

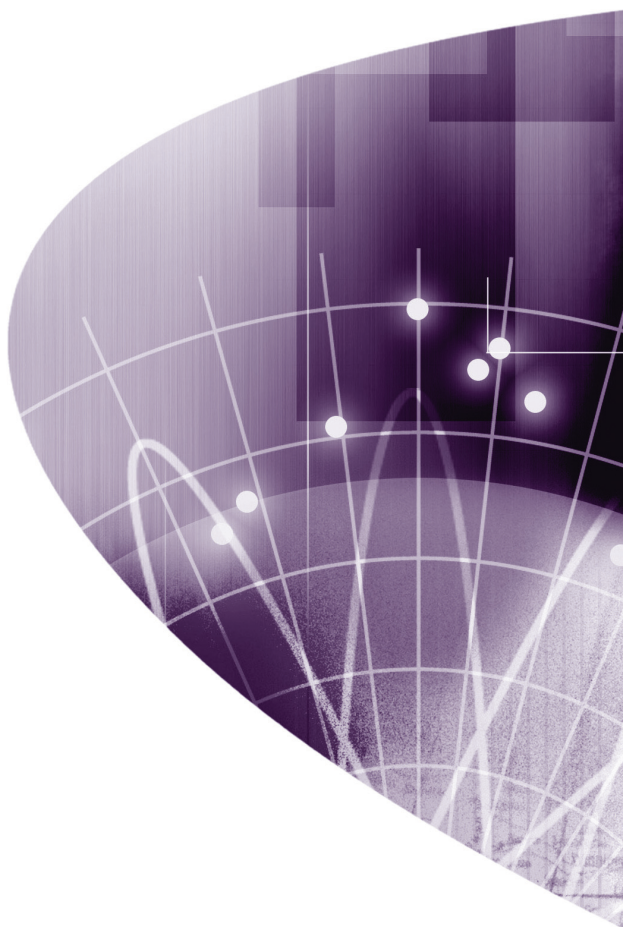
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Guanxi revisited

Guest Editor: Professor Michèle Akoorie



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Guanxi revisited

Guest Editor

Professor Michèle Akoorie

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2013 Prospect of sister journals: genetic CMS imprints

2012 is now over yet the Earth is still in one piece but our world is radically (not just fast) changing.

So *Chinese Management Studies (CMS)* as a journal must adapt to rapid global transformation 2013 sees changes in leadership: in China, the new President, Xi Jin-ping and on the other shore, not Taiwan but Japan, the new Prime Minister, the right wing Shinzo Abe. The risk is through group think he may, over Diaoyu Islands, take actions in the extremis. *Guan-xi* between China and Japan has turned much for the worse: some even say, with territorial dispute, war is imminent.

A war if mishandled may turn *bellum letale*.

Thus, this first issue of 2013 *CMS* focusing on *guan-xi* revisited is truly, a most timely contribution! Time and again we need to remind ourselves of the critical importance of having all-round, good relationships. Yes, we need to stay in touch – not just I-phone connectivity – but hearts, minds and souls with our loved ones, business partners, neighbors and close friends.

Every businessman knows the value of having warm rapport with customers, suppliers, bankers, fellow directors and especially inside China, strong *guan-xi* with government. When *guan-xi* turns sour, it becomes insurmountably difficult to resolve conflict. So, I am very glad that Professor Michele Akoorie has again produced with such a short notice, a timely and remarkable set of papers. I invite you to read her Guest Editor's survey of the papers.

As China rises is and extending her reach and eventually become a superpower (Liaoning aircraft carrier), we can anticipate a greater, wider interest on Chinese management. So far, very few scholars have looked ahead and asked: with Western Europe, USA and Japan in decline, both confronting facing financial cliffs, who next to inspire, lead the world in thinking? Will the gap be filled by literature from Korean, Chinese, Indian, even Russian sources?

For this reason, *CMS* is encouraging a different kind of papers: new, original ideas preferably with some empirical elaborations. *CMS* should be origin for sparkingly, new thinking ideas on management. So far the flow of submissions to *CMS* has been very encouraging: both in numbers but especially in statistical rigor of the research. Perhaps it is time to consider a sister journal for *CMS*. That is to have *CMS* genetic variants for showcasing the top quality research. Why? Until Chinese language becomes a global (outside of China) language, professors and scholars will rely on papers in English for insights on research into Chinese management.

Clearly, any one who wishes to stay in grasp of the fast, transformational dynamics inside China, you need to be around, about and across the country. Having made frequent trips to southern China, especially at Sun Yat Sun University in Guangdong, I am now plan to immerse myself more in the northern part of China: the cities of Harbin and Beijing. I hope in 2013 to spend some months in this fabled ice city, Harbin of Heilongjiang.

Interactions with academics in China provide me with precious insights to their aspirations. What kinds of research they had to do, what they plan to be working, any

new, explorations and exciting initiatives. The intriguing question I keep asking myself: when will new, original, powerful ideas begin to originate from China? She is maturing towards becoming again (as in Tang dynasty, during reign of Emperor Wu Zetian) a technologically, advanced civilization.



To constantly update myself on, about and inside China, I make frequent trips to China. Last year during the month of November, I spent some time at Harbin Institute of Technology. I feel very honored to receive from Professor Yu Bo (于渤) Dean, Harbin School of Management a commemorative plaque as University Researcher (see photograph). I spent time in Harbin for some fieldwork related to my paper on Diaoyu Islands dispute, guan-xi and managing conflict.

With USA stagnating in their space program, China may be our best hope for Mars travel: the Red Planet. For a successful Mars mission, China will require cutting edge management within the space industry and perhaps here, there is a role for *CMS*! To publish papers exploring the best space practices. Having spent many years at School of Aerospace and Mechanical Engineering, Nanyang Technological University (NTU), I come to see how technology drives change. We get many more good submissions on innovation, management of technology than there is journal space.

The technology frontier that may unite peoples globally is space: projects like hunting for another Earth out in deep space. Lecturing on management to engineering students at NTU (I still do, some), I am fascinated time and again by how the Russians out-spaced the Americans in the early race for space, aka rocket. Russians despite the horrors of Stalinism produced the MIG series of jet fighters, in particular the startling MIG 15. In technology, you need the innovative spirit for achieving breakthroughs. With Putin very recently embracing capitalism (state variety), the Russian scene is worth watching. Will the innovation shown by the Russians in space engineering transfer over to management?

Equally there may be very useful insights to innovation from Chinese successes in their space ventures as well. Is there scope then, for a comparative study: US failure in the Challenger (well documented) and the Chinese successes in Shenzhou? If so, we need to provide the space in *CMS* to feature such papers. These are some of my thoughts as I explore what are the themes in research for 2015/2016 issues. Yes, thinking ahead and adapting to change is very necessary for *CMS* to stay vibrant and relevant to evolving China (Plate 1).

Coming to the title of this editorial, I am reflecting now on the possibility of sister journals. Why? There is already just not the space in *CMS* for rigorously researched papers that are flowing into to Scholar One in-tray. So I welcome everyone, doctoral students and professors alike to email me on their suggestions. I like to hear everybody out: should *CMS* launch a sister journal?

No, never.

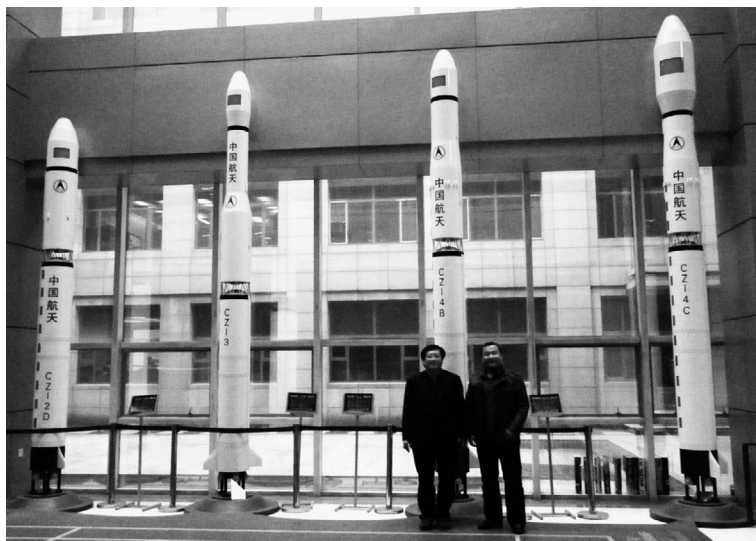


Plate 1.
Professor Wei Wei Wu
with Dr Check Teck Foo at
Harbin Institute of
Technology, China

If yes, should it be one, two or even three?

These are possibilities explored with Guest Editors: *Chinese HR Studies* or *Chinese Management of Technology Studies*. From my review of submissions, there is scope for *Chinese Organizational Studies*. If we decide to have a *CMS* genetic imprint, we need each journal, two highly committed Co-Editors: one from East and the other, the West. So if you have any views to share (new topical titles), please e-mail me at: profctfoo@gmail.com. Currently, I am re-designing and re-constructing the web site of Sun Tzu Art of War Institute: it should be up and ready Conference 2013.

Check Teck Foo
Founding Editor-in-Chief

To guanxi or not to guanxi – that is the question. Paraphrasing William Shakespeare's lines from Hamlet, Prince of Denmark (Act III scene I), "to be or not to be – that is the question" we, like Hamlet soliloquize on the difficulty of knowing the truth in a spiritually ambiguous universe. In this special issue of *Chinese Management Studies* on guanxi revisited we have to consider the following ambiguous issue. Is guanxi (now a widely known term in the canon of Western scholarship) an outmoded form of social connections and relationships, by which Chinese people (and by extension Western people who do business in China and with Chinese outside China) now being replaced by codified laws which make transparent the rules of business engagement in a manner which is customary in Western business practice?

Guanxi refers to the benefits gained from social connections and usually extends from extended family, school friends, workmates and members of common clubs or organizations. It is customary for Chinese people to cultivate an intricate web of guanxi relationships, which may expand in a huge number of directions, and includes lifelong relationships. Staying in contact with members of your network is not necessary to bind reciprocal obligations. Reciprocal favors are the key factor to maintaining one's guanxi web; failure to reciprocate is considered an unforgivable offense. The more you ask of someone the more you owe them. Guanxi can perpetuate a never ending cycle of favors. Sociologists have linked guanxi with the concept of social (it has been described as *Gemeinschaft* value structure), and it has been exhaustively described in Western studies of Chinese economic and political behavior.

Yet we cannot overlook the fact that similar systems of connections exist in other cultures such as blat, term which appeared in the Soviet Union to denote the use of informal agreements, exchanges of services, connections, party contacts, or black market deals to achieve results or get ahead. The system of blat led to formation of social networks similar to Good ol' boy networks in the USA, Old Boy Networks in the UK and the former British Empire. In the UK, at the apogee of empire, where you went to school, where you went to university and your accent as a result of this education and upbringing defined your subsequent position in life and your ability to get on. Serious social networking took place in the gentlemen's clubs in London as members met and befriended high ranking and very powerful individuals who were also members.

Leading off this special issue our Editor-in-Chief, Check Teck Foo offers as an insight into what might become a tipping point for a future nuclear war. In his article entitled "Diaoyu Islands, China-Japan *guan-xi* and nuclear war: is there a role for the Thomas-Kilman model"? He describes how a clutch of five uninhabited islets and three rocks, cast adrift out in the currents of the Western Pacific have recently demonstrated their power to convulse East Asia. Foo illustrates how scholars can adopt a multi-method approach to research on conflict management drawing on literature from management, political sciences, war, military studies, history, etymology and culture. Using the Thomas-Kilman (TK) model for mapping out possible solutions to resolving conflicts the author explains why the Diaoyu Islands,

if not amicably resolved, may well lead to obliteration in resolving the conflict via a nuclear outbreak. Foo asserts that the Third World War might just be sparked off with Russia aligned with China against Japan and the USA.

The contribution of Foo's article is to articulate why the issue is so complex and how deep Chinese-Japanese antagonism is a result of past cultural interactions and hostility between the two nations. "Thieving" behavior today harks back to the blatant seizure of Manchuria and Japanese puppetry of Manchukuo. It is an excellent example of the tensions between the concept of *guanxi* and the rule of law.

The next paper by Cao and Xiang entitled "The impact of knowledge governance on knowledge sharing: the mediating role of the *guanxi* effect" uses the construct of knowledge governance, which is an organizational mechanism that formally and informally defines how the firm manages activities-related knowledge. It therefore has a significant influence on knowledge sharing. Using the logical deductive approach the paper examines empirically how knowledge governance, including formal and informal knowledge governance, plays a key role in knowledge sharing. In the authors' view the *guanxi* effect partially mediates between informal knowledge governance and knowledge sharing and has a significant mediating role between formal knowledge governance and knowledge sharing. This paper is the first attempt to systematically investigate the impact on knowledge sharing based on the mediation of the *guanxi* effect. Thus, the paper makes both theoretical and methodological contribution to studies of knowledge governance which is vitally important in an era of knowledge-based economies.

The third paper by Chong, Fu and Shang, entitled "Relational power and influence strategies: a step further in understanding power dynamics", examines the existence of relational power derived from the Chinese construct – *guanxi*. These authors test the hypotheses of relational power in an empirical study utilising survey methods as well as interviews with Chinese managers in several main cities. They used two well-established constructs in the literature on power sources (position and personal power) and their relationships with influence strategies which are defined as persuasive, assertive and relationship-based strategies. Their findings showed that all three power sources predicted leaders' choices of influence strategies. The paper thus shows how the dynamics of *guanxi* can help Westerners to understand work relationships in China in more depth by showing why *guanxi*/relational power is effective in this context. The contribution made by this paper is in integrating this new power source to the power typology which has dominated the power literature for over 50 years.

The fourth paper by Tang and Ke, "Dual order systems and SMEs' growth: three longitudinal cases from China", identifies the ambiguity referred to in the opening paragraph of this guest editorial. Tang and Ke identify that from an institutional perspective one proposition suggests that building *guanxi* networks can facilitate the growth of Chinese SMEs when institutions change in unpredictable ways. However, another proposition claims that legal institutions may become the guarantors of the growth of China's SMEs as a result of competition in an increasingly market-oriented environment. They found that dual order mechanisms consisting of *guanxi* networks (information institutions) are more significant at earlier stages of the stages of growth of SMEs whereas legal systems are more influential in the later stages of growth. Supported by data from three longitudinal studies of three Chinese SMEs in Wenzhou, thus introducing a temporal element to the research, this study concludes that *guanxi* will always be an essential ingredient of doing business in China since firm managers

have to maintain good relations with relevant government officials and managers of other firms to ensure the provision of supporting resources and the timely delivery of raw materials and intermediate goods.

The last three papers both examine guanxi outside of Mainland China, thus showing its pervasiveness of the concept in Greater China. The paper by Chao and Tian “Keeping relationships positive or doing things right: bridging women leaders’ conflict management strategies in non-profit organisations in Taiwan and the USA”, contributes to our knowledge of organisational communication and cross-cultural female leadership by examining conflict management strategies between Taiwanese female presidents and their American counterparts in Rotary clubs. This paper is a welcome addition to the lexicon of guanxi research since it examines a gender-specific situation which is located in a not-for-profit organisation – Rotary clubs. They find that female presidents in both cultures apply obliging and integrating strategies to handle management conflicts. However, they also find that Taiwanese women leaders are more likely to follow traditional norms (due to interference by past presidents) whereas women leaders in the USA tend to employ new approaches and adopt new conflict management strategies in different situations. Taiwanese leaders are more likely to use third parties to resolve conflict and keep relationships positive with their members whereas American female leaders strive to do things right and/or do the right things in their conflict strategy application.

Tsai’s paper “Towards a Guanxi-based theory of internationalization: Chinese, Taiwanese and evolving MNEs” is a conceptual paper which examines theories on kinship-based collaboration for Greater China MNEs. Tsai suggests that kinship-based alliances have been responsible for the growth in cross-border collaboration in the between Taiwan and Mainland China because partners in both countries have complementary skills. Taiwanese firms have high tech skills and are transferring the bases of their companies to Mainland China due to cost considerations. Chinese enterprises can benefit from being able to source imported technology and can shorten the time it takes to develop their high-tech industries, thus saving on research and development costs.

Finally, Ahmed, Ismail, Amin and Nawaz in their paper “A social exchange perspective of the individual guanxi network: evidence from Malaysian-Chinese employees” in the hotel industry in the western part of Malaysia looks at the direct and indirect effects through perceived organizational support (POS) and leader-member exchange (LMX) of the guanxi network in job involvement and the ultimately the effect of job involvement on in-role performance. They find that the individual guanxi network does contribute significantly towards social exchange relations (POS and LMX) and employees’ job involvement. The practical implications of this study for managers are that they can utilise the guanxi network of employees to increase employee involvement in their jobs and ultimately improve performance.

In conclusion, as Guest Editor, two things stand out from this special issue. The first is the still continued ambiguity of the guanxi construct. Is it or is it not being replaced by the legal systems? Or will it, like other social network constructs, continue to co-exist alongside the rule of law? The depth of the construct is also shown by how it can be examined at the macro (country) level, the institutional (government) level and at the micro (firm) level. The papers in this issue span all of these levels which adds greatly to our knowledge and understanding of the theme of this special issue – Guanxi revisited.

The second point is the evidence of methodological variety and the willingness of scholars to engage in qualitative and mixed methodologies (never an easy task) in China and comparative studies with other countries. This is complemented by well-founded research using quantitative approaches. This special issue re-affirms this journal, *Chinese Management Studies* as a significant outlet for research by Chinese scholars across China, as well as the work of international researchers. In doing so, it demonstrates the range of management research capabilities within China and the interest shown in Chinese management around the globe.

Guest editorial

11

Michèle E.M. Akoorie
Guest Editor



The Diaoyu Islands, China-Japan *guan-xi* and nuclear war: is there a role for Thomas-Kilman model?

Check-Teck Foo

*Harbin School of Management, Harbin Institute of Technology,
Harbin, People's Republic of China*

Abstract

Purpose – The aim of this paper is to illustrate how scholars may adopt a multi-method – not just multidisciplinary – approach on research on conflict management. Taking the Diaoyu Islands as a case, the author draws on literature from management, political sciences, war, military studies, history, etymology and culture. In the process, the author deepens, enriches and expands the Thomas-Kilman (T-K) model for mapping out possible solutions in resolving conflicts: not just between people at workplaces but for between states as well. For instance, the author explains why the Diaoyu Islands conflict, if not amicably resolved may well lead to obliteration (integrated as part of the model) in resolving the conflict via a nuclear outbreak. Third World War may just be sparked off with Russia aligned with China against Japan and the USA.

Design/methodology/approach – Of all the issues in management, conflict management is the most culturally embedded. Through a multi-method approach, the author illuminates the complexity of the Diaoyu Islands case. Literature from past empirical war studies are reviewed to suggest the geography of the islands (proximity, borderless, richness of resources) makes war highly probable. Past Chinese-Japanese hatred (utilizing visual imagery), antagonism and *guanxi* are reviewed in exploring their impacts on outcomes (see model). Etymological research is attempted using English, Japanese and Chinese words, characters and pictograms that are related to concepts within the T-K model. To better grasp how young Chinese feel towards the Diaoyu Islands and the Japanese, the author conducted some field research in Harbin, China. The continuing Chinese angst against Japanese is explained through war imagery: there remains in young Chinese an unquenchable thirst for exacting revenge on the Japanese. In a search to uncover ways of resolving the dispute, a further, extended study is undertaken on *ancient* Chinese pictograms: for example, whether a 5,000 years old Chinese concept of compromise *zhe zhong* (折中; oracular bones) or splitting into halves may be relevant. The role of time in conflict management is discussed in relation to the Diaoyu Islands.

Findings – By providing the WWII visual imagery as a backdrop to Chinese-Japanese antagonism, the author explains to readers why the Diaoyu Islands is such a complex case to resolve. Also in his fieldwork, he highlights that the *younger* Chinese are as equally indignant about Japanese unethical grabbing, “thieving” behaviour. In their minds, such behaviour harks back to the blatant seizure of Manchuria and Japanese puppetry of Manchukuo. Through the Diaoyu Islands case, the T-K model and theory of conflict management is broadened, enriched and enhanced. The paper illustrates how in conflicts that involve cultures are very different from the West, for instance very ancient civilizations like China and India, authors should take a multi-method approach and explore the issues and search for solutions far more deeply.

Originality/value – Very few scholars seek to integrate the two streams of research in resolving conflict as illustrated through this paper: management and social sciences (e.g. political sciences, military and war studies). Conflict is about people and therefore integral use of multi-methods needs to be used.

Keywords Chinese-Japanese *Guan-xi*, Conflict management, Diaoyu Islands, Japanese, Chinese management, Nuclear war, Conflict, China, Japan

Paper type Research paper



For long years Japan had been torturing China by her wicked invasions and subjugations [...] (Winston Churchill, *The Great Alliance*, p. 536, 1950).

Introduction

One of the troubling developments over the last century is in the pattern of rising, pair-wise conflicts (Figure 1: from Military Interstate Dataset). Thus, from an overall perspective, the conflict between China versus Japan over the tiny Diaoyu islands may symbolize a global tendency towards pair-wise conflicts. Or clearly, there has been a decline in inter-state *guanxi* or relationships. Recently and still evolving (at time of writing), it seems impossible to resolve the dispute over Diaoyu Islands. In fact an Australian academic Hugh White[1] had even predicted war in 2013 over the dispute.

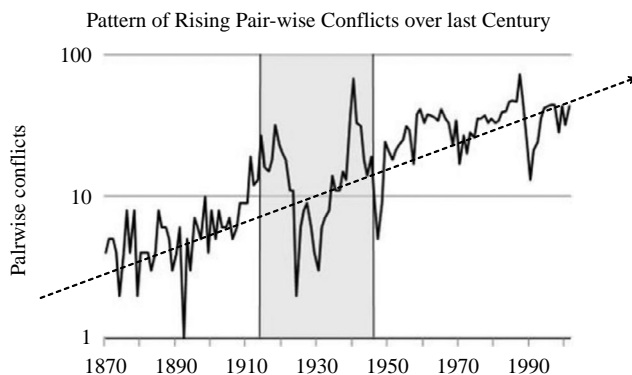
According to Henehan and Vasquez who have contributed research into the changing probability of interstate war, along with (Väyrynen, 2006, p. 287) suggest the following stark terms:

Territorial disputes, however, are generally still the most likely to result in war [...]

More specifically, if you are looking for quantifiable estimates, the authors put their expectation in terms of probabilities:

[...] territorial disputes have a higher probability of going to war than the base probability and other types of disputes, with a probability of 0.324 (for territorial disputes) compared to 0.084 (for policy disputes), 0.123 (for regime disputes), and 0.224 (for "other disputes") [...]

Moreover, the very geography of Diaoyu Islands afloat on oceanic waters without distinct borders lends themselves to (Diehl, 1991) an easy escalation towards armed conflict between China and Japan. The other contributing factor too is the geographical proximity (Hensel, 2000) and opportunity (Wesley, 1962) for wars. With newly enhanced, advanced technological capabilities both China and Japan are able to stage highly intensive, armed naval and aerial conflicts in and around the Diaoyu Islands. The probability of armed confrontation is most likely higher than 0.324 (see above citation) by the worsening of *guanxi* or relationships between the two countries.



Note: Dotted arrow by author

Source: Military Interstate Dataset

www.straightstatistics.org/article/how-frequent-are-wars

Figure 1.
A pattern of rising
pair-wise conflicts

Guanxi between China and Japan was re-established on September 29, 1972 by none other than the founding father of the modern People's Republic of China, Chairman Mao Zedong[2]. Diaoyu Islands have clearly disrupted exactly three decades of continuous *guan-xi*. Without Mao Zedong, the Great Helmsman to rein in the widening divide with Japan, Chinese and Japanese *guan-xi* can only worsen. No leader in China today has that kind of stature and influence of the Great Helmsman: there is even a song is created 大海航行靠舵手 (*da hai hang xing kao duo shou*) to emphasize this metaphor of Mao's leadership. So ironically, the conflict of Diaoyu Dao (Island) lying afloat on the sea, between China and Japan may become long and sustained. For no leader in China is powerful enough to steer the ship from a collision course. Unless it is resolved, there is always the hidden, underlying risk of the conflict, escalating to an all out, global, possibly nuclear warfare.

Tatlow (2012) in writing for *International Herald of New York Times* (September 14) highlighted this to readers: the argument in the state-run *Beijing Evening News* (北京晚报; pinyin: *Beijing Wan Bao*) for the use of the nuclear bomb as the "simpler" solution. To any China watcher, this is truly alarming. Why? China had long renounced her right to be the first to strike an adversary with the nuclear bomb. This a reversal of Chinese position on the nuclear bomb. If it happens, it will not be a singular attack but likely to be a rain of nuclear bombs across major Japanese cities. Paradoxically, this was exactly what the Japanese had planned to do against the US cities, their erstwhile security partner. As acutely observed by Dower in his recent, *Cultures of War* (2010, p. 166) (Figure 2):

Even as Japan's leaders were self-righteously condemning US attacks on civilian populations [...] their naval engineers were launching the huge Sea Toku I-400-class "submarine aircraft carriers" it was hoped would deliver *bacteriological bombs on US cities*;



U.S. sailors fascinated by aircraft storage locker on the deck of a captured I-400 Japanese super submarine.

Source: http://en.wikipedia.org/wiki/I-400_class_submarine

Figure 2.
Japanese Sea Toku
I-400-class "submarine
aircraft carriers"