

Relationships compatibility in interactions between Mainland Chinese, Hong Kong Chinese and Western Actors

Michael Trimarchi
University of the Sunshine Coast

ABSTRACT

There exists a paucity of empirical research that focuses on focal business network interactions that take place within the Hong Kong business environment. In an earlier study that included 10 interviews with Hong Kong Chinese traders, compatibility was identified as an important factor for the study of interactions between Mainland Chinese, Hong Kong Chinese and Western actors (Trimarchi, 1997, 2002). In this paper, an Industrial Marketing and Purchasing (IMP) approach is utilised to develop a compatibility construct to study triadic business interactions between Hong Kong Chinese intermediaries and Mainland Chinese sellers and buyers from the West. The study utilises a qualitative methodology and includes the analysis of data across 23 in-depth case interviews. Case study respondents included a rich cross section of Hong Kong Chinese, Mainland Chinese and Western actors. The results identify that even when continuity tends to be high in relationships between Hong Kong intermediaries and Mainland sellers, the existence of ongoing distance and competence problems tends to provide for low compatibility, negating the prospects for relationships development. On the other hand, in interactions between buyers from the West and Hong Kong intermediaries, it was found that high compatibility factors provide support for the notion that it may not be difficult for Westerners to develop quality business relationships with the Hong Kong Chinese.

INTRODUCTION

Few studies have been conducted in the Hong Kong business environment, using an IMP approach. They include Cheng (1993), Pyatt and Kwok (1993), Pyatt (1995a), Pyatt (1995b) and Pyatt and Trimarchi (1998). In this paper, IMP relationship dimensions are utilised to study compatibility in international business triad interactions that take place within the Hong Kong business environment. An interfirm triad may be defined as the exchange relationship that exists between three firms, for example, where an intermediary coordinates transactions between a buyer and seller (Havila, 1992, 1996). In the present research, the interactions studied take place between Hong Kong intermediaries and Mainland sellers and buyers from the West. Westerners include buyers from Europe, North America and Australia (as identified by Bendixen and Burger, 1998; Robison, 1996; Thompson, 1998; and Whitley, 1998). The paper begins with a discussion on the atmosphere within which interactions take place, within the Hong Kong business environment.

THE ATMOSPHERE OF INTERACTIONS WITHIN THE HONG KONG BUSINESS ENVIRONMENT

The Hong Kong business environment exhibits informal rules and trust in business interactions (Redding, 1997). Indeed, serious trust built on interpersonal obligation is an important ingredient of successful horizontal ties in modern Chinese societies, including Hong Kong (Wong, 1996; Lovett, et al., 1999). In such relations, authority relies on paternalism and the rules that surround interactions are essentially Confucian (Tu, 1996). Firms also tend to be Chinese family businesses (CFBs) run by family members (Redding, 1993; Brown, 1995; HKTDC and Enright et al., 1999). CFBs derive major strengths from a paternalistic form of management that provides strong leadership and a clear sense of purpose. The socially constructed nature of the market also underpins the distinctive feature of Chinese business networks, which are made up of CFBs (Whitley, 1992; Redding, 1996; Pyatt, 1999).

There are at least two elements that serve to unite Chinese people in Hong Kong. First, the written form of Chinese is universally understood (Redding, 1993). The second element revolves around their overall ‘Chineseness’ or the overpowering sense of being Chinese (Wang, 1991a, 1991b, 1997; Pyatt, 1999). Indeed, Hong Kong has experienced a considerable mobility of people from within mainland China, and “whatever their origins, the idea of Hong Kong Chinese seems to include almost every one of Chinese descent” (Wang, 1997). However, there is a growing debate within the literature about the influence of the Confucian ethos and personalism in interactions between overseas Chinese and Mainland Chinese actors – has it been overstated (Lever-Tracy et al., 1996; Li, 2000; Chan & Ng, 2000)? Could it be that economic forces rather than cultural ties or personal connections are driving interactions (Li, 2000; Chan, 2000)? Indeed, Guthrie (1998) argues that in the urban industrial economy of China, *guanxi* or ‘social connections’ is playing a diminished role, and that there appears to be a growing emphasis on economic based transactions *vis-à-vis* relational based transactions.

On the other hand, Western firms coming from an environment where the emphasis is on the specification and enforcement of contracts, tend to find it difficult to do business in Chinese and/or Asian market environments (Davies et al., 1995; Thompson, 1996; Lovett, et al., 1999). This is not to say that relational or trust relationships do not exist in interfirm interactions between Westerners. Indeed, there is also a growing debate within the literature

that emphasises the importance of the use of relationships strategies to manage interfirm interactions between Westerners. Such factors are emphasised by the work of the IMP Group, for example. Work by Kay (1993) also emphasises that Western markets are experiencing an architectural shift away from the use of classical contracting relationships, and toward the use of relational contracting. Current literature also indicates that the use of interfirm relationships in Westerner interactions is undergoing a paradigm shift (see Kotler, 1991; Kay, 1993; Gronroos, 1994; Möller and Wilson, 1995; Lovett et al., 1999; Yau et al., 2000). However, the dominant paradigm of thought continues to revolve around the use of classical contracting in interfirm relationships. Whereby, in interfirm interactions between Westerners, Westerners tend to base relationships on a short-term orientation, that includes individualistic tendencies and formal rules, requiring low trust (Trompenaars, 1994; Hoecklin, 1995; Williams, 1998; Scarborough, 1998).

The sparse literature on relationships between Westerners and Hong Kong intermediaries, explains that Westerners are acknowledged for their strong management skills, economic values, involvement in interfirm adaptations, and are also respected for keeping promises (Pyatt and Redding, 2000). Hong Kong Chinese also appear willing to make allowances for the way Westerners tend to deal. Indeed, the high levels of opportunism exhibited by Westerners do not appear to hinder the ability of the Hong Kong Chinese to trade with them, nor their capacity to learn from them (Pyatt, 1999). It has also been suggested that, within the Asian business environment, after Chinese actors, Westerners may be the next preferred as trading partners of the Chinese (Pyatt 1995b; Pyatt and Redding, 2000).

The Chinese are well versed in how to use their relationships as a catalyst for, or a barrier to, participating within their markets (Seligman, 1999; Yau et al., 2000). Chinese and/or Asian actors also expect that foreign market participants should work at understanding Asian business practices, if they wish to develop interactions in their markets (Shoveller, 1999; Lovett, et al., 1999). Thus foreign market participants need to understand how to develop and manage their relationships with Chinese business actors (see also, for example, Redding, 1996, 1997; Roberts and Petersen, 2000; Gipouloux 2000). Within the literature, it is also argued that researchers need to take a relational marketing approach to the study of business interactions in Chinese and Asian business environments (Pyatt, 1995b; Ambler, 1995; Arias, 1998; Wong and Chan, 1999; Yau et al., 2000). A study of

relationships compatibility therefore, may act as a first step to develop a better understanding of factors that contribute and/or hinder relationships development.

THE STUDY OF COMPATIBILITY IN INTERNATIONAL INTERFIRM RELATIONSHIPS

As a construct, compatibility includes factors that identify the ability or potential of firms to develop close interfirm relationships. Within the theory building work of the IMP Group, compatibility is a construct which tends to be used implicitly, rather than explicitly (see Håkansson, 1982; Ford 1990, 1997). Recent theoretical developments within IMP, such as the activities, resources, and actors model of industrial networks, also recognises the importance of how resources, including human resources of companies involved in relationships, are brought together (see Axelsson and Easton, 1992; Håkansson and Snehota, 1995).

The concept of relationships compatibility tends to be little developed within the domain of relationships research and this is particularly so in the study of focal business network interactions. However, a number of researchers have identified aspects of compatibility. The importance of relational compatibility in business relationships management has been highlighted by Masciarelli (1998). Sinclair et al (1996) and O'Toole & Donaldson (2000), use the term cultural compatibility to study cultural distance in buyer-seller relationships. The work of Kay (1993) implicitly places emphasis on the importance of compatibility, together with cooperation and coordination, for the development of interfirm business relationships¹. In addition, there have been no empirical studies of relationships compatibility within business triad interactions, Chinese business network interactions, or Hong Kong Chinese-Westerner interactions. In this paper, a construct of relationships compatibility is developed and operationalised utilising the dimensions of competence, distance and continuity as applied by the IMP Group.

¹ Within the study of strategic alliances, compatibility has also been referred to as the degree to which exchange partners share similar goal expectations for the alliance (Spekman & Sawhney, 1990). Swaminathan & Reddy (2000) also stress that goal compatibility, culture compatibility, and complementarity are three important factors of compatibility (Swaminathan & Reddy, 2000).

Competence Factors

Competence can be viewed as an economic dimension of business relationships (Ford, 1997). The reputation a firm holds for its technical and commercial competence provides one important indicator for the assessment of its compatibility. *Technical competence* comprises the buyer's view of the technical skill of a supplier with respect to product performance (Ford, 1984). *Commercial competence* considers such factors as a seller's ability to provide service, sales organisation, deliveries, and delivery information (Ford, 1984). These traditional dimensions of competence are a necessary in any form of buyer-seller exchange. Indeed, prospective partner firms that do not possess the appropriate levels of competence required within potential interfirm interactions "will not even be considered" (Turnbull and Cunningham, 1981, p.27).

Distance Factors

The nature of the distance and closeness that exists in interfirm interactions will reflect the degree of compatibility that exists between the interacting parties (Håkansson, 1982, Ford, 1990). Indeed, the distance that exists within interfirm relationships is regarded as the main determinant why firms prefer to continue to co-exist, rather than develop close interactions (Easton and Araujo, 1992). In this paper, the relationship dimension of distance consists of five elements. They include *social distance*, such as the extent to which the firms are unfamiliar with each others way of working; *geographic distance* which encompasses the physical distance between firms; *time distance*, or the time taken to establish contact, place orders, and the actual transfer of products; *technological distance*, or the differences between each firm's product and process technologies (Ford 1980, 1984, 1990, 1997). The fifth element of distance includes *psychic distance* (Johanson and Wiedersheim-Paul, 1975). Psychic distance encompass differences in culture, language, political systems, and education levels, for example, and how they may disturb the flows of information between buyers and sellers (as defined by Turnbull, 1990) ². Given that different economic cultures may exist in domestic and foreign markets, psychic distance may present problems that may be difficult for foreign firms to hurdle.

² The concept of psychic distance dates back to the work of Beckerman (1956), and his study into the importance of distance in determining patterns of trade in Western Europe. However, the starting point for discussions and research on psychic distance refers to Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975; and Hornell, Vahlne, & Wiedersheim-Paul, 1973 (see O'Grady & Lane, 1996).

Continuity Factors

Continuity can provide firms with the potential to develop their mutual compatibilities (Hallen, 1986; Håkansson and Snehota, 1995). Continuity can be depicted by the length of an interfirm relationship, together with the frequency of transactions that take place between the interacting parties. Continuity is a common factor of strong interfirm relationships (Håkansson, 1982; Hallen, 1986; Easton, 1992). Strong interfirm ties, built up over time, assist the process of interactions between firms and are particularly important for more extensive use of a relationship. Continuity can serve to enhance interfirm compatibility in a number of ways. Relationships built up over time provide for relative stability in interfirm exchange (Håkansson and Snehota, 1995). When continuous interaction leads to mutually benefiting exchange, it enhances the expectation that business dealings may lead to long-term benefits for the parties. When mutuality develops between firms, firms focus on longer term collective goals *vis-à-vis* short term opportunism (Ford et al., 1986). This can also lead to commitment in the form of relationship investments by the parties, which in turn serves to minimise the prospect that parties will seek to gain from acting opportunistically. Environments where firms develop reputations for fair dealing are conducive to the development of interfirm relationships (Kay, 1993).

The research utilises these dimensions to assist the explanation of the nature of compatibility in interactions between Hong Kong Chinese intermediaries and Mainland Chinese sellers and buyers from the West. In particular, the research seeks to explain how the compatibility, which tends to exist in interactions tends to influence the development of relationships between the parties. The methodology utilised in the present research is discussed next.

METHODOLOGY

The present study utilised a case study approach. Specifically, in depth case interviews were used to study underlying causal tendencies or powers to identify generative mechanisms and structures that operate within complex social environments (Bhaskar, 1978; Yin, 1993, 1994; Perry, 1997; Easton, 1998). The case study approach enables the research to focus on the identification and explanation of components of tendencies and structures that operate within open systems, and are "...too complex for the survey or experimental strategies" (Yin, 1994, p.15). Indeed, the case study method has proven to be

useful for the study of interfirm interactions in the Hong Kong business environment (see for example, Redding, 1993; Pyatt, 1995a; Pyatt and Redding, 2000).

Case study research provides for generalisations, for the purposes of theoretical developments as enabled by the research (Yin, 1994; Perry, 1998; Harris and Ghauri, 2000). The present research utilised a multiple case design. The logic underlying the use and choice of multiple case studies rests with concepts of theoretical and literal replication, namely, replication logic (Yin, 1994). Specifically, literal replication occurs when selected cases achieve similar findings under similar conditions, assisting the probability that 'a phenomena' may be found. Theoretical replication occurs when cases being analysed produce "...contrasting results but for predictable reasons" (Yin, 1994, p.46). Alternatively, theoretical replication may also occur when selected cases achieve predicted contradictory outcomes, under conditions of which it is probable that 'a phenomena' will not be found. Where empirical case studies contradict theoretically based prediction, the theory may have to be modified.

Data Collection

This research is a component of a larger study that utilised an interview protocol to guide the collection of data across 23 in-depth case interviews (see Trimarchi, 2002³). Cases were selected using a maximum variation sampling strategy, which provides for the inclusion of extreme cases is appropriate for the analytical purposes of achieving information richness (Patton, 1990, Perry, 1998). This strategy is part of a purposeful sampling approach, in which sample size is based on the spread or representativeness of cases, to achieve information richness (Merriam, 1988; Neuman, 1997). As explained by Patton (1990, p.185),

The validity, meaningfulness, and insights generated from qualitative inquiry have more to do with the information-richness of the cases selected and the observational/analytical capabilities of the researcher than with sample size.

In this study, minimum sample size is based on achieving reasonable coverage of the actors operating within international business triads. As such, the study included twelve case interviews with Hong Kong Chinese intermediaries who deal with both Mainland Chinese sellers and buyers from the West. Four case interviews with Western buyers located in the

³ An interview protocol was developed to provide general rules and procedures for guiding the data collection process (Yin, 1994; Redding, 1993; Perry, 1998) for the main study within the PhD research.

Hong Kong market who deal with Hong Kong Chinese and Mainlanders. Three case interviews with Westerners working in Mainland China joint ventures. One case interview with a Mainland Chinese manager working in a mainland-Westerner joint venture. Three case interviews with Mainland Chinese sellers who deal with Hong Kong intermediaries. This sample therefore included extreme cases that exhibit diverse criteria or characteristics (Patton, 1990; Perry, 1998). All case respondents included in the research were selected using trade directories and also the researchers personal networks in Hong Kong. The twenty three case interviews are embedded units used to analyse the unit of analysis or 'the triad', namely, international business relationships triad interactions between Hong Kong intermediaries, buyers from the West, and sellers from Mainland China.

The sample was therefore collected from selections of similar but not identical relationships. This approach is similar to that used in the original dyadic studies of the IMP Group. It may be argued that it would be preferable to interview the actual buyer, seller, intermediary counterparts to specific relationships, to get complementary data. However, in this study, as with the original IMP studies; "...this may have led to resistance from firms because it could interfere with their business with each other. It would also have entailed exchanging information between countries. This would have breached an undertaking given to respondents that the name of their company and customers or suppliers would not be disclosed by the researchers" (Håkansson, 1982, p.35). Instead, it is possible to analyse similar, although not identical, relationships from a triadic perspective by ensuring similar coverage through the use of an interview protocol, mentioned earlier.

The participants chosen to be interviewed included managers who had 'first hand' experiences of interacting within the relationships. Similar to the original IMP studies, respondents also had "intimate knowledge of the company's organization and strategy from a top management perspective" (Håkansson, 1982, p.39). All Hong Kong intermediaries included in the main study were experienced in dealing with Mainlanders and Westerners. All Westerners interviewed were experienced in dealing with both Mainland sellers and Hong Kong intermediaries. All mainlanders interviewed were experienced in dealing with Hong Kong Chinese and Westerners. The experience of participants resulted in the collection of data that provided rich descriptions of elements of interactions within international business relationships triads.

Data analysis

The data analysis involved two distinct stages⁴. The first stage included ‘within case’ data reduction and coding which assisted to select, focus, simplify, abstract, and transform the data. This ‘within case’ analysis, also termed ‘first level’ pattern matching (Yin, 1994), was guided by coding the data within the dimensions of compatibility identified earlier in the paper. Data were therefore specifically linked to the construct dimensions by comparing predicted patterns of the dimensions with empirical based patterns.

In the second stage, the data were triangulated across case interviews to draw out the themes of interactions between Hong Kong intermediaries and buyers from the West, and sellers from Mainland China. This provided for a deeper understanding of the data by applying an advanced form of pattern matching, termed explanation building (Yin, 1994). Explanation building includes the comparison of patterns of explanations found in the single cases, by following the “...replication mode for multiple cases” (Yin, 1994, p.120). Explanation is achieved through establishing causal links through narrative forms of written or spoken accounts (Miles and Huberman, 1994), that provide critical links or insights into interfirm relationships operating within triads. That is, gradually building an explanation to “...entertain other *plausible or rival expectations*” (Yin, 1994, p.111).

Within the analysis, quotations from case study transcripts are utilised to provide supporting evidence, representing ‘thick descriptions’ that capture the insider’s perspective of reality (Denzin, 1989; Fetterman, 1989; Yin, 1994). On the advice of a number of experts in the field, and also a number of respondents included in the initial pilot study, case data was collected using hand written notes. However, cross-cultural interviews are always subject to miscommunications (Patton, 1990). In the case of transcribing hand written interviews, there is also a tendency “to ‘tidy up’ messy features of natural conversation” (Silverman, 1993, p.117). Indeed, although interviews were conducted in English, a number of Mainland Chinese participants did not speak fluent English, and most of the Hong Kong Chinese interviewed were fluent in English, only to varying degrees (see Redding, 1993). Consequently, in this study, quotes include words inserted within brackets to correct for poor English on the part of the interviewee, and/or to correct for a transcription error. Such inclusions were reviewed by three senior academics, to maintain credibility within the analysis.

⁴ As suggested by Miles & Huberman, 1994; Taylor & Bogdan, 1998.

RESULTS

In this section, the findings from the data analysis are presented in summary form. Specifically, findings for the nature of compatibility dimensions are identified with respect to their contribution for the development of relationships within business triad interactions. Table 1 presents a summary of how actors view the influence of compatibility dimensions on triadic relationships between Hong Kong intermediaries (HKI) and Mainland China sellers (MCS) and buyers from the West (WB).

Table 1. The Influence of Compatibility Dimensions on Relationships

HKI dealing with: Relationship contribution	MCS			WB		
	High/Pos	Moderate	Low/Neg	High/Pos.	Moderate	Low/Neg.
Dimensions of compatibility						
1. Technical competence						
2. Commercial competence						
3. Technological distance						
4. Commercial distance						
5. Time distance: Transfer products						
6. Communications						
7. Psychic distance: Language						
8. Culture						
9. Education						
10. Legal						
11. Political						
12. Social distance						
13. Geographic distance						
14. Average relationship length						
15. HKI dealings with WB & MCS						
16. HKI access info. from WB & MCS						
17. WB & MCS contact HKI						
18. HKI contacts WB & MCS						

The analysis utilises ‘positive’ and ‘negative’ relationship connections to identify positive and negative features for relationship development (see Cook and Emerson, 1984; Johanson and Mattsson, 1992; Ford et al., 1998). For example, competitive associations, *vis-à-vis* relational associations, should be negative (Blankenburg and Johanson, 1992; Hertz, 1992).

Within Table 1, positive factors are identified as high for the development of relationships, negative factors are identified as low for the development of relationships and factors that fall in between are identified as moderate for the development of relationships. Table 1 is linked to the explanations of the summary findings by referring to the number of the relevant row.

Interactions with Mainland Sellers (MCS)

Within the analysis it was found that although MCS tend to exhibit moderate to high levels of technical competence, technical distance tends to be high to moderate. Such factors also tend to require HKI to supply and/or identify appropriate raw materials for MCS. As explained in Case H⁵1 (p.2):

It is difficult to explain to them how to make the items. They don't follow the instruction of the customer. They misunderstand; he thinks he is doing the right thing – he just does not understand.

MCS also tend to exhibit low commercial competence and high commercial distance. The concept of *commercial distance* is identified in this research. It is defined as the differences between each firm's understanding when dealing with such factors as required service, sales organisation, deliveries, and delivery information. Commercial distance is in part a legacy of the mainland's recent experience of operating as a command economy, which did not require MCS to comply to commercial efficiency criteria indicative of competitive markets. As explained in Case W19 (p.4):

Central planning process does not recognise efficiency requirements – they have too many employees. (Their) (k)nowledge of product, price and financial sense is quite limited.

As such, commercial competence, technical distance, and commercial distance factors tend to have a negative impact for relationships development (Rows 2-4). Although technical competence tends to be moderate to high, the negative impact from technical distance, together with the findings for commercial factors, tends to moderate the effect of this factor for relationships development (Row 1).

Interactions with MCS also tend to exhibit low to moderate distance in the 'time it takes to transfer products'. Time distance was greater when dealing with factories outside Southern Provinces of Mainland China, which lacked the appropriate transport infrastructure. On the other hand, time distance tends to be high to moderate with respect to the 'time it takes to communicate' with MCS. Indeed, Mainland China suffers from a lack of telecom infrastructure, which tends not to be limited to remote areas. As explained in Case H4 (p.1):

⁵ The reader should note that 'H', and in this case H1, refers to a Hong Kong Chinese respondent; 'C' refers to a mainland Chinese respondent; and 'W' refers to a Westerner respondent.

Phone is more convenient (however) it is difficult. You try several times and the line is busy. Phone system is not that good; it is not very sophisticated.

As such although the compatibility factor of time it takes to transfer products tends to be moderate for relationships development, the time it takes to communicate tends to be a negative factor for relationships development (Rows 5 and 6).

Psychic distance factors tend also to be great in MCS-HKI interactions. Interactions are subject to high to moderate differences in culture, education, political, and legal factors. Cultural differences tend to exist because the society of the Mainlanders is vastly different to that of the Hong Kong Chinese and this is reflected in their business practices that are based on authoritarian rule. As explained within two cases:

They don't like foreigners, and you are regarded as a foreigner. So they will keep family away from you...(I prefer) to stick close with (my) network (H4, p.4). In Hong Kong doesn't matter who you are, they look at what you spend...in (mainland) China, they look at your position; a different culture, different lifestyle (H12, p.1).

Language also presents moderate to low distance problems, because speaking Mandarin and understanding Mandarin, as spoken by the Mainlanders, can be two very different things. The cultural and societal beliefs of Mainland Chinese people also tend to hold back the ability of actors to re-educate the more mature workers. When asked about the ability to train MCS, Case W18 (p.1) explained:

“(I don't) know whether they have the will that's necessary”.

Culture (and psychic distance factors in general) tends to be less of a problem for HKI that have emigrated from Mainland China within the last ten years.

Mainlanders also continue to witness many changes in the political and legal direction of their country, and this continued change has led to a lack of confidence in the political system. As explained in Case C23 (p.1):

They are afraid, they are holding back, they are uncertain of the future, they never take the initiative, and (have) no faith in the system at all levels. Political control has been in a constant change in direction ...No fundamental direction, like the West, for people to follow and gain confidence in the system...Although successful, only (approximately) fifty per cent of the people fit into the environment.

Also, although there are industry standards in place, the system lacks regulatory bodies that follow through on the implementation of standards. As explained in Case W16 (p.1):

Standards in Mainland China are equivalent to written standards (in the West), but its not applied because there are 'no' regulating bodies in Mainland China. There are some infant bodies, but moving slowly...In the West we have technical people all along the line...we have standards to follow and common practices in the West through regulatory bodies – we require it.

As such, psychic distance factors (apart from language) tend to have a negative impact for relationships development between HKI and MCS (Rows 7-11).

Social distance with MCS also tends to be significant because there are vast differences between the business and social settings of the Hong Kong Chinese and Mainlanders. As explained in Case H2 (p.4):

Their society is quite different from the Western world. (I am) Chinese and (I do not) understand (mainland) Chinese business people very well. Their society, their life – I try to understand more because this is very helpful in doing business in China.

Social distance therefore tends to have a negative impact for relationships development (Row 12). The affects of geographic distance tend to be dependent upon the location of the MCS factory. Respondents were divided about the affects of geographic distance. It is less of a problem when dealing with factories located in economic zones vis-à-vis more remote areas of China (Row 13).

The results for continuity factors indicated that interactions with MCS had been taking place for greater than ten years. In four cases relationships were greater than 19 years. The frequency of interactions also tends to be high. Although continuity of interactions tends to be high, distance and competence problems continue to exist, which tends to moderate the effect of continuity factors for relationships development (Rows 14-18). In summary, overall, relationships compatibility tends to be low in MCS-HKI interactions. Interestingly, most case respondents also indicated that they only moderately liked doing business with the Mainlanders.

Interactions with Buyers from the West (WB)

In interactions with WB, it was found that technical and commercial competencies tend to be high and technical and commercial distances tend to be low. WB also tend to demand high levels of technical and commercial competencies in interactions. Such results tend to

lead to high compatibility in interactions between HKI and WB, and therefore have a positive impact for relationships development in HKI-WB interactions (Rows 1-4). The study also found that the psychic distance elements of language, political, legal, and education factors (and not culture, which is discussed below), all tended to be low in interactions with WB, and also tended to have a positive impact for relationships development (Rows 1, 9-11).

The time distance factor of 'time it takes to transfer products' is low to moderate. Although problems tend to exist in the time it takes to get goods from MCS, once the goods arrive in Hong Kong, there are few problems getting the goods off to the WB. On the other hand, the 'time taken to establish contact' and make orders tends to cause high to moderate difficulties in interactions. Respondents explained that WB tend not to be willing to maintain fluid communications with HKI. WB are sometimes slow to communicate their needs with respect to orders and their purchase decisions. WB also exhibit a tendency to 'hold back' information, 'play the market' and take their time to return communications to HKI. WB can also be difficult to deal with when working through problems, and respondents explained that this was a reflection of their culture. Indeed, in such circumstances, there was a tendency to view WB as competitive or individualistic and difficult people to deal with. As explained by Case H12 (p.3):

Our culture is different with West. It is the function of Hong Kong people to overcome their problem, (even) if they can't...you make your customer happy, you understand what he likes in a short time, and then you make him happy.

Respondents also indicated that their lack of understanding of a Westerners' culture factors tends to contribute to this culture distance in HKI-WB interactions. As explained in Case H11 (p.4):

We are not born in (the West); we do not understand their history. Their history will influence the way they think; the things they do. We need to understand them to respond to some requests based on changes.

Social distance also tends to present moderate to high difficulties in interactions. HKI tend to be uneasy with a number of elements of WB interactions. This includes WB lack of mutual orientation in interactions and also their lack of understanding of HKI business problems. As exhibited by explanations from a HKI and a WB located in the Hong Kong market:

Relationships with West are not the same tone (as in Hong Kong). Buyers are trying to get as many customers as possible, and (therefore) focus is a little more on price than on relationship (H3, p.2). Westerners think they can come in and change things and get on with it, but they are living in fantasy land – they don't realise the problems and how difficult the process is (W14, p.2).

Geographic distance also tends to cause high to moderate problems in interactions because it can reduce the amount of face-to-face contact with WB. This in turn tends to reduce the ability of HKI to increase their understanding of buyers and also tends to limit the WB ability to learn and understand the HKI market.

Although such distance factors exist in interactions between HKI and WB, HKI tend to be accommodating for such moderate to high difficulties. Indeed, all case respondents indicated that they had a high liking for doing business with WB. The results for these distance factors of time, geographic, social, and culture, therefore, tend to moderate their contribution for relationships development (Rows, 5, 6, 8, 12, and 13).

Results for continuity factors indicate that interactions with WB had been taking place for greater than ten years and in four cases they were greater than 20 years (of which three were greater than 30 years). The frequency of interactions also tends to be high. Given the encouraging results for competence and distance factors, continuity factors tend to have a degree of positive impact for relationships development in HKI-WB interactions (Rows 14-18). In summary, although the findings for geographic, social, and culture distances may tend to have a moderate impact for relationships development, overall compatibility tends to be high to moderate in WB-HKI interactions.

CONCLUSIONS

The present research provides a number of contributions. Previous IMP empirical research has not attempted to explicitly study relationships compatibility in triadic or focal business network interactions, between buyers and sellers, or intermediaries. Previous studies also have not focused on the nature of competence, distance, and continuity factors that exist in Chinese business network interactions. The interactions studied here included Mainland Chinese, Hong Kong Chinese and Western actors. The research found that the construct of relationships compatibility is an important construct for the analysis of the nature of the focal network relationships between these actors. Indeed, the combined application of the IMP dimensions of distance, continuity and competence, provided useful insights to

evaluate the relationships compatibility in triadic interactions between Hong Kong intermediaries and Mainland Chinese sellers, and buyers from the West.

The research found that, overall, relationships compatibility tends to be low in interactions between Mainland sellers and Hong Kong intermediaries. As such, the overpowering sense of being Chinese, which tends to unite Chinese people in Hong Kong, does not tend to extend to interactions between Mainland sellers and Hong Kong intermediaries. Indeed, deep rooted psychic and social distance factors tend to exist between Mainland sellers and Hong Kong intermediaries. The ongoing competence problems exhibited by the Mainlanders also tend to hinder relationships development. Although continuity in interactions tends to be high, the distance and competence problems continue to exist in relationships that are greater than 19 years old. Such results assist to explain why the influence of personalism and the Confucian ethos has been overstated in interactions between Mainland Chinese and overseas Chinese actors, such as the Hong Kong Chinese (Lever-Tracy et al., 1996; Li, 2000; Chan and Ng, 2000). Indeed, the research identifies that economic forces, rather than cultural ties or personal connections, tend to be driving interactions between Hong Kong intermediaries and Mainland sellers.

The research also found that, overall, relationships compatibility tends to high to moderate in interactions between Hong Kong intermediaries and buyers from the West. Relationships between buyers from the West and Hong Kong intermediaries tend to experience high levels of continuity and competence and low levels of psychic distance (excluding culture distance). Such positive factors tend to moderate the effects that moderate to high levels of time, geographic, culture and social distance, have on relationships development. Indeed, all HKI respondents indicated they had a high liking for doing business with WB. The findings here also support the suggestion that the high levels of opportunism exhibited by Westerners does not appear to hinder the development of ongoing Hong Kong-Westerner interactions (Pyatt, 1999). Given these results for relationship compatibility, interactions between buyers from the West and Hong Kong intermediaries present the opportunity to develop quality relationships for participation in the Hong Kong business environment that increasingly includes Mainland China.

As mentioned earlier, Westerners tend to find it difficult to do business in Chinese and/or Asian market environments (Davies et al., 1995; Thompson, 1996; Lovett, et al., 1999). There is also an expectation that foreign market participants should work at understanding

how various Asian business markets operate (Shoveller, 1999; Lovett, et al., 1999). Such factors place emphasis on Westerners to develop an understanding of how to develop and manage their relationships with Chinese business actors (Redding, 1996, 1997; Roberts and Petersen, 2000; Gipouloux 2000). Indeed, Western buyer firms that wish to participate in Chinese business networks that operate in the Hong Kong market, face a number of challenges. When dealing with Hong Kong intermediaries, Western firms that are able to reduce elements of culture, social, time, and geographic distances, will enhance relationships compatibility. However, buyers from the West tend to exhibit a lack of mutual orientation in interactions. This includes the tendency of buyers to be competitive or individualistic in interactions and practice opportunistic behaviour. Such facets of relationships are experienced within interfirm communications and working through problems for example. Such factors are exacerbated by the perceived lack of understanding which buyers tend to have, of the business problems faced by the Hong Kong Chinese, including an appreciation for difficulties faced by intermediaries when sourcing products from Mainland China factories. Western buyers that wish to develop a mutual orientation with the Hong Kong Chinese, in an attempt to enhance their network positions, will need to focus on these factors.

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