of implicit business conduct. Horizontal loyalty in a Sino-foreign cultural setting has never been explored. Nevertheless, if an MNE manager extends his horizontal loyalty to his Chinese counterparts, we anticipate that Chinese counterparts will reciprocate him with horizontal cronyism at some point in time. Thus, we propose:

P_{3a}: An MNE manager's exhibition of horizontal loyalty to a Chinese manager motivates his provision of horizontal cronyism to the MNE manager.

Vertical loyalty for an employee involves identifying and complying with the boss's goals/values and decisions, doing one's job conscientiously and enthusiastically, exhibiting a behavioural tendency to exert extra effort, and being dedicated and faithful to the boss (Zhou 1983). These behavioural tendencies are congruent with the traditional Chinese concept, that is, loyalty to a person (i.e., supervisor) is more important than commitment to a system (i.e., the organization) (Chen et al. 2002). While inequality of power is expected, Chinese managers tend to centralize decision making, share little information and expect compliance from their subordinates. Many workers, to varying degrees, still feel morally obliged to be loyal to their superiors. They are expected to suppress their hostilities towards superiors in exchange for support from their superiors (Chen et al. 2002). China's political system is led by the Chinese

Communist Party (CCP), which oversees the operations of the whole country (Lawrence and Martin 2012). All organizations, public and non-public alike, must show their vertical loyalty to the CCP so as to function properly in China. Also, all potential members must pass an internal test to ensure their “political loyalty” to the CCP before they can be admitted as official members (Walder 1995b, p. 310). Whether vertical loyalty applies to an MNE manager and Chinese government context has never been investigated. However, we anticipate that an MNE manager should be able to obtain cronyism from the Chinese government at some point in time if he consistently shows vertical loyalty to the socialist Chinese government. Based on this discussion we posit that:

P_{3b}: An MNE manager’s exhibition of vertical loyalty motivates a Chinese government official’s provision of vertical cronyism to the MNE manager.

Xinyong (utilization of personal trust)

Xinyong is a Chinese compound phrase consisting of two words, namely, *xin* (trust) and *yong* (utilization). *Xin* itself is a compound word that can further be decomposed into two characters, that is, *ren* (human) and *yan* (word). The combined meaning of these words is that an individual must materialize his own verbal promise in order to gain his business counterpart’s trust to be used for business transactions. Its underlying principle grants those who apply it, a higher sense of moral superiority because it is constructed on the underpinning of honesty, capability and integrity of an individual, a “gentleman’s word and reputation” (Tong and Yong 1998, p. 88), a “personal guarantee” (Low 2001, p. 201), or an “obligation of paying debts of gratitude” (Wang 2007, p. 83), rather than a legal contract (Hamilton 2000; Tong and Yong 1998). Fukuyama (1995) and others (e.g., Atuahene-Gima and Li 2002) have admitted that China is a low-trust country and the Chinese do not often trust people outside their own social network. When person A extends personal credit to person B based purely on *xinyong*, A has confidence in B’s capability to repay his debt.

In a Western transaction economy such as the U.S., the perceived risk of a transaction is the end result of calculative trust (Williamson 1993), that is, one party calculates the costs and rewards of another party cheating or staying in the relationship (Lindskold 1978). When the benefits of cheating do not exceed the relevant costs of a transaction, one party infers that another party is trustworthy and a transaction can be carried out (Akerlof 1970). Any commercial conflict arising from organization trust can be legally resolved.

In contrast, the importance of using *xinyong* in social interactions has been endorsed by Confucius: “How can one be acceptable without being trustworthy in words?” (*Analects of Confucius*, ch. 2(22), translated by Choi et al. 1994, p. 25) and “he who makes friends with those trustworthy and honest, and is

observant to benevolence can cultivate virtue” (*Analects of Confucius*, ch. 12(10), translated by Choi et al. 1994, p. 214). A Confucian classic, the *Great Learning*, specifically advocates that a gentleman (a “*junzi*”) should first cultivate his internal authenticity before he can effectively manage his own family and his surroundings or otherwise he “can exist merely through his luck” (*Analects of Confucius*, ch. 6(19), translated by Choi et al. 1994, p. 95).

In China, commercial laws are often uncertain in their implementation and subject to political considerations (Child and Mollering 2003; Hsu 2005). Therefore, to avoid loss, it is logical that Chinese managers use *xinyong* to do business as a replacement for the deficiency in the Chinese commercial system. Transactions are based largely on verbal commitments for implementation at the organizational level without any involvement of a third party such as a legal institution, and therefore business risks are borne purely among the transactional parties. From this perspective, it is easy to understand why the Chinese prefer dealing with an old friend who has proclaimed *xinyong* and goodwill in a social network (Shou, Guo, Zhang, and Su 2011), and avoid individuals outside the network, whose *xinyong* is unknown, to prevent potential losses (Leung et al. 2011). Nevertheless, the notion of *xinyong* is tacitly embedded in the Chinese legal system. The Uniform Contract Law of the People’s Republic of China enacted in 1999 states that contracts can be in writing, made orally, or take other forms, except for those required by law to be in writing (Article 10). Written forms include letters, telegrams, telexes, faxes, electronic data exchanges and e-mail (Article 11). Even for contracts that are required by law to be written, there is an exception: If one party has begun the performance of the contract's essential obligations without a written contract, and the other party accepts the performance, then the contract is legally enforceable (Article 36) (Zhao 2000).

Unlike loyalty, which can be interpreted in terms of its horizontal and vertical aspects, a person must keep *xinyong* to his superior and his horizontal peers regardless of their social positions, because a differential treatment indicates that this person has no integrity. Therefore, a businessman must endeavour to materialize his own *xinyong* even in difficult times and acuminate his personal *xinyong* while moving up the social hierarchy (Leung et al. 2011). Once he breaks his verbal promise or commitment, he instantly destroys his own *xinyong*, and other members in the same social circle will no longer trust him and will certainly not do business with him. Evidence shows that *xinyong* improves external financing performance. A legal contract is simply a commercial paper to start a project, but *xinyong* is the soul between the two parties to solve problems and operate a business project successfully (Pye 1986). A buyer would be strongly motivated to establish a partnership with a supplier if that supplier was perceived to have *xinyong*. Likewise, an MNE manager’s *xinyong* for implementing a commercial project is specifically important to a Chinese government official because the successful implementation of a project is part of that official’s political performance and is also solid proof of the MNE manager’s support and vertical loyalty to the Chinese government. No previous research has been conducted on the

relationship between *xinyong* and loyalty. Nevertheless, Rindfeisch (2000) confirmed that there is a positive relationship between trust and loyalty in a vertical Western organizational alliance setting. Van Vugt and Hart (2004) found that in-group identity consolidates trust and loyalty in a Western experimental setting. Following this we propose that:

P_{4a}: An MNE manager's *xinyong* elevates his vertical loyalty from the Chinese government's perspective.

P_{4b}: An MNE manager's *xinyong* improves his horizontal loyalty from the Chinese manager's perspective.

Guanxi

Guanxi is a compound phrase that contains two characters, namely, *guan* and *xi* (Chinese dictionary online: www.zdic.net/z/27/zy/95D7.htm). *Guan* consists of a character "door" that is superimposed on another word "silk", and "*xi*" means "sect". The implicit notion of *guanxi* is that all members behind the door come from the same sect or network and their connections are intricately entangled like silk. This metaphor inevitably classifies people behind the door as insiders and all other people who cannot enter that door as outsiders (Wang 2007). Insider connections are based on particularistic ties and reciprocal bonds (Jacobs 1979; King 1993). All insiders are committed to be generous to counterparts in their social circle (Gao, Ballantyne, and Knight 2010). The complexity of these inside or *guanxi* relationships must be carefully analysed and conceived because insider members "carry expectations and obligations to facilitate favor exchanges" (Davies, Leung, Luk, and Wong 1995, p. 211). The presence of *guanxi* or personal connection is universal but its ubiquitous nature makes it unique and distinctive in China (Gu, Hung, and Tse 2008). It is a governance mechanism on which businessmen rely on when formal institutions and resources are unavailable (Hwang 1987).

Su and Littlefield (2001) clarified the concept of corrupt behaviour or rent-seeking *guanxi* from that of favour-seeking *guanxi*. The former refers to social norms signifying collusion within the network based on power exchange in a hybrid socialist market economy (Tullock 1993). This represents the real source of corruption in China, whereas the latter is culturally embedded, denoting social connections and an interpersonal exchange of resources. Rent-seeking and favour-seeking *guanxi* may look similar to Westerners, but Chinese people are very clear about the difference between a bribe and a *guanxi* connection. A bribe violates the central tenets of *guanxi*, as it is an isolated, discrete transaction based on power exchange, where the desire for instrumental gain undermines the possibility of forming a close and intimate relationship (Lo and Otis 2003; Smart 1993; Yang 1994). Rent-seeking *guanxi* implicitly says that if someone gains power, then he can obtain some monetary reward or rent from another person by allocating some performance-related resources to that person through his power. In this sense, rent-seeking *guanxi* is not the same as favour-seeking *guanxi* because the former is transaction focused,

whereas the latter is relationship focused and its relational ethic implies that it cannot be bought (Vanhonacker 2004). MNE managers should aim at establishing only favour-seeking *guanxi* and avoid corrupt behaviour while doing business in China.

Many scholars have attempted to delineate *guanxi* as a trust-based exchange (Hill 1995). Nevertheless, Standifird and Marshall (2000) posited that trust has nothing to do with *guanxi*, whereas “assurance”, an expectation of benign behaviour for reasons other than the goodwill of the other partner, is the key (Yamagishi and Yamagishi 1994, p. 132). Trust is based on the partner’s public persona and integrity, whereas assurance is based on knowledge management of the incentive structure surrounding the relationship, that is, an agile schema of monitoring favour/benefit exchange, information, social activities and mutual cooperation (Fock and Woo 1998). Assurance exists where one party will not act opportunistically because of external constraints and the expectation of future exchange (Standifird and Marshall 2000). Assurance presents a *guanxi* network exclusive to its members, who are committed to one another on a long-term basis by a hidden norm of reciprocity that concerns balancing the exchange of favours (Hwang 1987). Evidence shows that the *guanxi* network of a Chief Executive Officer (CEO) is an important determinant of his contractual salary package in a family business setting in which he is not a family member, and the board of directors places more emphasis on the CEO’s *guanxi* ties outside the family business group than on those among the business group firms controlled by the family (Young and Tsai 2008).

While *guanxi* signifies the assurance of a relationship, *guanxi* space assesses the closeness and stage of the relationship at a given point in time. Fei (1992) conceived *guanxi* as a psychological network space in which the host (A) is situated at the centre and his connected members (B and C) are concentrically positioned surrounding A while there could be no obvious connection between B and C. If A subjectively perceives that B is positioned closer than C, then the psychological distance between A and B is smaller and the relationship between A and B will be superior to that between A and C. The perceived psychological distances of A–B and A–C are not static because B and C can move outwards to become more remote or inwards to become closer to A depending on the development of *guanxi* dynamics, that is, *renqing* between A–B and A–C (Luk, Fullgrabe, and Li 1999).

The Chinese phrase *renqing* is a fundamental emotional bond between *guanxi* members and can be decomposed into two characters, namely, *ren* and *qing*. The former stands for “human” and the latter means “feeling”, that is, the phrase simply means “human feeling”. *Qing* is the emotional mechanism of a human-being and has been classified by the ancient *Book of Rites (Li Chi)* into happiness, anger, sadness, fear, love, hatred and desire. According to Hwang (1987), a businessman must equip himself with a passion of empathy to help understand the emotional feelings of his Chinese counterparts if he wants to successfully build *guanxi* with these counterparts. If this businessman comprehends other people’s emotional responses to various circumstances of life—feeling happy or sad when and as others do, or even catering to their tastes and evading whatever they resent—then we may conclude that he is well equipped

with human feelings. In addition, these emotional feelings have to be understood by others within a given context so that those others can subsequently reciprocate. *Li Chi* describes how emotional feelings should be expressed as rituals in different social contexts (Potter 1988; Zhang and Bond 1998). For instance, when an individual (B) receives an invitation from another individual (A) to his son's wedding party, B will bring along a red envelope, which the Chinese refer to as *renqing*. It contains an amount of money with the names of the married couple and his own written on the outside. The quantity of *renqing* is determined according to the estimated cost per person of hosting the wedding party and the extent of closeness between A and B. If the estimated cost per person of hosting this wedding party is roughly HK\$1000 and B is A's very close friend, B may put HK\$2000 in the red envelope and present it to the host (A) with applause. This *renqing* is an important tool or an entry ticket for B to show his empathy to A by helping with and sharing his happiness, as well as sharing the anxiety of hosting his son's wedding, which may be a great financial burden to A. In this example, financial help is used to represent the *qing* between A and B, that is, A's invitation is a request for help and B has to express his human feeling or empathy to A's situation at the time in terms of a "substantial assistance" (Hwang 1987, p. 954) to maintain his close *guanxi* with A. B would not be happy if he did not receive the invitation from A because A in such a case did not treat him as an old friend. In the meantime, A owes B *renqing* and A must return it at some point in time. If B's son gets married in the future, A will perform exactly the same ritual to B. This norm of reciprocity is instrumental and must be observed at all times. If the norm of reciprocity is managed properly, the psychological distance between the two individuals can be greatly reduced (Leung et al. 2011). Conversely, if A is unable to carry out the same ritual to B, the *guanxi* between A and B would be broken because A would be considered as an individual who does not have human feeling (*bù jìn renqing*).

If A sends an invitation to C, who is not his very close friend, C could have three alternatives to handle this situation: (1) C cannot go because of some reason and does not give the envelope to A; (2) C cannot go but gives the envelope that contains a less-than-average amount of money to A prior to the wedding because he considers that will not be consuming food at the wedding party; or (3) C can go to the event and give the envelope that contains the full-market-price amount of money (HK\$1000) to A at the wedding party. The first alternative is the worst and C will be labelled as having "no human feeling" because he does not respond to his friend's request by sharing the happiness and anxiety, which, indeed, calls for a departure of *guanxi* from A. Concerning the second alternative, C's handling method has more human feeling because he extends financial help to A. Under normal circumstances, A would reciprocate to C with a gift to show his appreciation of C's help and the gift would be approximately equal to C's money in his envelope. In this situation, both A and C express the social norm of *renqing* and their psychological distance will be maintained. The third alternative is the best of the three, because C gives face to A by physically presenting the envelope at the wedding party as a show of support and also shows his empathy regarding A's happiness and anxiety. This alternative complies with the code of *renqing* and

face giving; the relationship between A and C will be improved and C's psychological distance from A will be reduced.

Purely an emotional expression of help without extending anything material can be a kind of *renqing*. Zhang and Zhang (2006) argue that person A is implicitly expected to repay the favour to B if A has received *renqing* based on emotion from B. A must consciously reciprocate to avoid both the feeling of guilt and any damage to his own social prestige (Su and Littlefield 2001). Reciprocations of *renqing* ought not to be immediate, or else they become merely utilitarian transactions. *Renqing* must be skilfully seeded so that it becomes a "burden" (Zhang and Zhang 2006, p. 382) or an "indebtedness" (Standifird and Marshall 2000, p. 21) to be reciprocated in the future so as to facilitate further social exchanges between *guanxi* members.

Madame Chong, a key spokesperson of Wanchai Ferry Dumpling Company, provided a touching story of *renqing*. Chong left her home town Shanghai in 1972 with her two children for a new life in Hong Kong by selling home-made dumplings at Wanchai pier from a moving cart. Her tasty dumplings soon became popular, but selling food without a hawker license aroused the police's attention, who issued her several summonses with fines. In many instances, her customers helped her by watching out for the police on her behalf. Some police officers, upon learning her story of survival, started turning a blind eye to her activities. At discovering this, she felt such regret for the police officers that she turned herself in to the police office after work because she did not want the police officers responsible to receive disciplinary action. Madame Chong's example complies with a Chinese saying that "law is nothing more than *renqing*". Her family survived in a social community that was embraced with human feeling or *renqing*. As the popularity of her business grew and her touching story was acknowledged, General Mills established a joint venture with her by investing HK\$60 million and made Wanchai Ferry dumplings one of its food divisions (Anonymous author, June 24, 2014, *Hong Kong Economic Times*, A16).

The rituals of *renqing* imply not only a normative standard for regulating social exchange but also a social mechanism that an individual can use to strive for desirable resources within a stable and structured social fabric (Hwang 1987). Put another way, China covers a very large territory in which the same law can be interpreted differently in different geographical regions. The manipulation of *renqing* is a powerful cultural substitute for navigating resources in many grey areas.

If an MNE manager has accumulated *renqing* over a considerable period of time, a specific *guanxi* quality, a positive psychological feeling of "affect" or an expressive tie that is aroused by the closest connection of human ties, that is, *ganqing* (meanings: sensation and affection), emerges (Xin and Pearce 1996, p. 1645). Yang (1994) viewed *ganqing* as a deep psychological commitment between *guanxi* members, reflecting the sincere human behaviours of mutual empathetic understanding, compromise, affection, sharing of happiness, and emotional identification rather than duty, loyalty, or obligation; this *ganqing* encourages entrepreneurs to elevate the "quality" of their bonding to a particularistic friendship tie, that is the old friend (Barnes, Yen, and Zhou 2011, p. 512). Two old friends are close and are expected

to share fortunes and confront disasters together (Luk, Fullgrabe, and Li 1999). One old friend will also consider the other's feelings when making decisions because he does not wish to hurt the feelings of his friend (Barnes et al. 2011). If an MNE manager can competently manage the *renqing* and *ganqing* with his connected parties, his *guanxi* within a social circle can be greatly enhanced, which becomes the underpinning of *xinyong* (Qi 2014). Leung et al. (2011) proposed that MNEs need to design a relationship quotient (RQ) system to track their relationship status with their connected Chinese counterparts in order to alert senior management whether cultural training is needed.

Old friends are more likely to handle the terms of a transaction more flexibly and are less likely to formally legalize all the terms and conditions because the transaction is based on *xinyong* rather than on a formal contract (Batjargal and Liu 2004). As a result, we posit that:

P₅: An MNE manager's proper management of *ganqing* elevates his *xinyong* in front of his Chinese counterparts.

P₆: An MNE manager's proper management of *renqing* improves the *ganqing* between the MNE manager and his Chinese counterparts.

Gift giving

Western social exchange theorists postulate that two interpersonal traits, namely, interdependence and social obligation exist in a social exchange. The former involves a mutual and complementary arrangement whereas the latter motivates reciprocity between actors (Molm 1994). Unlike an economic exchange, which emphasizes physical rewards (Bagozzi 1975), a social obligation is "unspecified" and the "nature of the return cannot be bargained" (Blau 1964, p. 93). In fact, gift-giving behaviours are rational and exchanges are created through a subjective cost-benefit analysis (Befu 1977; Blau 1964; Emerson 1976). Individuals who give much to others try to obtain much from those others, and people who acquire much from others are under pressure to reciprocate much to those others (Emerson 1976). Reciprocity tends to balance out through time, with socio-emotional resources consisting of psychological benefits such as respect, caring and social approval being likely to be exchanged over a longer temporal dimension rather than in an immediate return (Eisenberger, Cummings, Armeli, and Lynch 1997). Empirical evidence shows that Americans assign socio-emotional resources equally to all employees, but economic benefits are distributed in proportion to employees' performance (Chen 1995).

Unlike Western society, which considers gift giving as a complementary arrangement, gifting is considered an indispensable social ethic to elaborate the cultural code of "*Li*" (meaning rite, ritual, ceremony, courtesy, propriety, etiquette, politeness, or manners) (Zhuo and Guang 2007, p. 81), and is a form of social contracting (Steidlmeier 1999). Its functional practice can be observed in many cultures, but

what makes it so unique in China is that gifts are given not only to express gratitude, respect, friendship, or hospitality, but to show the extent of one's *guanxi* with others (Davies et al. 1995; Xin and Pearce 1996; Yang 1989) and to enhance one's own face (Hwang 1987). Also, inappropriate gift giving can tap into the sensitive sphere of corruption, which is under close surveillance by some Western governments. Leung et al. (2008) proposed that an MNE should establish a zone of ethical tolerance in terms of meeting the standard of cultural norms in the host country, so that the MNE's business executives know how to operate within that country. When the potential practice operates outside this zone, business executives should replace it by other acceptable practices. We have discussed the use of gifting in maintaining *renqing* between two connected parties in the section on *guanxi* above. We concentrate our discussion here on how to use gifting to engage another as a new friend.

In China, gifting is a silent "language" that is used to externalize one's reverence of another person's cultural identity (Kipnis 1996, p. 285). With the rapid pace of social and economic development that has occurred in China, the patterns of gift giving have undergone some changes, but its underlying cultural values remain intact. The code of gifting has been partly captured in a popular saying, *lishangwanglai*, which translates roughly to "courtesy demands reciprocity," meaning that well-mannered people return favours and kindness (Zhuo and Guang 2007). Gifting is an art as well as a science, and shows the gift-giver's serious consideration of the recipient's feelings. It is also used to show courtesy and respect to the recipient at an appropriate occasion and therefore the norm of reciprocity must be carefully observed or otherwise the relationship between the two interactional parties will be seriously affected. A scientific calculation of the physical and symbolic value of the gift provides vital embedded meaning to the recipient (Clausen 1991). For instance, the physical value of a gift should be arranged in accordance with the recipient's social status, whereas its symbolic value, such as a complement to the recipient's personal success, should be conceived in a context such as an opening ceremony of a new business, a personal occasion like a birthday or jubilee, or an occasion of professional recognition, or otherwise the recipient will be charged by his colleagues as being greedy. In the meantime, the gift-giver must conduct a qualitative analysis of information collected on whether the characteristics of the gift satisfy at least one of the following: (1) matching the nature of the gift with the recipient's personal preference to increase the chance of its safe-keeping or self-use, (2) selecting a gift with distinctive individuality or originality or scarcity so as to generate emotional applause from the recipient, or (3) choosing a gift with sufficient novelty to raise the interest of the recipient (Bruhn 1996). The attainment of one or more of these characteristics most likely increases the recipient's recognition and memorization of the gift-giver. Preparing a gift in such a vigilant way motivates the recipient's immediate estimation of the giver's objective, such as the giver's introduction of his company to the recipient, the establishment of business relations between the two companies, or the giver's expression of his high regard and respect towards the recipient (Bruhn 1996). If an MNE manager skilfully articulates and presents his gift to a new Chinese

business friend, he should be perceived as humane and empathetic and able to share the happiness, anxiety, and joy together with his potential Chinese counterpart. Thus, we propose that:

P₇: An MNE manager's skilful presentation of an appropriate gift helps establish *renqing* with his new Chinese counterpart.

Face

"Face" has two dimensions, namely, "*lien*" and "*mianzi*" (Hu 1944). *Lien* is an internalized moral face that everyone is entitled to by virtue. It represents the confidence of society in the integrity of a person's moral character and who, under all circumstances, shows himself as a decent human-being (Ho 1976). A person cannot maintain his relationship with others if he loses *lien* (Hu 1944; King 1993). It can only be lost and a sense of shame produced in the absence of an audience to discern the transgression through misconduct, and cannot be gained (King 1993). It is a social and internalized sanction for enforcing moral standards (Hu 1944).

Mianzi is an externalized moral face (Hu 1944). It stands for one's prestige: a reputation achieved through getting on in life, through success and ostentation. An individual's possession of *mianzi* requires visible success in matching well-established social expectations. It can be treated as his social asset and can be banked and exchanged for favours. As such, an individual's *mianzi* represents his social status and qualification for receiving a certain amount of social resources and for establishing relationships in the Chinese community (Yabuuchi 2004). Nevertheless, a person can lose his *mianzi* in a sudden and embarrassing social occasion. Face therefore works as a package of social techniques and must be used with the upmost of care (Goffman 1972).

A "face work" practitioner's goal is to create and project his favourable disposition to a resource allocator's mind, which can be achieved by employing a combination of horizontal and vertical "face work" techniques. Horizontal face work involves giving face, saving face, and avoiding losing the face of others, all of which demonstrate one's consideration of others (Goffman 1972). In doing so, the use of "polite language" is key and involves adopting a sincere and respectful way of addressing a collaborative public self-image of the interactional party and of his company as a whole (Zhu 2009, p. 520). In contrast, vertical face work involves the projection of self-image and impression management. Its application, such as through face enhancement, is important for elevating an individual's self-respect and his own *mianzi*, thereby showing off his power and influencing an allocator's choice of distributing resources to that individual's benefit. However, how can an individual show off his power to raise his *mianzi* while still

maintaining his admired humble gentleman's image in front of his Chinese partner? King (1993) noted that a humble gentleman observes the "doctrine of the mean" (Yau 1988, p. 55). This "mean" does not carry any connotation of being average or mediocre, or of not distinguishing oneself (Sun 2008). It simply indicates that an individual ascertains the most appropriate position in a given situation, and it is not necessarily the midway between the two extremes. For instance, a senior MNE manager's skilful presentation of his powerful business card with his name, academic qualifications, and senior titles in both Chinese and English will certainly impress his Chinese counterparts and elevate his own *mianzi* but will not offend his Chinese counterparts. Likewise, an MNE manager's attendance at a party hosted by his Chinese counterpart is a sign of giving face. Hence, it is logical to assume that an MNE manager needs to present an appropriate gift to his new Chinese friend if he wants to enhance his own *mianzi* with a favourable disposition. Hwang's (1987) seminal paper proposed that vertical and horizontal face work, such as face enhancement and face saving can raise an individual's own *mianzi* while tacitly reminding the interactional party to observe the rule of *renqing*. Based on the notion of face and *renqing*, we therefore propose that:

P₈: Giving an appropriate gift can enhance an MNE manager's own *mianzi*.

P₉: An MNE manager's appropriate practice of gifting helps establish *renqing* with new Chinese counterparts.

Integrity

The Random House College Dictionary (1975) defines integrity as a personality that adheres to a set of "moral and ethical principles" (p. 692). This definition, however, is problematic because it does not decipher whether the moral and ethical principles are good or bad. Speaking plainly, even an evil person could have integrity so long as he followed a set of self-determined moral and ethical principles (Becker 1998). Nevertheless, Audi and Murphy (2006) argue that a morally good character consists of many virtues, and there is every reason to expect that integrity will be accompanied by many morally good virtues. Many other authorities agree, and perceive personal integrity as an "essential quality" (Zauder 1992, p.12) and a "practical wisdom" (Baltes and Staudinger 1979, p.116). In fact, American organizations administer approximately five million integrity tests to job applicants annually to ensure that their employees are in conformity with their organizations' moral standards according to an alignment of personal judgment and compliance with these organizations' moral systems (Boatright 2000). In other words, a manager must be able to develop a set of self-created guiding principles and values that are conceived from his own consciousness and rationality within his company's moral standards and his

personal judgments (Becker 1998; Butler and Cantrell 1984; Mayer, Davis, and Schoorman 1995; Paine 1994). He not only holds his own best judgement about what is worth doing, but also has an epistemic attitude to recognize the worthiness of standing for his best judgement before others in a business community (Graham 2001). His predetermined chosen set of guiding values instils a sense of shared accountability among employees and unites his organization's operations lithely across cultures. The objective of integrity is not just leading his employees to lead a morally good life (Graham 2001). Rather, the manager must realize his employees' rights and interests within the organizational limits of ethical principles and values (Taylor 1985), and focus on the extent to which his stated principle or words are seen as aligning with his actions (Palanski and Yammarino 2009; Simons 2002). This involves exhibiting consistent behaviour such as giving attention to detail, taking responsibility, displaying trustworthiness, keeping promises, demonstrating a conscience and being non-opportunistic and honest (Telford and Gostick 2003). This kind of behavioural integrity has a direct impact on his credibility in generating trusting relationships with his employees so as to produce desirable organizational outcomes (Butler and Cantrell 1984; Davis, Schoorman, Mayer, and Tan 2000; Mayer et al. 1995; Yukl and Van Fleet 1982). A manager with high integrity who focuses on both employees and ethical actions can generate better financial payoffs for organizations and produce better accrual in terms of cash flow for a firm (Kausel and Culbertson 2013).

The Western concept of integrity concerns a balance between relativism and absolutism. An absolutist believes in a global standard of ethical behaviour whilst a relativist admits that individual culture must be respected. Evidence shows that relativism prevails in the international market (Donaldson 1996). As such, a manager with high integrity must carefully align his own ethical guidelines, his employees' wellbeing, and the company's sales and profit objectives in a specific market. Leung, Heung, and Wong (2008) proposed that a multi-national company should develop an ethical zone so that its managers can have flexibility to demonstrate respect to an international market's culture while upholding the company's integrity guidelines and the home country's legal standards (p. 30).

The Confucian classic *The Analects* (Legge 1893) considers integrity as an internalized virtue and a moral character of a Chinese gentleman (a "*junzi*") who adopts the "golden mean" principle of Confucianism (Sun 1987, p.7). He follows a set of moral principles that are unbiased and honest and never stoops to flattery. Similarly, a Confucian businessman never puts his own gain above the welfare of his clients or others to whom he has a professional responsibility, respects clients' confidentiality at all times, and always considers the wider interests or society in his judgement (Ip 2009). In other words, the development of a manager's personal integrity should not be done in isolation but in close synchrony with others. In a hierarchical relational society, Chinese subordinates seldom challenge their superior's decision but they may be cynical about it. As a result, they do whatever they are told but nothing more. Morrison (2001) argued that obtaining the faith of subordinates and aligning words with behavioural actions are the real driving force for a manager to motivate his followers to improve their productivity.

Research in China also shows that a manager's exhibition of competent communication with his subordinates and showing appreciation for his followers' ideas can allow scope for the employees to take initiatives, decisions and action (Ling, Chia, and Fang 2000). Cheng et al. (2004) recognized that a Chinese manager's behaviour with respect to taking responsible actions such as personal care, showing forgiveness, and exhibiting consideration towards his subordinates are effective for evoking subordinates' gratitude and repayment. This leads to the perception of benevolent behaviour as a virtue and to the display of affection, dependence and identification towards him (Cheng et al. 2004). At times, the manager's personal integrity will be internally entrenched in his *lien* and externally represented by his *mianzi*, that is, his prestige and his reputation through getting on in life and through his success and ostentation in a Chinese community (Ho 1976; Hu 1944; Kim and Nam 1998). As such, it is reasonable to believe that an MNE manager's practice of vertical face work such as self-image and impression management should enable the Chinese counterpart to conceive the personal integrity of the MNE manager in a new-friend context. Thus, we posit that:

P₁₀: *Mianzi* signifies an MNE manager's personal integrity.

Many MNE managers recognize that establishing a relationship in China is an important relational strategy because they can call on the *guanxi* target as needed. However, if an MNE manager calls on his *guanxi* targets and activates the relationship only when he is in trouble, the MNE manager deprives the *guanxi* targets of opportunities to request support or to help prevent trouble (Vanhonacker 2004). Also, this opportunistic behaviour is contradictory to the virtue of integrity because it is biased and mendacious. When the Chinese targets have this perception of the MNE manager, it is often too late for the MNE manager to remedy it and the *guanxi* targets will not act on the MNE manager's behalf. Chinese people appreciate interacting with individuals who have high personal integrity and the ability to maintain harmony between interactional parties (Hwang 1987). Likewise, the *guanxi* targets will expect their MNE counterparts to possess moral integrity, to not expose the targets to vulnerability, to not abuse the targets or the targets' network, and to watch out for the targets so that the relationship can be maintained continually (Vanhonacker 2004). These discussions suggest that personal integrity is in fact part of the collective persona, being interpersonal and highly contextualized, and hardly able to be separated from an MNE manager's ability to successfully form and manage relationships. Research evidence shows that Chinese managers highly value a virtuous leadership style, one that is characterized by multi-dimensional personality traits such as self-discipline, the honouring of promises, adherence to principles and the maintenance of high levels of excellence (Gao, Arnulf, and Henning 2011). From a pragmatic perspective, the only difference between the Western and Chinese concepts of personal integrity is that Chinese counterparts appreciate interacting with an MNE counterpart who not only has high integrity but also sincerely addresses human feelings from the Chinese relational perspective. We therefore propose that:

P₁₁: An MNE manager's appropriate exhibition of personal integrity enhances his *renqing* with Chinese counterparts.

The Roles and Influence of Chinese Cultural Variables on Cronyism and Performance in China

The model presented in Figure 1 emphasizes the application of relational variables to explain cronyism in the Chinese socialistic market economy. In this section, we highlight the roles and influence of gift giving, face, *guanxi*, *xinyong* and loyalty on cronyism and performance. Putting business operational variables aside, MNE managers need to appreciate that the Chinese market is unique and distinct from those of Western countries. Regardless of whether the contact target is a Chinese government official or a senior Chinese manager, the target has the moral obligation to generate well-being to his subordinates or associates within an insider circle (Cheng et al. 2004; Tsui and Farth 1997). Cronyism, in this sense, is a structural mechanism for the Chinese official or manager to allocate preferential treatment to some selected patriotic and loyal insider organizations in order to generate desirable economic performance in a governance system that is consistent with the ideology of Chinese planned economic policies. To outperform competitors, an MNE manager must exhibit a set of indigenous Chinese relational qualities to negotiate the complex relationship network if he is to encourage his associated Chinese counterparts and government officials to practice cronyism with him.

The new friend

Many authorities admit that using gifting to establish a business relationship in highly contextual cultures such as Japan, China, and Korea is indispensable (Befu 1968; Hall 1976). When an MNE manager attempts to enter a social network in China, he will meet many new friends, including target business counterparts and government officials, at numerous social occasions. He must appreciate the fact that gift giving carries a very complex communication role in China. In saying that, it is an important etiquette, a representation of an MNE manager's own *mianzi*, and a relationship articulation tool of establishing *renqing* with his Chinese connections, and is very different from that of the Western practice. It is imperative that the MNE manager carries out a meticulous gift-giving assessment exercise that involves arranging a gift with a physical value that reflects the Chinese recipient's social status and which simultaneously shows respect to this recipient at an appropriate social occasion such as a new business opening ceremony, a personal occasion like a birthday or jubilee, or an occasion of professional recognition, otherwise the recipient will be viewed by his colleagues as avaricious. To enhance his personal image in the recipient's mind, the MNE manager must assess whether a gift has a distinctive feature, novelty character, or characteristics that match the personal preference of the gift recipient in order to raise the recipient's propensity of emotional applause, safe-keeping, or self-use (Bruhn 1996).

The MNE manager's skilful presentation of horizontal and vertical face work should serve to improve the relational ambiance with his Chinese targets. Using polite and affirmative language in horizontal situations such as giving face, saving face, and avoiding losing face of the target Chinese counterparts can demonstrate an MNE manager's sincerity to his Chinese counterparts while tacitly reminding them to reciprocate in accordance with the rule of *renqing*. Together with vertical face work enhancement activities, such as an MNE manager's humble presentation of a powerful business card, his gentlemanly image is able to be firmly inserted in his target Chinese counterparts' minds and memories. In other words, the Chinese counterparts should have the perception that the MNE manager is a man embraced with human feeling or *renqing*, which forms the foundation of establishing a deeper psychological feeling of affect or *ganqing*.

While there is no difference in the Western and Chinese concepts of personal integrity from a theoretical perspective, its pragmatism must be attuned to a Sino-foreign cultural context. An MNE manager needs to project a relational public persona that shows concern for his Chinese counterparts' emotional feelings, displays a check-and-balance attitude between Western and Chinese moral and ethical guidelines, while upholding his personal prestige and reputation in the initial meetings with his Chinese counterparts. The resulting perception of personal integrity motivates the Chinese counterparts to give *mianzi* to the MNE manager and to conceive of him as a trustworthy person equipped with *renqing*.

The old friend

An MNE manager must understand that *guanxi* is not just an ad hoc connection that can be called upon when needed. Acknowledging the names and titles of the Chinese business counterparts is also not a sufficient behaviour for motivating an exchange of favours, not to mention for gaining the personal trust of the Chinese counterparts for business transactions. Our analysis shows that an MNE manager must be a relational man who exhibits a benign mode of behaviour during social interactions on top of monitoring the development of *guanxi* dynamics, and these social qualities are the key to fully understanding and assessing *guanxi* members' emotional feelings or *renqing* and responding to these emotional feelings. *Renqing* is an important social asset that must be adeptly ingrained so that it becomes a "burden" (Zhang and Zhang 2006, p.382) or an "indebtedness" (Standifird and Marshall 2000, p. 21) for the Chinese counterparts to reciprocate. In fact, appropriate exchange of *renqing* is an expression of courtesy, propriety, etiquette, politeness and manners. It reduces the psychological distance between *guanxi* members and improves the quality of *guanxi* that eventually reinforces the *ganqing* and raises the tie between two members to a particular level of friendship, namely, the old friend. Two old friends help and support one another out of obligation (Hwang 1987; Chen et al. 2004).

Two old friends are bound by an implicit psychological assurance that neither party will take advantage of the other side (Standifird and Marshall 2000). Having the blessing of an unassailable *xinyong* is almost a guarantee of quick market acceptance, allowing strategic performance objectives, such as

creating awareness and gaining footholds, to subsequently achieve (Chung 2011). In addition, *xinyong* is not an instantaneous evaluation of the MNE manager's personal credit. It must be accrued over time at either the personal or organization level. Putting local Chinese counterparts aside, an MNE manager's *xinyong* for implementing a commercial project is specifically important to a Chinese Government official, because the successful implementation of a project is part of that official's political performance and is also proof of this MNE manager's support of and vertical loyalty to the Chinese Government.

Because the roles of *guanxi* and *xinyong* are important variables for building an insider network, MNEs need to design a relationship quotient (RQ) system to track their relationship status with their connected Chinese counterparts in order to alert senior management whether the relationship should be recovered or cultural training is needed (Leung et al. 2011).

The insider relationship

Numerous scholars have confirmed that *guanxi* and *xinyong* are the two major cultural variables for enabling MNE managers to become old friends of their Chinese counterparts and to facilitate business transactions in China (Barnes, Yen, and Zhou 2011; Tong and Yong 1998). No literature to date, however, has discussed the relationship between *xinyong* and cronyism at the organizational and country levels. How can we rationalize their coexistence? The former (*xinyong*) reflects the integrity of a manager and carries a positive connotation while the latter (cronyism) is associated with negative behaviours such as "corruption" (Khatri et al. 2006, p. 61). When an MNE manager is said to have *xinyong*, he is expected to have the quality of moral self-governance to honour his own verbal promises at both the individual and organizational levels (Leung et al. 2008). He should equally follow through with his verbal commitments to all people with whom he interacts, regardless of whether they are situated within or outside of his *guanxi* network. How can he apply *xinyong* to all people and expect to generate cronyism together with a small group of people within a *guanxi* network (insiders), while at the same time putting people outside the *guanxi* network (outsiders) in a disadvantageous position?

The above issues can be resolved by placing both *guanxi* and *xinyong* in an insider Confucian governance perspective. Our findings suggest that the Chinese government prefers to distribute resources to insider parties that produce a single opinion, keep their commitment, and show their loyal support to them in meeting economic targets. Loyalty, in this sense, continues its historical journey as a central tenet in the Chinese hierarchical society, and cronyism is a natural reward for the Chinese government to compensate companies' loyalty, which carries a more positive connotation. It is the norm rather than the exception for the Chinese Government to vertically distribute its resources to its tightly associated paternalistic organizations, and these organizations will in turn horizontally channel their resources to other brotherhood-like loyal organizations, all to generate procedural and organizational performances to support the Chinese planned economic growth. Cronyism is however not exactly a form of corruption as posited by Khatri et al. (2006), because it does not involve any use of public authority for "private gain" (Wedeman 2004, p. 895) from an insider allocation of resources point of view. Simply put, the Confucian

style of cronyism is used as a reward mechanism to rationalize those insiders who are loyal to the Chinese government to carry the role as growth agents obligatorily in the Chinese market, rather than using it purely as a vehicle to quietly channel private gains to such insider firms. With this understanding in mind, MNEs and their managers must show their vertical and horizontal loyalty on top of their *guanxi* and *xinyong* to support the Chinese Government and its associated organizations; this will allow them to obtain cronyism and in turn to penetrate the high-growth Chinese economy more quickly compared with their competitors, and within accordance of ethical guidelines set by MNEs, their governments and the Chinese government.

Conclusions and Recommendations

We use this section to recommend a strategy, or plan of actions designed to obtain a Confucian style of cronyism that will steer MNEs towards improving their organizational performance. Our analysis of the Chinese governance system suggests that an MNE must treat China as a single market in its own right and establish a strategy for doing business in China that responds specifically to the unique Chinese characteristics discussed in our study. This strategy should contain: (1) a business objective for and an orientation programme on the Chinese environmental context, (2) a cultural training programme regarding the Chinese cultural relationship variables listed in Figure 1, and (3) a relational quotient system that keeps track of the development of such relationships.

The business objective should capture the essence of what an MNE wants to achieve in terms of product market, operational arrangements and the company's competitive advantage in China. This MNE must understand that China is a socialist planned economy and therefore this business objective must include a crucial component detailing how it will help the Chinese economy to grow, which is essentially bait to attract the attention of the relevant *guanxi* targets. An impressive presentation of how an MNE's business plan fits into the Chinese strategic direction will certainly motivate Chinese government officials and their associated Chinese companies in a particular locality to evaluate whether they should incorporate the MNE's proposal into their performance indicators. With this fundamental business approach in mind, an MNE should offer an orientation programme to its managers concerning the Chinese governmental administrative structure at both state and local levels in the industry or business area that the MNE wants to penetrate. Such a programme would help its managers to identify the government unit(s) with which they have to build connections in order to improve the likelihood of making *guanxi* connections with these units.

The MNE should specifically design a Chinese cultural training programme from an insider perspective for its managers who want to survive in the Chinese market and who need to interact with their respective Chinese government officials and associated Chinese counterparts. The interactional training should incorporate a list of protocols concerning the exhibitions of an MNE manager's personal integrity, appropriate face, and gift-giving practices in China. Also, the MNE should establish a zone of ethical

tolerance in terms of meeting cultural norms in China that are acceptable by the Chinese and by the home country so that its business managers know exactly how to operate within China, especially with regard to avoiding the potential area of corruption (Leung et al. 2008). Gifting, in particular, should not be in the form of monetary benefits because it will be easily perceived as corruption. The meanings of the two *guanxi* components, namely, *renqing* and *ganqing*, should be carefully elaborated because an MNE manager's manipulation of these components affects another deterministic variable i.e., *xinyong*. Moreover, MNE managers should maintain a high-quality documentation system to protect the MNEs' legal benefits in adversarial situations. Another important cultural training component is the concept of loyalty. Regardless of whether the interactional agent is a Chinese Government official or a business counterpart, the MNE manager must display a consistent supportive and affirmative loyal attitude, which is the key to receiving preferential treatment from Chinese Government officials and their Chinese counterparts at some point in time.

In addition, MNEs should establish a relationship quotient system to capture the status of the relational variables with Chinese government officials and Chinese counterparts in different localities. This system is especially important when an MNE has operations in many geographic locations in China. By matching the relationship quotients in different locations with the environmental context in the same locations, an MNE should be able to identify business opportunities that have a high probability of success.

Limitations and future research directions

This study notes the importance of Chinese culture and limits the roles of other rational business variables such as asset specificity (Dyer 1996), capital structure (Balakrishnan and Fox 2006), profits and costs (Korajczyk and Sadka 2004). Future empirical studies should include both rational and cultural variables and investigate their relative influence on cronyism and organizational performance. This modelling approach could directly compare the relative importance of the rational and cultural variables to organizational performance and indirectly validate the old friend perspective that emphasizes culture and interpersonal relationships. In addition, empirical data are required to confirm the validity of the model in this study and the relative strengths of the constructs proposed. However, because the model involves movement along a continuum from new friend to old friend to insider friendship, a quantitative approach with cross-sectional data may not be appropriate, and a qualitative investigation with a longitudinal research design such as a case study (Yin 1994) may provide a viable alternative strategy for future studies.

Our model is limited in its ability to respond to changes in the Chinese economic, political and cultural environment. China is a socialist market economy that has grown from its particular heritage (Rawski 1995). Changes in economic policy and in politics, on top of cultural awareness, may influence the relationship context. For instance, changes in the political climate surrounding the Chinese market

may affect government officials and associated Chinese companies with whom an MNE needs to establish contact with. Future research may need to generate relationship guidelines that an MNE manager should follow in response to such environmental changes. This would provide a contingency guideline to help MNE managers appreciate and effectively handle the complex Chinese environment when they attempt to enter the market in China.

Future research should also aim to determine the relative impact of gifting, *mianzi*, *guanxi* and *xinyong* on cronyism (Khatri et al. 2006; Leung et al. 2008) and organizational performance (Park and Luo 2001; Wang et al. 2008). In addition, researchers should also develop scale items of the relational quotient (RQ) and the zone of ethical tolerance (ET), because these are likely to be important for helping MNE managers to appreciate the relationship environment in China. Specifically, loyalty, as an essential virtue and a moral principle throughout Chinese history must be treated as a separate cultural domain of business in modern China, and this presents a gap in research that needs to be urgently filled. Loyalty may also be investigated in a vertical (patriotism) or horizontal (obligation) context to determine its relative patterns of influence on cronyism.

References

- Agrawal, A., Knoeber, C.K. (2001). Do some outside directors play a political role? *Journal of Law and Economics*, 44, 179–198.
- Akerlof, George A. (1970). The market for “Lemons”: Quality under uncertainty and the market mechanism. *Quarterly Journal of Economics*, 84, 488–500.
- Anonymous author (2015, online). Chinese dictionary online. Accessed on Oct 7, 2013 through <http://www.zdic.net/z/27/js/95D7.htm>.
- Anonymous author (2014, Jun 24). A small brand becomes an international brand. *Hong Kong Economic Times*, A16.
- Anonymous author (2013). Ancient China's Merchant Groups and Merchant Culture. *Chinese Culture*, Accessed through http://www.chinaculture.org/gb/en_madeinchina/2006-02/20/content_79481.htm on November 22, 2013.
- Anonymous author (2006, Oct 29). Henry Fok Ying-tung, colorful Hong Kong tycoon. *New York Times*, accessed through <http://www.nytimes.com/2006/10/29/news/299iht-obits.3317611.html>. on April 29, 2011.
- Anonymous author (2002, June 8). “AIA have supported China for 30 years and obtains blessing from the Chinese government”, *Hong Kong Economic Times*, A13 (in Chinese).
- Anonymous author (1985, Oct 22). 'Old Indian friend' is welcomed by Hu. *China Daily*, http://www.chinadaily.com.cn/epaper/html/cd/1985/198510/19851022/19851022003_6.html downloaded on Nov 23, 2014.

- Aryee, S., Budhwar, P.S, Chen, Z.X. (2002). Trust as a mediator of the relationship between organizational justice and work outcomes: Test of a social exchange model *Journal of Organizational Behavior*, 23, 267–285.
- Atuahene-Gima, K., Li, H. (2002). When does trust matter? Antecedents and contingent effects of supervisee trust on performance in selling new products in China and the United States. *Journal of Marketing*, 66, 61–81.
- Audi, R., & Murphy, P. E. (2006). The many faces of integrity. *Business Ethics Quarterly*, 16, 3–21.
- Bagozzi, R.P. (1975). Marketing as Exchange. *Journal of Marketing*, 39, 32–39.
- Balakrishnan, S., & Fox, I. (2006). Asset specificity, firm heterogeneity and capital structure. *Strategic Management Journal*, 14, 3–16.
- Baltes, P.B. and Staudinger, U.M. (1979). Windom: A Metaheuristic (Pragmatic to Orchestrate Mind and Virtue toward Excellence. *American Psychologist*, 55, 122–136.
- Batjargal, B. and Liu, M. (2004). Entrepreneurs' Access to Private Equity in China: The Role of Social Capital. *Organization Science*, 15, 159–172.
- Becker, T. (1998). Integrity in Organizations: Beyond Honesty and Conscientiousness. *Academy of Management Review*, 23, 154–161.
- Baker, W.E. (1990). Market Networks and Corporate Behavior. *American Journal of Sociology*, 96, 589–625.
- Bardhan, P. (1997). Corruption and Development: A Review of Issues. *Journal of Economic Literature*, 35, 1320–1346.
- Barnes, B.R., Yen, D. and Zhou, L. (2011). Investigating guanxi dimensions and relationship outcomes: Insights from Sino-Anglo business relationships. *Industrial Marketing Management*, 40, 510–521.
- Barreto, M. and Ellemers, N. (2002). The Impact of Respect Versus Neglect of Self-Identities on Identification and Group Loyalty. *Personality and Social Psychology Bulletin*, 28(5), 620-639.
- Becker, T.E. (1998). Integrity in Organizations: Beyond Honesty and Conscientiousness. *Academy of Management Review*, 23, 154–161.
- Befu, H. (1977). Social exchange. *Annual Review of Sociology*, 6, 255–281.
- Befu, H. (1968). Gift-Giving in a Modernizing Japan. *Monumenta Nipponica*, 23, 445–456.
- Bennet, A. and Bennet, D. (2004). *Organizational Survival in the New World: the Intelligent Complex Adaptive System*. Burlington, MA: Butterworth and Heinemann.
- Bhagat, R.S., Kedia , B.L., Harveston, P.D. and Triandis, H.C. (2002). Cultural Variations in the Cross-border Transfer of Organizational Knowledge: An integrative Framework. *Academy of Management Review*, 27, 204–221.
- Bhattacharya, C.B., Rao, H. and Glynn, M.A. (1995). Understanding the Bond of Identification: An

- Investigation of its Correlates Among Art Museum Members. *Journal of Marketing*, 59(Oct), 46-57.
- Bian, Y. (2001). Guanxi capital and social eating in Chinese cities. In Lin, N., Cook, K., Burt, R. (eds.) *Social Capital, Theory and Research* (pp.275-295). New York: Aldine De Gruyter.
- Blau, P.M. (1964). *Exchange and Power in Social Life*, Wiley: New York.
- Boatright, J.R. (2000). *Ethics and the Conduct of Business*, Englewood Cliffs, NJ: Prentice-Hall.
- Boisot, M., and Child, J. (1988). The Iron Law of Fiefs: Bureaucratic Failure and the Problem of Governance in the Chinese Economic Reforms. *Administrative Science Quarterly*, 33, 507–527.
- Boisot, M. and Child, J. (1996). From Fiefs to Clan and Network Capitalism: Explaining China's Economic Order. *Administrative Science Quarterly*, 41, 600–628.
- Boisot, M. and Child, J. (1999). Organizations as adaptive systems in complex environments: the case of China. *Organization Science*, 10, 237–252.
- Brady, A. (2003). *Making the Foreign Serve China: Managing Foreigners in the People's Republic*. Maryland: Rowman & Littlefield.
- Braendle, U.C., Gasser, T. and Noll, J. (2005) Corporate Governance in China—Is Economic Growth Potential Hindered by Guanxi? *Business and Society Review*, 110, 389–405.
- Brass, D.J. (1985). Men's and Women's Networks: A Study of Interaction Patterns and Influence in an Organization. *The Academy of Management Journal*, 28, 327–343.
- Bruhn, M. (1996). Business Gift: A Form of Non-verbal and Symbolic Communication. *European Management Journal*, 14, 61–68.
- Bruun, O. (1993). *Business and Bureaucracy in a Chinese City*. Berkeley: Institute of East Asian Studies, University of California.
- Burt, R.S. (1997). The Contingent Value of Social Capital. *Administrative Science Quarterly*, 42, 339–365.
- Bruke, R.J. (1997). Women on Corporate Boards of Directors: A Needed Resource. R.J. Burke, (eds) *Women in Corporate Management* (pp.37-43). Netherlands: Springer.
- Butler, J.K., and Cantrell, R.S. (1984). A behavioral decision theory approach to modeling dyadic trust in superiors and subordinates. *Psychological Reports*, 55, 19– 28.
- Butler, R. (1983). Control through markets, hierarchies, and communes: A transactional approach to organizational analysis. In Francis, A., Turk, J., and Willman, P. (eds.), *Power, Efficiency and Institutions: A Critical Appraisal of the "Markets and Hierarchies Paradigm"* (pp.137-158). London: Heinemann.
- Chen, C.C., Chen, Y and Xin, K. (2004). Guanxi Practices and Trust in Management: A Procedural Justice Perspective. *Organization Science*, 15, 200–209.
- Chen, G.M. and Chung, J. (1994). The impact of Confucianism on organizational communication. *Communication Quarterly*, 42, 93–105.

- Chen, Z.X., Tsui, A.S., and Farh, J.L. (2002). Loyalty to superior vs. organizational commitment: Relationships to employee performance in China. *Journal of Occupational and Organizational Psychology*, 75, 339–356.
- Cheng, B.S., Chou, L.F., Wu, T.U., Huang, M.P., and Farh, J.L. (2004). Paternalistic leadership and subordinate responses: Establishing a leadership model in Chinese organizations. *Asian Journal of Social Psychology*, 7, 89–117.
- Cheng, C.K. (1944). Familism the Foundation of Chinese Social Organization. *Social Forces*, 23, 50–59.
- Child, J., and Mollering, G. (2003). Context Confidence and Active Trust Development in the Chinese Business Environment. *Organization Science*, 14, 69–80.
- Child, J., and Tse, D. (2001). China's transition and its implications for international business. *Journal of International Business Studies*, 32, 5–21.
- Choi, H.K., Lai, B., and Hai, Y.W. (1994). (translation) *Analects of Confucius*. Beijing: Sinolingua.
- Choi, E.K. and Zhou, K.X. (2001). Entrepreneurs and Politics in the Chinese Transitional Economy: Political Connections and Rent-Seeking. *China Review*, 1, 111–135.
- Chung, H.F.L. (2011). Market orientation, guanxi, and business performance. *Industrial Marketing Management*, 40, 522–533.
- Clark, B.R. (1972). The Organizational Saga in Higher Education. *Administrative Science Quarterly*, 17(2), 178-184.
- Clausen, G. (1991). *Schenken und Unterstutzen in Primarbeziehungen: Materialien zu einer Soziologie des Schenkens*, Frankfurt a.M.
- Coble Jr., P.M. (1986). *The Shanghai Capitalists and the Nationalist Government, 1927–1937*. Cambridge, MA: Council on East Asian Studies, Harvard University.
- Coleman, S. (2009). The Problems of Duty and Loyalty. *Journal of Military Ethics*, 8, 105–115.
- Davies, H., Leung, T.K.P., Luk, T.K., and Wong, Y.H. (1995). The Benefits of Guanxi. *Industrial Marketing Management*, 24, 207–214.
- Davis, J.H., Schoorman, F.D., Mayer, R.C. and Tan, H.H. (2000). The Trusted General Manager and Business Unit Performance: Empirical Evidence of a Competitive Advantage. *Strategic Management Journal*, 21, 563–576.
- Della Porta, D. (2000). Social Capital, Beliefs in Government and Political Corruption. In Pharr, S. J. and Putnam, R., (eds) *Disaffected Democracies: What's Troubling the Trilateral Countries?* Princeton: Princeton University Press.
- Deng Xiaoping (1984). Build Socialism with Chinese Characteristics. People's Daily, June 30, accessed through <http://english.peopledaily.com.cn/dengxp/vol3/text/c1220.html> on Sept 11, 2013.
- Dess, G.G. and Shaw, J.D. (2001). Voluntary Turnover, Social Capital and Organizational Performance. *Academy of Management Review*, 26(3), 446-456.
- Dick, A.S. and Basu, K. (1994). Customer Loyalty: Toward an integrated Conceptual Framework.

- Journal of Academy of Marketing Science*, 22(2), 99-113.
- Donaldson, T. (1996). Values in tension: ethics away from home. *Harvard Business Review*, 74, 48–62.
- Dreyer, J.T. (1976). *China's forty millions: Minority nationalities and national integration in the People's Republic of China*. Cambridge Mass: Harvard University Press.
- Druckman, D. (1994). Nationalism, Patriotism, and Group Loyalty: A Social Psychological Perspective. *Mershon International Studies Review*, 38, 43-68.
- Durkheim, E. (1933). *The Division of Labor in Society*. Translated by G. Simpson, New York: Free Press.
- Dwyer, F. R., Schurr, P. F., & Oh, S. (1987). Developing buyer–seller relationships. *Journal of Marketing*, 51, 11–27.
- Dyer, J. H. (1996, Nov–Dec). Does governance matter? Keiretsu alliance and asset specificity as source of Japanese competitive advantage. *Organization Science*, 7, 649–667.
- Ehrlich, I. and Lui, F.T. (1999). Bureaucratic Corruption and Endogenous Economic Growth. *Journal of Political Economy*, 107, 270–293.
- Eisenberger, R., Cummings, J., Armeli, S., & Lynch, P. (1997). Perceived organizational support, discretionary treatment, and of job satisfaction. *The Journal of Applied Psychology*, 82, 812–820.
- Emerson, R.M. (1976). Social exchange theory. *Annual Review of Sociology*, 2, 335–362.
- Emerson, R.M. (1972a) Exchange theory, Part I: A psychological basis for social exchange, in J. Berger, M. Zelditch and B. Anderson (eds.) *Sociological Theories in Progress*, Vol. 2 (pp.38-57). Boston, MA: Houghton Mifflin.
- Emerson, R.M. (1972b) Exchange theory, Part II: Exchange rules and networks, in J. Berger, M. Zelditch and B. Anderson (eds.) *Sociological Theories in Progress*, Vol. 2 (pp.58-87). Boston, MA: Houghton Mifflin.
- Erben, G.S. and Guneser, A.B. (2008) The Relationship Between Paternalistic Leadership and Organizational Commitment: Investigating the Role of Climate Regarding Ethics. *Journal of Business Ethics*, 82, 955–968.
- Erez, M. and Earley, P. C. (1987) Comparative analysis of goal-setting strategies across cultures. *Journal of Applied Psychology*, 72, 658–665.
- Faccio, M. (2006). Politically connected firms. *American Economic Review*, 96, 369–386.
- Fairbank, J.K. and Reischauer, E.O. (1978). *China: Tradition and Transformation*. Boston: Houghton Mifflin.
- Fan, Y. (2002). Questioning Guanxi: Definition, Classification, Implications. *International Business Review*, 11, 543–561.
- Fang, K. (2011: Mar 3). Who are “old friends of the Chinese people”? *Southern Weekly*, downloaded from <http://www.infzm.com/content/55879> on Nov 22, 2014 (in Chinese).
- Farh, J.L. and Cheng, B.S. (2000). A cultural analysis of paternalistic leadership in Chinese organizations. In Li, J.T. Tsui, A.S. and Weldon, E. (Eds.), *Management and organizations in the Chinese context* (pp.84-127). London: MacMillan.

- Farh, L., Tsui, A., Xin, K., and Cheng, B. (1998). The influence of relational demography and guanxi: The Chinese case. *Organization Science*, 9, 471–488.
- Fei, X. T. (1992). *From the Soil: The foundations of Chinese Society*. Berkeley: University of California Press.
- Fewsmith, J. (2001). The Political and Social Implications of China's Accession to the WTO, *The China Quarterly*, 167, 573–591.
- Fisman, R. (2001). Estimating the value of political connections. *American Economic Review*, 91, 1095–1102.
- Fiske, A.P. (1991). *Structures of Social Life: The Four Elementary Forms of Human Relations*, Free Press: New York.
- Fiske, A.P. (1992). 'The four elementary forms of sociality: framework for a united theory of social relations', *Psychological Review*, 99, 689–723.
- Fock, H., & Woo, K. (1998). The China market: Strategic implications of guanxi. *Business Strategy Review*, 7, 33–44.
- Free, L.C. (1977). A set of measures of centrality based on betweenness. *Sociometry*, 40, 35–40.
- Fukuyama, F. (1995). *Trust: The Social Virtues and the Creation of Prosperity*, NY: The Free Press.
- Gao, J., Arnulf, J.K., Henning, K. (2011). Western leadership development and Chinese managers: Exploring the need for contextualization. *Scandinavian Journal of Management*, 27, 55–65.
- Gao, H. Ballantyne, D. and Knight, J.G. (2010). Paradoxes and guanxi dilemmas in emerging Chinese–Western intercultural relationships. *Industrial Marketing Management*, 39, 264–272.
- Gill, I. and Kharas, H. (2007). *An East Asian Renaissance: Ideas for Economic Growth*. The World Bank, http://siteresources.worldbank.org/INTEASTASIAPACIFIC/Resources/226262-1158536715202/EA_Renaissance_full.pdf.
- Gintis, H. (1976). The Nature of Labor Exchange and the Theory of Capitalist Production. *Review of Radical Political Economics*, 8, 36–54.
- Glosser, S. (2003). *Chinese Visions of Family and State, 1915–1953*. London: University of California Press.
- Goffman, E. (1972). On face-work: An analysis of ritual elements in social interaction. In E. Goffman (Ed.), *Interaction Ritual* (pp.222-247). Allen Lane: The Penguin Press.
- Gouldner, A.W. (1960). The norm of reciprocity: a preliminary statement. *American Sociology Review*, 25, 161–178.
- Graham, J.L. (2001). Does Integrity Require Moral Goodness? *Ratio* (new series), XIV: 234–251.
- Graham, J.L. and Lam, M.N. (2003) The Chinese Negotiation. *Harvard Business Review*, 81, 82–91.
- Greenwald, G., MacAskill, E. and Poitras, L. (2013, June 10). Edward Snowden: the whistleblower behind the NSA surveillance revelations. *The Guardian*,

<http://www.guardian.co.uk/world/2013/jun/09/edward-snowden-nsa-whistleblower-surveillance>, accessed on June 22, 2013.

- Gu, F.F., Hung, K., and Tse, D.K. (2008). When Does Guanxi Matter? Issues of Capitalization and Its Dark Sides. *Journal of Marketing*, 72, 12–28.
- Gul, F.A. (2006). Auditors' Response to Political Connections and Cronyism in Malaysia. *Journal of Accounting Research*, 44, 931–963.
- Gu, X. (2001). Dimensions of *guanxi* in Chinese elite politics. *The China Journal*, 46, 69–90.
- Guo, H., Ballantyne, D. and Knight, J.G. (2010). Paradoxes and *guanxi* dilemmas in emerging Chinese–Western intercultural relationships. *Industrial Marketing Management*, 39, 264–272.
- Hall, E.T. (1976). *Beyond Culture*. NY: Anchor Press.
- Hamilton, G.G. (2000). Reciprocity and control: the organization of Chinese family owned conglomerates. In: Yeung, H.W. and Olds, K. (Eds.), *Globalization of Chinese Business Firms* (pp.55-74). New York: St Martin.
- Harrison, J. (1969). *Modern Chinese Nationalism*. New York: Hunter College of the City University of New York Press.
- Hill, C. W. L. (1995). National institutional structures, transaction cost economizing and competitive advantage: The case of Japan. *Organization Science*, 6, 119–131.
- Ho, D.Y. (1976). On the concept of face. *American Journal of Sociology*, 81, 867–884.
- Hofstede, G. 2001. *Culture's consequences: Comparing values, behaviors, institutions, and organizations across nations*. Thousand Oaks, CA: Sage.
- Hofstede, G. (1997) *Cultures and Organizations: Software of the Mind*, revised edition. New York: McGraw-Hill.
- Hofstede, G. (1984). The Cultural Relativity of Life Concept. *Journal of Management Review*, 9, 389–398.
- Hogg, M. and Terry, D.J. (2000). Social Identity and Self-categorization Process in Organizational Contexts. *Academy of Management Review*, 25(1), 121-140.
- Homans, G.C. (1961) *Social Behavior: Its Elementary Forms*, New York: Harcourt Brace.
- Hosmer, L.T. (1995). Trust: The connecting Link between organizational theory and philosophical ethics. *Academy of Management Review*, 20, 379–403.
- Hsu, A.P., Wu, Y., and Zhao, S. (2011) *In Search of China's Development Model: Beyond the Beijing Consensus*. New York: Routledge.
- Hsu, C.L. (2005), Capitalism without contracts versus capitalists without capitalism: Comparing the influence of Chinese *guanxi* and Russian *blat* on marketization. *Communist and Post-Communist Studies*, 38, 309–327.
- Hu, H.C. (1944). The Chinese Concepts of "Face". *American Anthropologist*, 46, 45–64.
- Hui, C., Lee, C., and Rousseau, D.M. (2004). Employment Relationships in China: Do Workers Relate to

- the Organization or to People? *Organization Science*, 15(2), 232–240
- Hwang, K.K. (1999). Filial piety and loyalty: Two types of social identification in Confucianism. *Asian Journal of Social Psychology*, 2, 163–183.
- Hwang, K.K. (1987). Face and Favor: The Chinese Power Game. *American Journal of Sociology*, 92, 944–974.
- Inglehart, R. (1997). *Modernization and Postmodernization: Cultural and Political Change in 43 Countries*. Princeton: Princeton University Press.
- Ip, P.K. (2009). Is Confucianism Good for Business Ethics in China? *Journal of Business Ethics*, 88, 463–476.
- Jacobs, J.B. (1979). A preliminary model of particularistic ties in Chinese political alliances: Kan-ching and kuan-his in a rural Taiwanese township. *China Quarterly*, 78, 237–273.
- Jacobs, L., Guopei, G., and Herbig, P. (1995). Confucian roots in China: a force for today's business. *Management Decision*, 33, 29–34.
- Jin, H., Qian, Y., and Weingast, B.R. (2005). Regional decentralization and fiscal incentives: Federalism, Chinese style. *Journal of Public Economics*, 89, 1719–1742.
- Kang, D. C. (2003). Transaction costs and crony capitalism in East Asia. *Comparative Politics*, 35, 439–458.
- Kaufmann, D., Fraay, A., and Mastruzzi, M. (2010). The Worldwide Governance Indicators: Methodology and Analytical Issues. *The World Bank*, accessed through <http://info.worldbank.org/governance/wgi/index.asp> on May 19 2012.
- Kausel, E.E., and Culbertson, S.S. (2013). CEOs who are servant leaders: The path to better form performance? *Academy of Management Perspectives*, 27, Online Only: <http://dx.doi.org/10.5465/amp.2013.0027>
- Khatri, N., Tsang, E.W.K. and Begleg, T.M. (2006). Cronyism: a cross-cultural analysis. *Journal of International Business Studies*, 37, 61–75.
- Khatri, N., and Tsang, E.W.K. (2003). Antecedents and Consequences of Cronyism in Organizations. *Journal of Business Ethics*, 43, 289–303.
- Khwaja, A. and Mian, A. (2005). Do lenders favor politically connected firms? Rent provision in an emerging financial market. *Quarterly Journal of Economics*, 120, 1371–1411.
- Klingeman, H.D. (1999). Mapping Political Support in the 1990s: A Global Analysis. in Norris, P. (eds) *Critical Citizens, Global Support for Democratic Government*. Oxford: Oxford University Press.
- Kim, H.K. (2004). The Politics of Fiscal Standardization in China: Fiscal Contract Versus Tax Assignment. *Asian Perspective*, 28, 171–203.
- Kim, J.Y. and Nam, S.H. (1998). The Concept and Dynamics of Face: Implications for Organizational Behavior in Asia. *Organization Science*, 9, 522–534.
- King, A.Y. (1991). Kuan-his and network building: A sociological interpretation. *Dalalus*, 120, 63–84.

- King, Y. K. (1993). *Chinese society and culture*. HK: Oxford University Press (in Chinese).
- Kirkman, B.L., Chen, G., Farh, J. Chen, Z.X., and Lowe, K.B. (2009) Individual power distance orientation and follower reactions to transformational leaders: A cross-level, cross-cultural examination. *Academy of Management Journal*, 52, 744–764.
- Kirkman, B. L., & Shapiro, D. L. (1997). The impact of cultural values on employee resistance to teams: Toward a model of globalized self-managing work team effectiveness. *Academy of Management Review*, 22, 730–757.
- Kipnis, A. (1996). The Language of Gift: Managing *Guanxi* in a North China Village. *Modern China*, 22, 285–314.
- Korajczyk, R.A. and Sadka, R. (2004). Are Momentum Profits Robust to Trading Costs? *The Journal of Finance*, LIX, 1039-1082.
- Kornai, J. (1992). *The Socialist System: The Political Economy of Communism*. London: Oxford University Press.
- Kutcher, N. (2000) The Fifth Relationship: Dangerous Friendships in the Confucian Context. *The American Historical Review*, 105(5). Accessed on March 10, 2012
<<http://www.historycooperative.org/journals/ahr/105.5/ah001615.html>>.
- Lawrence, S. and Martin, M.F. (2012). Understanding China’s Political System. CRS Report for Congress, *Congressional Research Service*, 7-5700, www.crs.gov, accessed on Jun, 10 2012.
- Lee, S.Y. (2010). Economics of *Guanxi* as an Interpersonal Investment Game. *Review of Economic Development*, 14, 333–342.
- Legge, J. (1893, translation). *The Confucian Analects*. Oxford: Clarendon Press.
- Lei, M. (2011). Righteousness in Chinese and Western Culture: RUSH HOUR and ROMANCE OF THREE KINGDOMS. *Cross-cultural Communication*, 7, 63–65.
- Levine, J.M. and Moreland, R.L. (2002). Group reactions to loyalty and disloyalty. In S.R. Thye and E.J. Lawler (Eds), *Group cohesion, trust and solidarity: Advances in group processes*, 19 (pp. 203-228). Oxford, UK: Elsevier Science.
- Leung, T.K.P; Chan, Ricky Y.K; Lai, Kee-hung and Ngai, Eric W.T. (2011). “An examination of the influence of *guanxi* and *xinyong* (utilization of personal trust) on negotiation outcome in China: an old friend approach”, *Industrial Marketing Management*. 40, 1193–1205.
- Leung, T.K.P, Heung, V.C.S. and Wong, Y.H. (2008). One possible consequence of *guanxi* for an insider: how to obtain and maintain it? *European Journal of Marketing*, 42, 23–34.
- Leung, T.K.P, Wong, Y.H. and Tam, J. (1995). Adaptation and Relationship Building Process in the People's Republic of China (PRC). *Journal of International Consumer Marketing*, 8, 7–26.
- Li, D.D. (1998). Changing Incentives of the Chinese Bureaucracy. *The American Economic Review*, 88, 393–397.
- Li, H. and Rozelle, S. (2003). Privatizing Rural China: Insider Privatization, Innovative Contracts and the

- Performance of Township Enterprises. *The China Quarterly*, 176, 981–1005.
- Li, J.J., Poppo, L. and Zhou, K.Z. (2008). Do Managerial Ties in China Always Produce Value? Competition, Uncertainty, and Domestic vs. Foreign Firms. *Strategic Management Journal*, 29, 383–400.
- Lin, C. (2001). Corporatisation and corporate governance in China's economic transition. *Economics of Planning*, 34, 5–35.
- Lindskold, S. (1978). Trust development, the GRIT proposal and the effect of conciliatory acts on conflict and cooperation. *Psychological Bulletin*, 85, 772–793.
- Ling, W., Chia, R. and Fang, L. (2000). Chinese Implicit Leadership Theory. *The Journal of Social Psychology*, 140, 729–739.
- Liu, G. S., and Sun, P. (2003). Identifying Ultimate Controlling Shareholders in Chinese Public Corporations: An Empirical Survey. *Asia Programme Working Paper Series No. 2*, London: Royal Institute of International Affairs.
- Liu, Q. (2006). Corporate governance in China: current practices, economic effects, and institutional determinants. *CESifo Economic Studies*, 52, 415–453.
- Lo, M. and Otis, E.M. (2003). *Guanxi* civility: processes, potentials, and contingencies. *Politics and Society*, 31, 131–162.
- Low, S. P. (2001). Chinese business principles from eastern Zhou dynasty (770–221 BC): Are they relevant today? *Marketing Intelligence & Planning*, 19, 200–207.
- Lu, W. (1996). How the princelings launched their political platform". *Chinese Law and Government*, 29, 32–34.
- Lubman, S. (1995). Introduction: The future of Chinese law. *China Quarterly*, 141, 1–21.
- Luk, S. T. K., Fullgrabe, L., and Li, S. C. (1999). Managing direct selling activities in China: A cultural explanation. *Journal of Business Research*, 45, 257–266.
- Luo, Y. (2003). Industrial Dynamics and Managerial Networking in an emerging Market: The Case of China. *Strategic Management Journal*, 24, 1315–1327.
- Mann, S. (1987). *Local Merchants and the Chinese Bureaucracy, 1750–1950*. Stanford: Stanford University Press.
- Mayer, R. C., Davis, J. H. and Schoorman F.D. (1995). An Integrative Model of Organizational Trust. *Academy of Management Review*, 20, 709–34.
- McGoldrick, M., Gerson, R. and Shellenberger, S. (1999). *Genograms: Assessment and Intervention*. New York: Norton Professional Book.
- McMillan, J. and Naughton, B. (1992). How to reform a planned economy: Lessons from China. *Oxford Review of Economic Policy*, 8, 130–143.
- McIsaac, L. (2000). "Righteous Fraternities" and Honorable Men: Sworn Brotherhoods in Wartime Chongqing. *American Historical Review*, December, 1641–1655.

- Meyer, J. P., and Allen, M.J. 1991. A three-component conceptualization of organizational commitment. *Human Resource Management Review*, 1, 61-89.
- Molm, L. D. (1994). Dependence and risk: Transforming the structure of social exchange. *Social Psychology Quarterly*, 57, 163–176.
- Morrison, A. (2001). Integrity and Global Leadership. *Journal of Business Ethics*, 31, 65–76.
- Nee, V. (1992). Organizational Dynamics of Market Transition: Hybrid Forms, Property Rights, and Mixed Economy in China. *Administrative Science Quarterly*, 37, 1–27.
- Nelson, M.R. and Shavitt, S. (2002). Horizontal and vertical individualism and achievement values: a multimethod examination of Denmark and the United States. *Journal of Cross Cultural Psychology*, 33, 439–458.
- Newcomb, T.M. (1956). The Prediction of Interpersonal attraction. *American Psychologist*, 11, 575–586.
- Ngo, T.W. (2008). Rent-seeking and economic governance in the structural nexus of corruption in China. *Crime, Law and Social Change*, 49, 27–44.
- Nicholas, A. (2009, September/October). Spies like us: The trials and tribulations of doing business in China. *Australia China Connection*, 18–19.
- Oi, J.C. (1992). Fiscal Reform and the Economic Foundations of Local Corporatism in China. *World Politics*, 45, 99–126.
- Qi, X. (2014). *Globalized Knowledge Flows and Chinese Social Theory*. New York: Routledge.
- Old Indian friend is welcomed by Hu (1985, October 22). *China Daily*. Retrieved from http://www.chinadaily.com.cn/epaper/html/cd/1985/198510/19851022/19851022003_6.html
- Oster, S. (2014, Mar 4). President Xi's Anti-Corruption Campaign Biggest Since Mao. <http://www.bloomberg.com/news/2014-03-03/china-s-xi-broadens-graft-crackdown-to-boost-influence.html>, accessed on June 04.
- Ouchi, W. (1980). Markets, bureaucracies and clans. *Administrative Science Quarterly*, 25, 129–141.
- Paine, L.S. (1994). Managing for Organizational Integrity. *Harvard Business Review*, March–April, 106–117.
- Palanski, M.E. and Yammarino, F.J. (2009). Integrity and leadership: A multi-level conceptual framework. *The Leadership Quarterly*, 20, 405–420.
- Park, S.H., and Luo, Y. (2001). Guanxi and Organizational Dynamics: Organizational Networking in Chinese Firms. *Strategic Management Journal*, 22, 455–477.
- Peikoff, L. (1991). *Objectivism: The philosophy of Ayn Rand*. New York: Meridian.
- Peng, M. (2004). Outside Directors and Firm Performance during Institutional Transitions. *Strategic Management Journal*, 25, 453–471.
- Peng, M. and Luo, Y. (2000). Managerial Ties and Firm Performance in a Transition Economy: The Nature of a Micro–Macro Link. *Academy of Management Journal*, 43, 486–501.

- Pines, Y. (2002). Friends or Foes: Changing Concepts of Ruler–minister Relations and the Notion of Loyalty in Pre-imperial China. *Monumenta Serica*, 50, 35–74.
- Potter, P.B. (1999). The Chinese Legal System: Continuing Commitment to the Primacy of State Power. *The China Quarterly*, 159, 673–683.
- Potter, S.H. (1988). The Cultural Construction of Emotion in Rural Chinese Social Life. *Ethos*, 16, 181–208.
- Pye, L.W. (1986) The China Trade: Making the Deal. *Harvard Business Review*, July–August, 74–80.
- Pye, L.W. (1995). Factions and the Politics of *Guanxi*: Paradoxes in Chinese Administrative and Political Behaviour. *The China Journal*, 34, 25–52.
- Rand, A. (1964). *The Virtue of selfishness: A new concept of egoism*. New York: New American Library.
- Rawski, T. G. (1995). China's transitional economy implications of China' reform experience. *The China Quarterly*, 144, 1150–1173.
- Redding, S.G. (1990). *The Spirit of Chinese capitalism*, Berlin: Walter de Gruyter.
- Reichheld, F.F. (1993). Loyalty-based management. *Harvard Business Review*, 71(2), 64-73.
- Rindfleisch, A. (2000). Organizational Trust and Interfirm Cooperation: An Examination of Horizontal versus Vertical Alliances. *Marketing Letters*, 11, 81–95.
- Robert, C., Probst, T. M., Martocchio, J. J., Drasgow, F., and Lawler, J. J. (2000). Empowerment and continuous improvement in the United States, Mexico, Poland, and India: Predicting fit on the basis of dimensions of power distance and individualism. *Journal of Applied Psychology*, 85, 643–658.
- Roberts, B.E. (1990). A dead senator tells no lies: seniority and the distribution of federal benefits. *American Journal of Political Science*, 34, 31–58.
- Rothstein, B. and Teorell, J. (2012). Defining and measuring quality of government. Holmberg, S. & Rothstein, B. (eds.), *Good Government: The Relevance of Political Science* (pp.13–39), Cheltenham: Edward Elgar Publisher.
- Selznick, P. (1948). Foundations of the Theory of Organization. *American Sociological Review*, 13(1), 25-35
- Shou, Z., Guo, R., Zhang, Q. and Su, C. (2011). The many faces of trust and *guanxi* behavior: Evidence from marketing channels in China. *Industrial Marketing Management*, 40, 503–509.
- Simons, T. (2002). Behavioral Integrity: The Perceived Alignment Between Managers' Words and Deeds as a Research Focus. *Organization Science*, 13, 18–35.
- Singh, I.J. (1991). China and Central and Eastern Europe: Is there a professional schizophrima on socialist reform. *Socialist Economies Reform Unit, The World Bank*, Research paper series, no. 17 Washington. DC.
- Smart, A. (1993). Gifts, bribes, and *guanxi*: a reconsideration of Bourdieu's social capital. *Cultural Anthropology*, 8, 388–408.
- Standifird, S. S., and Marshall, R. S. (2000). The transaction cost advantage of *guanxi*-based business

- practices. *Journal of World Business*, 35, 21–41.
- Steidlmeier, P. (1999). Gift giving, bribery and corruption: Ethical management of business relationships in China. *Journal of Business Ethics*, 20, 121–132.
- Su, C., & Littlefield, J. E. (2001). Entering guanxi: A business ethical dilemma in mainland China. *Journal of Business Ethics*, 33, 199–210.
- Sun, C. T. L. (2008). *Themes in Chinese psychology*. Hong Kong: Cengage Learning.
- Sun, L.T. (1987). Confucianism and the Recent Chinese Economic Reform. *Journal of Economic Development*, 12, 7–32.
- Tajfel, H. 1972. Social categorization (English translation of "La categorisation sociale"). In S. Moscovici (Ed.), *Introduction a la psychologie sociale*, vol. 1: 272-302. Paris: Larousse.
- Tajfel, H. and Turner, J.C. (1979). An integrative theory of social conflict. In *The Social Psychology of Intergroup Relations*, Austin W.G. and Worchel S. (eds), 33-47. Brooks, Cole: Monterey.
- Taylor, G. (1985). *Pride, Shame and Guilt: Emotions of Self-assessment*. New York: Oxford University Press.
- Telford, D. and Gostick, A. (2003). *The Integrity Advantage: Taking the High Road Creates a Competitive Advantage in Business*, Gibbs Smith.
- The Random House College Dictionary* (1975). New York: Random House, Revised edition.
- Tjosvold, D., Law, K.S., and Sun, H. F. (2003). Collectivistic and Individualistic Values: Their Effects on Group Dynamics and Productivity in China. *Group Decision and Negotiation*, 12, 243–263.
- Torpe, L. (2003). Social Capital in Denmark: A Deviant Case. *Scandinavian Political Studies*, 26, 27–48.
- Townend, J. (1992). Chinese Nationalism. *The Australian Journal of Chinese Affairs*, January, 27, 97–130.
- Transparency International (2009) Transparency International: the global coalition against corruption annual report. Accessed through http://www.transparency.org/policy_research/surveys_indices/cpi/2009 on April 8 2011.
- Triandis, H.C. (1995) *Individualism and Collectivism*, Boulder, CO: Westview Press.
- Triandis, H.C. (1996) 'The psychological measurement of cultural syndromes', *American Psychologist*, 51, 407–415.
- Triandis, H.C. (1998). Vertical and horizontal individualism and collectivism: Theory and research implications for international comparative management. *Advances in International Comparative Management*, 12, 7–35.
- Tong, C.K., and Yong, P.K. (1998). Guanxi bases, xinyong and Chinese business networks. *The British Journal of Sociology*, 49, 75–96.
- Tsui, A. S., & Farth, J. L. (1997). Where *guanxi* matters: Relational demography and *guanxi* in the Chinese context. *Work and Occupations*, 24, 56–79.
- Tu, W. (1993). Introduction: Cultural perspectives. In Special Issue on China in Transformation, *Daedalus*,

122: vii–xxiii.

- Tullock, G. (1993). *Rent Seeking*. Brookfield: Edward Elgar.
- Tajfel, H., & Turner, J. C. (1979). An integrative theory of inter- group conflict. In W. G. Austin & S. Worchel (Eds.), *The social psychology of intergroup relations*: 33-47. Monterey, CA: Brooks-Cole.
- United Nations Conference on Trade and Development (UNCTAD) (2012) Foreign Direct Investment Stocks and Flows. <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx>.
- Vanhonacker, W.R. (2004). Guanxi Networks in China: How to be the spider, not the fly. *China Business Review*, May–June, 48–53.
- Van Vugt, M. and Hart, C.M. (2004). Social Identity as Social Glue: The Origins of Group Loyalty. *Journal of Personality and Social Psychology*, 86, 585–598.
- Wade, R. (1998). From ‘miracle’ to ‘cronyism’: explaining the Great Asian Slump. *Cambridge Journal of Economics*, 22, 693–706.
- Walder, A.G. (1995a). Local governments as industrial forms: An organizational analysis of China’s transitional economy. *American Journal of Sociology*, 101, 263–301.
- Walder, A.G. (1995b). Career Mobility and the Communist Political Order. *American Sociological Review*, 60, 309–328.
- Waltner, A. (1984). The Loyalty of Adopted Sons in Ming and Early Qing China. *Modern China*, 8, 441–459.
- Wang, C. L. (2007). Guanxi vs relationship marketing: Exploring underlying differences. *Industrial Marketing Management*, 36, 81–86.
- Wedeman, A. (2012). *Double Paradox: Rapid Growth and Rising Corruption in China*. New York: Cornell University Press.
- Wedeman, A. (2004). The Intensification of Corruption in China. *The China Quarterly*, 180, 895–921.
- Welsh, D., Luthans, F., & Sommer, S. (1993). Managing Russian factory workers: The impact of U.S.-based behavioral and participative techniques. *Academy of Management Journal*, 36, 58–79.
- Whitley, R.D. (1991). The Social Construction of Business Systems in East Asia. *Organization Studies*, 12, 1–28.
- Williamson, Oliver E. (1993). Calculativeness, trust, and economic organization. *Journal of Law and Economics*, 36, 453–486.
- Wong, Y.H. and Chan, R.Y.K. (1999) Relationship marketing in China: Guanxi, favouritism and adaptation. *Journal of Business Ethics*, 22, 107–118.
- Wong, Y.H., Chan, R.Y.K., Ngai, E.W.T., and Oswald, P. (2009). Is customer loyalty vulnerability-based? An empirical study of a Chinese capital-intensive manufacturing industry.

- Industrial Marketing Management*, 38, 83–93.
- Xin, K. and Pearce, J.L. (1996). GUANXI: Connections as substitutes for formal institutional support. *Academy of Management Journal*, December, 39, 1641–1658.
- Yabuuchi, A. (2004). Face in Chinese, Japanese, and U.S. American cultures. *Journal of Asian Pacific Communication*, 14, 267–297.
- Yamagishi, T., & Yamagishi, M. (1994). Trust and commitment in the United States and Japan. *Motivation and Emotion*, 18, 129–166.
- Yan, R. (1994). To Reach China's Consumers, Adapt to *Guo Qing*. *Harvard Business Review*, 72, 66–69.
- Yang, M.M. (1988). The Modernity of Power in the Chinese Socialist Order. *Cultural Anthropology*, 3, 408–427.
- Yang, M.M. (1989). Between State and Society: The Construction of Corporateness in a Chinese Socialist Factory. *The Australian Journal of Chinese Affairs*, 22, 31–60.
- Yang, M.M. (1994). *Gifts, Favors, and Banquets: The Art of Social Relationships in China*. New York: Cornell University Press.
- Yau, O. H. M. (1988). Chinese cultural values: Their dimensions and marketing implications. *European Journal of Marketing*, 22, 44–57.
- Yin, R. K. (1994). *Case study research — Design and methods* (second edition). London: Sage.
- Young, C.S. and Tsai, L.C. (2008). The sensitivity of compensation to social capital: Family CEOs vs. nonfamily CEOs in the family business groups. *Journal of Business Research*, 61, 363–374.
- Yu, Q. (1997). Economic Fluctuation, Macro Control, and Monetary Policy in the Transitional Chinese Economy. *Journal of Comparative Economics*, 25, 180–195.
- Yuki, G.A. (1989). *Leadership in organizations* (2nd eds). Englewood Cliffs, New Jersey: Prentice-Hall.
- Yukl, G.A. and Van Fleet, D.D. (1982). Theory and research on leadership in organizations. In M.D. Dunnette and L.M. Hough (eds), *Handbook of industrial and organizational psychology* (2nd ed, Vol 3) (pp.147–197), Palo Alto, CA: Consulting Psychologists Press.
- Zauder, D.C. (1992). Integrity: An Essential Executive Quality. *Business Forum*, Fall: 12–16.
- Zhang, J. and Bond, M.H. (1998). Personality and Filial Piety among College Students in Two Chinese Societies: The Added Value of Indigenous Constructs. *Journal of Cross-Cultural Psychology*, 29, 402–417.
- Zhang, Y. and Zhang, Z. (2006). Guanxi and organizational dynamics in China: a link between individual and organizational levels. *Journal of Business Ethics*, 67, 375–392.
- Zhao, J. J. (2000). The Chinese approach to international business negotiation. *The Journal of Business Communication*, 37, 209–237.
- Zhu, Y. (2009). Confucian Ethics Exhibited in the Discourse of Chinese Business and Marketing Communication. *Journal of Business Ethics*, 88: 517–528.

Zhuo and Guang (2007). Gift Giving Culture in China and its Cultural Values. *Intercultural Communication Studies*, XVI, 81–93.

Figure 1. A model of Chinese cronyism

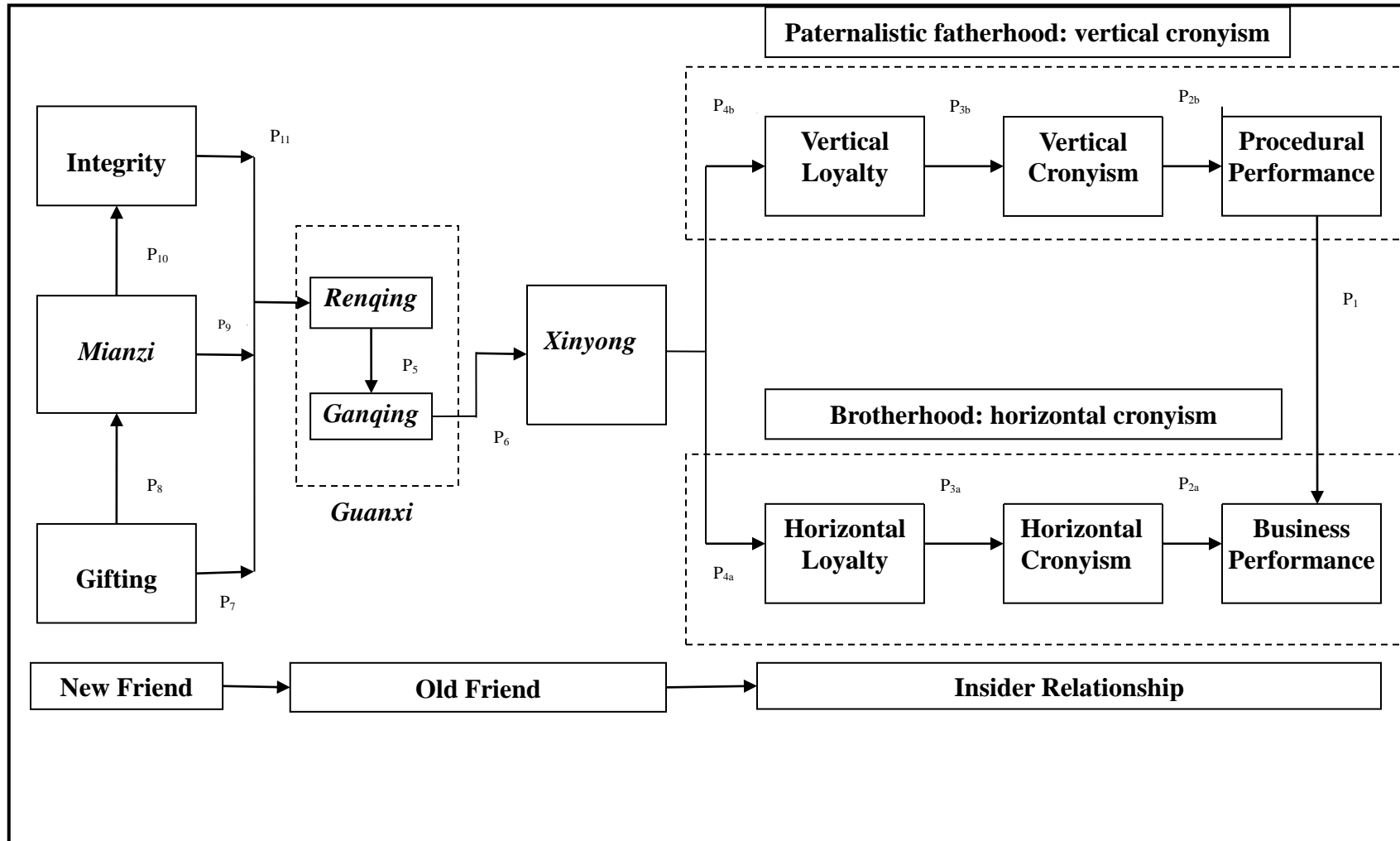


Figure 2. A Chinese hierarchal relationship map

