

Managing Chinese/Western Joint Ventures: A Comparative Analysis of the 'Interaction and Networks' and 'Chinese Management' Literature

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ABSTRACT

In this paper, two relevant bodies of literature are examined and compared, namely the 'interaction and networks' literature (associated primarily with the IMP Group) and 'Chinese Management' literature. Elements examined include relationships, networks, trust, culture and forms of exchange. The contention of the paper is that both bodies of literature have something to contribute in terms of a theoretical basis for an empirical study of Chinese/Western joint ventures.

(Key words: relationship; networks; guanxi; etics; emics; China)

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1. Introduction

China is the largest recipient of foreign direct investment (FDI) among all developing countries (Tsang, 1998). Many of the world's leading multi-national companies (MNCs) have established joint ventures with Chinese State owned enterprises. Not surprisingly, given the huge potential of the Chinese market and the enormous interest of Western companies in developing business there, a substantial academic and professional literature has emerged offering both positive research and normative advice on doing business with China (Grub and Lin, 1991; Glaister and Wang, 1993; Child and Lu, 1996; Stuttard, 2000).

A major motive for many Western companies in establishing a presence in China is to gain entry to its potentially large market (Strange, 1998). Unfortunately several firms that have developed joint ventures with Chinese enterprises are reported to have been unsuccessful. According to Harrigan (1986) the primary reason why joint ventures fail is because the managers involved failed to make them work, and not because the contracts are poorly written. Yan and Gray (1994) have argued that firms need to be committed to the interpartner relationship, and that co-operation and trust are important variables that must be co-managed within the joint venture. The interaction and networks perspective (Ford, 1997; Möller and Wilson, 1995) identify trust and goal compatibility among factors affecting relationship success.

Both Chinese business practice and the interaction and network approach place strong emphasis on relationships, thus moving away from the conventional Western conception of marketing as a wholly transactional process. However, the interaction and networks approach is a Western paradigm developed largely by Europeans with little application in a Chinese business environment (Purchase and Kriz, 2000). By comparing and analysing these two perspectives, we aim to identify those key constructs that are etics i.e. culture free aspects of the phenomenon that can be used for direct comparisons across cultures (Berry, 1980). It is important to establish levels of conceptual equivalence before undertaking cross-cultural research; otherwise misleading behaviours may be produced (Triandis, 1980).

This paper is a comparative study based on Chinese management and the interaction and networks literature. The paper compares Western and Chinese interpretation of

the main elements of interaction and networks, such as relationship, trust, networks, and forms of exchange. The contention of the paper is that both bodies of literature have something to contribute in terms of a theoretical basis for an empirical study of Chinese/Western joint ventures.

Firstly, this paper provides an overview of the interaction and networks perspective, and an insight into Chinese management; the paper then goes on to compare in detail these two bodies of knowledge. Secondly, important elements from both perspectives are discussed. Cultural factors that are likely to affect the measurement of the Western approach in China are also explained. Finally, the conclusion suggests how a combination of these two perspectives provides an interesting framework for an empirical study of Chinese/Western joint ventures.

2. INTERACTION AND NETWORKS

2.1 The nature of interactions

The interaction approach developed by the IMP Group (Turnbull and Cunningham, 1981; Håkansson, 1982) recognised that both suppliers and buying firms are often involved in close, long-term relationships within which episodes of exchange determine the nature of the relationships through adaptation. The approach focuses on the interactions that take place between two actors, these actors can be individuals or companies, and are involved in exchange episodes. An episode can be a social, financial, product or informational exchange (Håkansson, 1982). The interaction approach has resulted in a series of studies demonstrating the importance of business relationships (Håkansson, 1982; Turnbull and Cunningham, 1981; Turnbull and Valla, 1986). The relationship is itself seen as a dynamic process that is partially determined by the environment in which the parties operate and also by the atmosphere of the relationship. IMP studies suggested that the existence of relationships should force a re-think about the nature of industrial markets.

2.2 Networks as relationships

The industrial network approach portrays industrial markets as networks of relationships between firms (Johanson and Mattson, 1986). An industrial network is thus a web of relationships where one actor is connected to others through exchange relationships. These relationships may have different values, depending on the connections between resources, the complementarities of activity structures and the bonds established between individual actors. A change in one of these relationships may have important repercussions on other relationships. In the industrial network approach, relationships are one form of economic co-ordination and are often long-term, rather than based on a short period of time. This long-term interaction is likely to lead to trust and commitment.

3. WHY DEVELOP A UK/CHINESE JOINT VENTURE?

The joint venture process in China is different from that in developed countries and different than with joint ventures in developing countries which have market economies. These differences stem as much from politics as they do from the short time period in which the regulatory infrastructure has been enacted

(Beamish and Speiss 1992:160)

A joint venture has two or more parent companies that should in theory work together towards the same common goal. However, a UK and Chinese firm often have different priorities for establishing the joint venture. Glaister and Wang (1993) conducted a survey of 21 UK companies which have established joint ventures in China and found that 'faster entry to market' and to 'facilitate international expansion' were ranked as the two most important strategic reasons. Among the key reasons for Chinese firms are technology transfer and management expertise. A Western firms influence on the joint venture can lead to changes in Chinese business practice. For example, an increase in management training and development, which has only come about since the 1980's. Western firms bring added competition to Chinese state owned enterprises. Adaptation to a changing business environment is something Chinese firms need to learn quickly if they are able to compete with the foreign counterparts.

4. CHINESE MANAGEMENT

The institutional context of the management process in China can largely be understood as a dynamic system of interdependency relationships (Child, 1994). The Chinese approach to management emphasises the importance of building relationships, on the understanding that if successful relationships are built, then business transactions will follow. Henley and Nyaw (1986) suggest the management of Chinese enterprise is located within a network of interlocking relationships. Key elements of the Chinese management approach such as relationships (*guanxi*) and networks (*guanxiwang*) are discussed later in this paper; however, it should be noted that relationships in China carry a greater significance than in the West, given that Chinese management is based on a lack of regulations. Walder (1989) identifies relationships as part of what he calls the 'four facts of life' in the world of the Chinese manager. These are - cultivation of vertical relationships, maintaining a political coalition within the enterprise, satisfy criteria that derive from the enterprise as a socio-political community and develop non-market exchange relationships.

Chinese management draws on a number of concepts of Confucian culture that play an important role in business practice in China. The Confucian value system stresses hard work, respect for authority, harmonious relationships and obligation to the family (Smith, 1974). The strong emphasis on the family is clearly evident in Chinese business. The Chinese style of management is based on family business, which is commonly dominated by one man and has simple structures and limited capabilities (Redding, 1992). People from collectivist society like China tend to stretch the boundary of family indefinitely to locality and race as a sense of collective identity to rely on.

The Chinese manager takes a very much 'hands on' approach, considers the relationship with his staff, and takes into account responses to his management. The corporate structure of Chinese firms is typically hierarchical, with fewer staff layers than Western firms. For example, a factory may consist of only three layers - a director, line manager and operator.

5. ANALYSIS OF RELATIONSHIPS AND NETWORKS

Before comparing the concept of relationships between the two perspectives, it is important to define the term 'relationship'. The Cambridge International Dictionary of English (1995) defines relationship as 'the way two people or group of people behave towards each other'. This would suggest that relationships could be viewed at the individual and organisational level. Much of the interaction and networks approach literature focuses on the relationship between two firms. Håkansson and Snehota (1995:25) define relationship as 'a mutually orientated interaction between two reciprocally committed parties'. These relationships and networks exist as multiple levels within industrial markets (Ford, 1998). The first of these levels is the individual level, for example participation between work colleagues. Secondly, at the functional level within an organisation, for example the relationship between marketing and finance. Finally, at the business unit level, where the actors are firms engaged in working relationships, such as a buyer and supplier.

According to Fang and Kriz (2000), the meaning of business relationships in Chinese is interpersonal versus interorganisational in Western culture. Discussing relationships between firms is perhaps taking an anthropomorphic view, since a company and its markets are considered as interacting parties to an exchange. However, these interorganisational relationships are based on interpersonal relationships. Business relationships when related to sole traders and partnership firms in the UK are very much interpersonal in orientation. For example, many builders have friends who are electricians and plumbers with whom they cooperate to complete a comprehensive building job, and vice-versa. This type of business relationship is similar to the Chinese concept of *renqing* (*favour for a favour*).

Dividing business relationships on the basis of Western and Chinese culture does not take into account other influences. Firstly, the social networks established by school ties are not exclusive to China. Many of the directors on the boards of UK firms went to school together (Ford, 1998). They use school ties, in the UK known as 'the old boy network' for developing business networks. This is a system by which men, who went to the same school, use their influence to help each other, especially in their work; all through their adult lives (Cambridge International Dictionary of English

1995). Secondly, in UK culture the nature of the business and size of the company also affects the connection between social and business network. Traditionally small partnership building firms rely on social connections. Finally, a Western firm operating, as a wholly foreign owned enterprise (WFOE) in China, might decide to take either an ethnocentric or polycentric approach. Ethnocentrism is the belief that one's way of doing things is superior (Maisonrouge, 1983). By adopting this approach there is emphasis by the firm on home country culture, whereas polycentric focuses on the host country (Chakravarthy and Perlmutter, 1983). If an ethnocentric approach is used Chinese employees for the Western firm may adopt cultural aspects of Western business relationships. Multi-national companies (MNCs) also use cultural assimilators as part of cross-cultural training. This exposes members of one culture to concepts, attitudes, role perceptions, customs and values of another culture (Fiedler *et al*, 1971).

The significance of relationships in China has been well documented by a number of Western researchers (Warner 1987; Child 1994, 1996; Bjorkman 1996; Strange 1998). There is great emphasis on personal relationships in China so that it is difficult to get decisions based on impersonal relationships. A greater emphasis is placed on maintaining and developing relationships than in the West, and this is something that Western firms are slowly beginning to realise, along with the complexity of Chinese culture. Waters (1991) highlights the most important contribution to efficiency and success in East Asian firms is their long-term investment in people at all levels particularly the development of relationships.

Five elements of Chinese culture relating to individual behaviour are identified by Child and Lu (1996) - respect for age and authority, group orientation; the importance attached to family relationships; close personal connections *guanxi* and face *mianzi*. The most important of these elements in the context of Chinese business is *guanxi*. The Chinese devote considerable time to establishing *guanxi* (Warner, 1987; Davies, 1995). The concept is now well documented in the West, and has received similar coverage to the practice of *kaizen* in Japanese management. *Guanxi* plays a crucial role in business transactions and a company with good *guanxi* can enjoy competitive advantage (Child and Lu, 1996). Chinese managers expect Western managers to have an understanding of *guanxi*, and follow the general rules. The concept is not unique to

China; other Asian countries have corresponding types of personal connections e.g. Japan (*Kankei*) and Korea (*Kwankye*).

China is a Confucian culture and significantly different from Western cultures in terms of collectivism and individualism (Hofstede, 1980). It is a collectivist society based on social relationships and group welfare; all individual effort and achievement is expected to contribute to the collective good (Laaksonen, 1988). Whereas Western cultures such as the US are individualistic, which emphasises individual ambitions and personal achievement. The strong emphasis on personal relationships is prominent in Confucianism. Confucius himself listed five cardinal human relationships in society: between ruler and minister; father and son; husband and wife; older brother and younger brother; friend and friend (Campbell and Adlington, 1988). Of these relationships, only friend and friend are equal, each one has their place in society, particularly respect for elders.

The Chinese family group has a strong influence on an individual's behaviour. This 'familism' is the single most essential concept to characterise Chinese culture (Yang, 1972). Unlike the West, the conceptual equivalence of family goes beyond immediate family members to include other generations. These strong relationships and influences between family members are recognisable in the number of successfully run overseas small-medium sized Chinese family run businesses. This is in contrast to the lack of multinational Chinese firms, partly due to those firms being restricted in their growth, as a result of over emphasis on relationships confined within the family. Subsequently they find it difficult to go beyond this. Chinese intergroup relationships are often limited to two types; i.e. family (inside) and non-family (outside). Out group members are believed to be less attractive, less capable, less trustworthy, less honest, less co-operative, and less deserving than members of the in group (Kramer, 1991).

In comparing the conceptual equivalence of 'relationships' between the two perspectives, it is evident that 'relationships' based on the interaction and networks approach relates largely to the organisational level, i.e. relationships between organisations. Chinese view relationships as combining both a social and business context, very often it is essential to build social ties, before going onto establish a working business relationship. The emphasis on relationships is a result of China

being a collectivist society, lacking legislation. These business relationships are largely built on trust, which will be discussed later in this paper. However, business relationships are not always associated with the organisational level in Western culture. Research into trust, business relationships and the contractual environment among UK, German and Italian firms by Burchell and Wilkinson (1996) found UK firms consider personal links an essential part of business relations.

5.1. Networks

Before discussing networks, and conceptual equivalence between the two perspectives, it is worth examining some of the many definitions for the term 'network'.

At a general level, The Cambridge International Dictionary of English (1995) defines a network as 'a large system consisting of many similar parts that are connected together to allow movement or communication between or along the parts or between the parts and a control centre'.

A business network can be regarded as sets of connected relationships between firms (Cook and Emerson, 1978). One approach to researching the interconnectedness of relationships is the industrial network approach (Araujo and Easton, 1996).

The IMP approach to analysing business network's focuses on the actors-activities-resources (AAR) model (Araujo and Easton, 1996). The AAR model was developed using the industrial network approach to describe the substance layers of a relationship (Purchase and Kriz, 2000). The ARR model describes a business relationship as consisting of three substance layers: activity links, actor bonds and resource ties (Hakansson and Snehota, 1995). Actor bonds connect actors and influence how the two actors perceive each other, activity links concern technical, administrative and commercial and other activities of a company that can be connected in some way. Finally, resource ties connect resource elements of two companies (Ford, 1997).

Research conducted by Purchase and Kriz (2000) and Kris *et al.* (1999) compared the concept of business networks between the West and China. They described the

Western network perspective as focusing on networks at the firm level, whereas Chinese business networks operate on two levels: firm and individual. The authors went on to adapt the AAR model to include individual as well as organisational actors. Individual networks (*guanxiwang*) are an essential ingredient of Chinese business. Unlike networks in the interaction and networks perspective, Chinese networks are largely based on family ties. These networks are also built on business-to-business relationships. So called 'networks' in Chinese business practice are at the individual, rather than focusing on the organisational level. In China they substitute for the laws and legal systems of the West. Instead of signing a contract – a mere piece of paper – time, effort and money are used building up and earning trust (Waters, 1991).

However, are these personal networks exclusive to Chinese business? Do business networks in Western culture relate largely to the firm?

According to Swierczek (1994) the Chinese style of management involves *guanxi*, family like links that are used by small firms and linked together in networks.

The traditional concept of Western networking is at the individual level (or establishing connections within a business context). This is sometimes compared to the Chinese concept of 'guanxi'. However, Luo and Chen (1997), suggest there are some key differences between the two concepts:

Guanxi primarily relates to personal, not to corporate, relations, and exchanges that take place amongst members of the guanxi network are not solely commercial, but also social, involving the exchange of renqing (social or humanised obligation) and the giving of mianzi (face in the society), or social status. This feature often leads guanxi to be named 'social capital'. In contrast, networking in Western marketing and management literature is the term primarily associated with commercially based corporate-to-corporate relations'

There are however other types of networks that have been distinguished in Western business. We have already discussed the 'old boy network', which combines social and corporate relations. O'Neal and Thomas (1995) in their study of director networks found most had been offered Board seats through networking. The origin of these

networks was varied and included social contacts, school ties and family ties. UK firms use personal links at the social and business level when conducting business (Burchell and Wilkinson, 1996). The UK in particular places great emphasis on personal relationships and networks; this would suggest that the concept is not solely related to Chinese culture.

6. TRUST

Trust is probably the most common construct in relationship models. There are many different definitions for trust, and the definition used will have an effect on the measurement of the construct. It has been widely used by researchers of the IMP Group, and is seen as a social exchange context between individuals and between organisations (Möller and Wilson, 1995). The Cambridge International Dictionary of English (1995) defines trust as 'to have belief or confidence in the honesty, goodness, skills or safety of a person, organisation or thing'.

Fukuyama (1995) defines trust as 'the expectation that arises within a community of regular, honest and co-operative behaviour, based on commonly shared norms, on the part of other members of that community'. The Japanese word for trust is '*shin-yo*' meaning literally: sincere business, it is based on a compound of *shin*, a character for sincerity and *yo* which means literally 'something to do, a business' (Sakade, 1982). The English concept of trust is the reliance on and confidence in the truth, worth and reliability of a person or thing (Usunier, 2000). Development of a trustworthy partnership has been argued to be the most effective. Trust in the Chinese culture has been described by Fukuyama (1995) and Wong (1996) as 'in-group' trust at the personal level, whereas trust in Western culture is 'system trust' built up at the organisational level (impersonal). This systems trust is tied to formal, societal structures, which have an existence separate from the material preferences, motivation and actions of individuals.

Purchase and Kriz (2000) suggest Chinese trust or *xinyong* is interpersonal as opposed to interorganisational frameworks in Western business culture. However, other factors can affect levels/types of trust. In Britain, where inter-firm relations are embedded neither in a business culture with strong beliefs in fair trading nor in strong legal and

institutional regulation, trust generation and maintenance depends more exclusively on individual relationships developed over a long period (Burchell and Wilkinson, 1996). This is not dissimilar to the Chinese. Chinese make friends first, build up dependency and trust, and then do business later (Waters, 1991).

7. Culture

Kroeber and Kluckhohn (1952), after examining several hundred definitions of culture, came to the conclusion that the term describes the ways that people structure and share information.

Given the cultural diversity between the West and China, IMP researchers are recognising the importance of culture (Fang and Kriz, 2000; Kriz *et al.* 1999; Purchase and Kriz; 1999). Understanding cultural differences is a way of avoiding conflict between Western and Chinese joint venture partners. Multicultural management, along with exchanging cultural ideas can aid long-term relationships. Cultural exchange has proven to be a key factor in contributing to joint venture success, that this needs to be included as part of actor bonds of the AAR model. Showing and exchanging cultural ideas increases the chances of joint venture success.

7.1 'Emics' and 'Etics'

Sapir (1929) originated the 'etic' and 'emic' approaches to cross-cultural research. The emic approach holds that attitudinal or behavioural phenomena are expressed in a unique way in each culture (Pike, 1966). It emphasises that it is not possible to make comparisons. The etic approach is concerned with identifying universals. It is advisable when conducting research in different cultures, particularly those Western firms considering entering China, to adopt an emic approach, as they provide more reliable data than the etic 'culture free' method. However, there are etics or culture free constructs that can be compared across cultures.

In order to apply an emic approach, researchers using theoretical models; need to be aware of levels of cross-cultural equivalence (Douglas and Craig, 1984). Much of IMP research is based on constructs such as trust, commitment and co-operation. Words such as trust may appear to have conceptual equivalence across cultures,

although it is always advisable to question this equivalence of constructs, as even the very concept of 'household' is subject to possible inequivalence (Mytton, 1996).

Applying a Western model such as the interaction and networks approach to a Chinese business setting requires 'emics' or culture-specific aspects that are necessary to understand behaviour. Etics can also be used for direct comparison across cultures. Having a clear understanding of etics and emics is essential before applying the IMP model in a Chinese business environment.

7.2. High and Low Context Cultures

According to Hall (1960) cultures differ widely in the extent to which unspoken, unformulated, and inexplicit rules govern how information is handled and how people interact and relate to each other. In 'high-context' cultures, much of human behaviour is covert or implicit, whereas in 'low-context' cultures much is overt or explicit. Hall describes the West (including US) as 'low-context' and China as 'high-context'

'Characteristics and context of culture'

Low-context cultures:

- Much information contained in coded, explicit, transmitted messages
- Fragile bonds and low involvement between people
- Fewer distinctions made between insiders and outsiders
- Change easy and rapid

High-context cultures:

- Much information implicit in the physical context or internalised within people
- Strong bonds and high involvement between people
- Greater distinctions between insiders and outsiders
- Cultural patterns long lived and slow to change

Source: Hall, Edward T. (1960) 'The silent language of overseas business', Harvard Business Review, May-June, pp.88-96

China is explicitly high in contexting, for example it is regarded to be impolite to deny anything. Hence instead of saying 'no', other phrases are used to describe an inconvenience etc. implying that the answer is no. When applying the interaction and networks perspective in a Chinese business environment, it is important to understand differences between high and low context cultures, otherwise results may be distorted. While Chinese often use high context patterns, Westerners are more inclined to use low context patterns (Burns, 1998). For example, analysing constructs such as trust between German and Chinese firms can result in a distortion of results if an emic approach is not used. German culture is traditionally associated with being low context, or very 'frank' in their spoken communication.

8. FORMS OF EXCHANGE

'Western cultures and ideas should be adopted only if they fit guo qing (national conditions). Good ideas applicable in China should be promoted; corrupted and inapplicable ideas should be discarded.'

The Late President Deng Xiaoping. Communist Party directive 1984, cited by Rich Yan of the consulting firm Bain & Co, quoted in the Harvard Business Review, Sept-Oct 1994.

The Late President Deng Xiaoping's statement is a clear indicator to Western firms considering entering China on the importance of understanding Chinese culture. Chinese business practice is primarily concerned with social exchange. When considering a joint venture between a Western and Chinese firm, cultural exchange between parties helps to avoid conflict. Cultural exchange episodes also add to the total relationship and should be recognised as contributing to a long-term relationship.

Dwyer *et al* (1987) suggests that a relationship does not necessarily refer to the individual level, by describing it as 'the total relationship between companies as being made up of interactions, in the form of exchange episodes'. This social, informational, product or financial exchanges contribute to the total relationship. The interaction concept of social exchange has an important function in reducing uncertainties between the two parties (Håkansson and Ostberg, 1975). Chinese societal concept follows this view, although social relationships are very much linked to business. As

part of exchange in Chinese business practice, it is also common practice to exchange gifts from your hometown or country with new business partners. *Guanxi* relationships are not solely commercial, but also social, involving the exchange of social or humanised obligation *renqing*, and the giving of 'face' in society *mianzi*, or social status (Luo and Chen, 1997).

9. METHODS EMPLOYED: CONCEPTUAL EQUIVALENCE

Table 1 compares the methods employed and conceptual equivalence of the interaction and networks approach and Chinese business practice.

Table 1

Chinese Management	Interaction and Networks Approach
<i>Guanxi</i> - Personal relationships at a social and business level	Relationship - focuses on the relationship between a buyer and seller
<i>Guanxiwang</i> - personal networks used at the social and business level	Network - organisational networks, used to analyse direct and indirect relations
<i>Xinyong</i> - personal trust	Trust - systems trust
<i>Maodun</i> - conflict tries to be avoided or quickly resolved, strong emphasis on harmony	Conflict - between firms (buyer and seller). Becoming less common as firms use a collaborative approach
<i>Chenguo</i> - based on group commitment towards a common goal	Commitment - at the individual level
<i>Hezuo</i> - based on Confucian value system (respect for authority/elders)	Co-operation - terms of contract affect co-operation.
<i>Jiao Huan</i> – Exchange that places great importance on social exchange	Exchange - informational, financial, product and social

This paper has argued that relationships, networks, exchange and trust are important elements of both concepts. However, the main difference between the two perspectives is that Chinese view relationships (*guanxi*), and networks (*guanxiwang*) at the personal level as well as being essentials for establishing business ties. Interactions and networks focus on relationships largely between organisations. Research by IMP researchers (Kriz *et al.* 1999; Fang and Kriz; 2000, Purchase and Kris; 2000) distinguishes between Western and Chinese firms as Organisational

(Western) and Personal (Chinese). However, UK firms also place strong emphasis on personal links (Burchell and Wilkinson, 1996). Concepts such as networks and business relationships are certainly affected by culture, but distinguishing these on the basis of Western and Chinese does not take into account other influences e.g. type and size of the firm, sub-culture and ethnocentric or polycentric approaches to international markets.

Joint ventures between Western and Chinese firms continue to experience high failure rates. Lack of understanding of each other's approach to business practice can lead to conflict between firms. Given the growing paradigm shift in marketing towards relationships, particularly in business markets, where many business partners now focus on a collaborative approach, it is important for international companies to be aware of the differing concepts and approaches to business relationships and networks. These relationships at an individual level are something not exclusive to China. Particularly in the UK, where the 'old boy network' and personal links play an essential role in business practice. It is important to understand these relationships, as imminent entry into the WTO can only increase the number of relations between Western and Chinese firms.

10.CONCLUSION AND FURTHER RESEARCH

This paper has examined key elements and discusses levels of conceptual equivalence between the interaction and networks approach and Chinese management. Both perspectives focus on the importance of relationships. However, distinguishing Western firms as using interorganisational business relationships, networks and systems trust, does not take into account national and sub-culture, size of firms, ethnocentrism, polycentrism and the nature of the industry. What is clear is that the interaction and networks approach focus mainly at the organisational level. Chinese business is built on personal, trusting relationships between individuals. We believe that in order to apply the IMP model in a Chinese business environment, cross-cultural research needs to include culture as part of the actor bonds layer, and an inductive search for etic/emic constructs must be conducted.

Discovering true etics allows meaningful comparisons across cultures or a set of common dimensions, and the discovery of emics contributes to a full understanding of each culture (Weldon and Jehn, 1996). There have been calls by IMP researchers to introduce culture into the paradigm (Fang and Kriz, 2000). This would certainly improve the IMP model as a truly international concept, yet consideration needs to be given to how to analyse culture. For example, in analysing joint ventures, what impact do sub-cultures have on the relationship? What about ethnocentric and polycentric approaches to management? The central importance of culture as a modelling variable should be treated with care in what is a complex modelling task (Foster and Minkes, 1999). The IMP model needs to take into account the implications of cross-cultural research, but also individual aspects of the relationship. We also show that personal relationships and trust are not solely confined to the Chinese; they are also clearly evident in UK business.

The UK has over 2500 joint ventures in China with contracted investment standing at over \$US16 billion by end of 1999 (Tradepartners, 2001). There has been very little research into joint venture relationships, particularly between UK and Chinese companies. The majority of research has concentrated on creating a joint venture in China (Davidson, 1987; Aiello, 1991) or buyer-seller relationships (Ford, 1980; Wilson and Mummalaneni, 1989; Frear, Metcalf and Krishnan, 1992). Understanding the differences in cultures is important for business; firms must first determine differences in business practices and then be prepared to make adjustments in order to prevent cultural conflict. This paper compared two perspectives to business. There are clear similarities at the personal level between UK and Chinese firms that would form an interesting basis for research using the AAR model at the personal level. Personal links play an important part in business relations among UK firms. How do these personal relationships interact with the Chinese? What about personal relationships among small UK firms? The next step will be to explore Chinese/UK joint ventures, employing a case study approach, and using the dimensions of Table 1 as a conceptual framework.

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