



## Toward a gatekeeping perspective of insider–outsider relationship development in China



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### ABSTRACT

The aim of this study is to explore how relational gatekeepers facilitate the development of relationships between out-group members and in-group members in an intercultural business environment, and to bring to the surface the inter-cultural and inter-networked nuances of *guanxi*. Based on interviews with managers from China and New Zealand, the workings of Chinese–Western business relationships and the roles of relational gatekeepers are explored. Empirical findings reveal three key gatekeeping roles, namely *reciprocal*, *adaptive* and *symbolic*, used for enabling the development of intercultural business relationships. We offer a *structural hole* explanation of intercultural gatekeeping in a seemingly contradictory and irreconcilable inter-networked environment. Our study also provides strategic implications of intercultural gatekeeping for foreign outsiders and recommends practical approaches for reaching the decision makers and resource integrators in jealously protected local business networks.

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### 1. Introduction

China has long been known as a ‘relationship oriented society’ where complex overlapping social networks play a significant role in the conducting of business life (Farh, Tsui, Xin, & Cheng, 1998; Gu, Hung, & Tse, 2008; Park & Luo, 2001; Parnell, 2005; Styles & Ambler, 2003). The term used in describing these Chinese relationships and networks is *guanxi*. A *guanxi* network is ‘an exclusive circle of members’ (Wang, 2007, p. 83). *Guanxi* networks are usually immediate or extended family, or connected by neighborhood or locality (e.g., same town), education (e.g., classmates and alumni or teachers and students), co-workers (e.g., colleague or superior–subordinate), or other connections developed over years that provide protection, care and nurturing to individuals (Fan, 2002; Luo, 1997a; Parnell, 2005). While these *guanxi* connections may provide social safety nets for people well-connected within pre-existing Chinese networks, they act as a natural barrier for all newcomers, Chinese or not (Gao, Ballantyne, & Knight, 2010).

Research on *guanxi* in the setting of international business has flourished in recent years (Buckley, Clegg, & Tan, 2006; Chua,

Morris, & Ingram, 2009; Su, Yang, Zhuang, Zhou, & Dou, 2009; Yang & Wang, 2011; Zhou, Wu, & Luo, 2007), particularly after the rise of China as an economic power in the global market. Researchers have recognized general behavioral norms of *guanxi* relations such as *ren qing* (favor), *gan qing* (emotions or affect), *mian zi* (face work), *bao* (reciprocity) and *xin ren* (trust) (Jansson, Johanson, & Ramström, 2007; Lee & Dawes, 2005; Leung, Lai, Chan, & Wong, 2005; Wong, 1998). Understanding of *intercultural guanxi* interactions (i.e., how foreign managers go about developing *guanxi* with Chinese counterparts) is still largely missing. As Western trade with China continues to expand, intercultural *guanxi* poses a critical dilemma when developing Chinese–Western business relations (Gao et al., 2010). The key to this *intercultural guanxi* process is to reduce quandaries for foreign outsiders (regarding stepping into the closely-knit *guanxi* networks), and also the risks for *guanxi* insiders (regarding stepping out of the safety of *guanxi* networks to build trusting relationships with outsiders) in an intercultural and inter-networked zone. The current study aims to explore the workings of a uniquely positioned middle force, namely *guanxi* gatekeepers, in order to reveal critical aspects of intercultural *guanxi* dynamics.

The structure of this paper is as follows. First, the *guanxi*, international business and organizational boundary spanning/gatekeeping literature streams are reviewed to establish key knowledge gaps relating to intercultural *guanxi*, and to provide a basis for developing research questions. The workings of *guanxi* networks and the role of gatekeepers in opening up business

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relations between guanxi insiders and foreign outsiders are established as the central problem of the research. Then the research methodology is reported in a specific research context – Chinese–Western business relationships and interactions. Next, the research findings reveal three key roles that guanxi ‘gatekeepers’ play in intercultural business relationships. Finally, the study offers a *structural hole* explanation of ‘passing through the guanxi gate’ in what is a conflicting inter-cultural and ambiguously inter-networked environment.

## 2. Guanxi and international business

Literally, *guan* (关) in Chinese means ‘gate’, and *xi* (系) means ‘connections’. Guanxi has recently gained its prominence as a legitimate socio-cultural construct in Western mainstream literatures of cultural anthropology, sociology, social psychology, political science, marketing, management and international business (Bian, 2001; Chen & Chen, 2004; Chua et al., 2009; Farh et al., 1998; Gu et al., 2008; Hwang, 1987; Jacobs, 1982; Lovett, Simmons, & Kali, 1999; Tsang, 1998; Xin & Pearce, 1996; Yang, 1994). Literature in these various disciplines provides diverse perspectives on guanxi, including viewing it as: ‘special personal relationships’ between individuals in social settings (Yang, 1994), the process of social exchange (Hwang, 1987), a form of social capital (Bian, 2001), or particularistic ties in power exchange in political settings (Jacobs, 1979). From an institutional point of view, guanxi can be viewed as a substitute for formal institutions (Xin & Pearce, 1996). From a resource-based theory perspective, guanxi is treated as a valued organizational resource (Luo, 1997b). From a transaction cost perspective, guanxi-based exchanges lower transactions costs (Standifird & Marshall, 2000). From a process and network point of view, guanxi represents the process of reaching network incumbents who are not directly related, facilitated by the help of others (Fan, 2002). Despite varying perspectives of guanxi in the literature, a common agreement appears to be that guanxi is social (Hwang, 1987; Yang, 1994), ‘informal’ (Parnell, 2005), ‘particularistic’ and ‘personal’ by nature, and embedded in ‘closed’ and exclusive networks (Chen & Chen, 2004; Gao et al., 2010; Wang, 2007; Yang, 1994).

Despite voluminous literature on guanxi in the past, most studies have been conducted among Chinese firms (for example, Ambler, Styles, & Wang, 1999; Farh et al., 1998; Guo & Miller, 2010; Park & Luo, 2001; Xin & Pearce, 1996) or as part of a comparative study involving other country contexts (for example, Alston, 1989; Wiley, Wilkinson, & Young, 2005). A further scrutiny of the guanxi literature reveals that only 34 of the articles were found to have specifically addressed guanxi in regard to the interfacing between foreign cultural norms/networks and Chinese cultural norms/networks in cross-border relationships.

By closely examining these 34 articles, we found that most studies recognize the role of intercultural guanxi in enhancing business performance and overcoming roadblocks in the Chinese market (for example, Abramson & Ai, 1999; Chadee & Zhang, 2000; Cremer & Ramasamy, 2009; Luo, 1997a). Three articles also discuss the ethical implications for Western firms in engaging with Chinese partners in a guanxi way (for example, Fan, 2002; Lovett et al., 1999; Su & Littlefield, 2001). However, only five articles directly address the intricacy of the process of intercultural guanxi development between Western managers and their Chinese counterparts (Barnes, Yen, & Zhou, 2011; Matthyssens & Faes, 2006; Styles & Ambler, 2003; Worm & Frankenstein, 2000; Yen, Yu, & Barnes, 2007). Extant research more or less points in the direction of ‘compromise’ (Yen et al., 2007), a ‘balancing act’ (Matthyssens & Faes, 2006), or ‘reconciling the interests of the individual and the firm’, and ‘pursuing paradox and opposite’ (Styles & Ambler, 2003). The importance of a guanxi hu

(relationship broker, personal or institutional) in facilitating the development of business relationships has been recognized but is largely under-explored in past business studies (Davies, Leung, Luk, & Wong, 1995; Park & Luo, 2001).

## 3. Organizational boundary spanning/gatekeeping and network theory

As our research inquiry lies in the development of intercultural guanxi and insider–outsider relationships, this requires in-depth understanding of the middle force that brokers or bridges the relationship between guanxi insiders and guanxi outsiders, so-called guanxi-oriented boundary spanners (Su et al., 2009). Organizational boundary spanners facilitate information exchange between the organization and the environment, reconcile the conflict between organizations and play an essential role in facilitating interactions between people across departments within the organization, or across organizational boundaries (Aldrich & Herker, 1977; Au & Fukuda, 2002; Ferguson, Paulin, & Bergeron, 2005; Floyd & Wooldridge, 1997; Friedman & Podolny, 1992; Haytko, 2004). Floyd and Wooldridge (1997) found that middle managers’ strategic influence arises from their ability to mediate between internal and external environments. Another concept closely related to boundary spanning is gatekeeping (Allen, 1977; Allen, Tushman, & Lee, 1979; Gemünden & Walter, 1997; MacDonald & Williams, 1993). According to Allen (1977, p. 703), gatekeepers are “individuals who maintain consistent, ongoing contact outside their organizations, who understand the way in which outsiders differ in their perspective from their own organizational colleagues, and who are able to translate between the two systems.”

From a network theory perspective, boundary spanners and/or gatekeepers occupy a critical position within or between organizational networks (Burt, 1992, 2000). Their positions can be understood as structural-hole positions. A structural hole is ‘a relationship of nonredundancy between two contacts... the hole is a buffer...’ (Burt, 1992, p. 18). Structural holes provide “entrepreneurial opportunities for information access, timing, referrals, and control” (Burt, 1992, p. 2). Structural hole actors are described as people skilled in building the interpersonal bridges that span structural holes (Burt, 1999). Following the logic of structural holes, business interactions set off an interactive process of spanning boundaries of many different networks among business actors (Xiao & Tsui, 2007).

Despite these established understandings of boundary spanners and gatekeepers in the organizational network context, it seems largely unknown how relationship brokers operate in an intercultural network context. It is a misconception that a guanxi network is merely an exclusive, static, and a tradition-bound system (Yang, 1994). A guanxi network can be enlarged through interactions between insiders and outsiders in a Chinese cultural setting (Guo & Miller, 2010; Park & Luo, 2001). A question of great interest is: Can intercultural interaction in a Chinese–Western business context lead to an enlargement of traditional guanxi networks? In other words, how can interactions between the insiders’ circle (of Chinese local networks in the Chinese market) and the outsiders’ circle (of foreign business networks in the Chinese market) be enjoined or bridged, in spite of cultural barriers?

## 4. Research method

In order to investigate workings of guanxi networks and the roles assumed by guanxi gatekeepers, we used the critical incident technique (CIT). This technique involves analyzing critical incidents reported by the informants in order to uncover emerging

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