



Lost in Guanxi

How a Western company should use Relationship Marketing and/or Guanxi in China

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Abstract

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Title: Lost in Guanxi – How a Western company should use Relationship Marketing and/or Guanxi in China

Purpose: To describe the Relationship Marketing and Guanxi practices of a western company in China, and to create an understanding regarding the interconnection of Guanxi and Relationship Marketing as the foundation of such practices.

Method: The research is qualitative with an inductive relation between theory and the empirical findings. With the research design of a case study of the western business-to-business service company ChinaNetCloud. The empirical material was collected through five semi-structured interviews done in China, with influencing persons of the case study organization ChinaNetCloud.

Conclusion: Guanxi should be used to facilitate things and should not be established with anyone. To establish relationships are taking more time and will require many activities to maintain them. Relationship Marketing should be used to target other targets than the bases for Guanxi. The relationship are in China based on already existing connections and it is important that the western company is aware of that the relationship are in some cases of more importance than the product or service. Face-to-face meeting should be used in order to establish relationships in the best way. Trust and commitment are also important dimensions in the relationships. A western company should use Guanxi and Relationship Marketing since it is important for both survival and success in China.

Keywords: Guanxi, Relationship Marketing, Relationship Marketing practices, Relationship Marketing targets, Service industry, B2B, Relationship building, Trust, Culture, China

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China is the big country we all have heard a lot about, the culture, the 1.3 billion population, the huge cities with enormous skyscrapers, the economic growth with the opportunities for doing business etc. These opportunities is something that is tempting for western countries to take the step and try to get a part of the tremendous markets and the demands for all kinds of services and goods. So as I spend one year both working and studying in China I have seen a part of these business opportunities but also seen how difficult it can be to understand the culture in China. This was also why I decided to do this research in China, just to create a deeper understanding of how to be successful in this context. The process of doing research in Shanghai with almost 20 million citizens, have been interesting, challenging, inspiring and an exciting process. Overall it has been an experience that I will never forget. I have a many important persons that I would like to thank. To start with I want to thank Professor Mosad Zineldin for supporting my decision to go my on way and do this research both alone and in China. I would like to thank all of the respondents: Steve Musher, James Eron, Jennifer Peterson, George Sheng and Tim Lee for sharing their knowledge and taking their time to let me interview them. Thanks to all of my friends and colleagues in Shanghai for giving me energy and motivation in challenging periods of the process. Thanks to my family for unconditional support and for being a great source of ideas. I also want to thank my tutor Frederic Bill for giving me advices and guidance over Skype during the whole process.

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1. Introduction

This section is presenting the background of the research field as a base for the problem discussion that will lead into the problem formulation. Also the purpose that will lead the whole research is presented in the end of this section.

1.1 Background

Relationship Marketing is according to Zineldin & Philipson (2007) one of the oldest approaches within the field of marketing. The approach has since the 1990's gained much attention from both academics and practitioners, certainly in Business-to-business marketing (Wang, 2007). The increased attention is due to today's globalization and increasing competition among companies. Valuing and building relationships with customers in order to make them loyal are of more importance since it will have a positive influence on the companies profit in the long-term (Theron & Terblanche, 2010). Even though Relationship Marketing is not clearly defined as a concept it is an integrative activity that involves the whole organizations with focus on building and maintaining relations overtime (Zineldin, 2000). Relationship Marketing has the aim to create relationships to clients right from the start in order to maintain and make already existing customers satisfied, this in contrast to Transactional Marketing that focuses on sales and finding new customers (Zineldin & Philipson, 2007). Relationship Marketing was first defined as: "Attracting, maintaining and – in multi service organizations – enhancing customer relations" (Berry, 1983 in Theron & Terblanche 2010:385). Grönroos (1994) as in Theron & Terblanche (2010:223) described that the aim with Relationship Marketing is to "identify and establish, maintain and enhance and, where necessarily terminate, relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met; and this is done by mutual exchange and fulfillment of promises". Overall Relationship Marketing is having the focus on attracting, developing and maintaining long-term customer relationships (Buttler, 1996) and the core is personal relations, interactions and social exchange (Zineldin, 2000). In the relationships both of the parties that are involved have knowledge and also experience and beliefs about how the other part will behave. This exchanging is also influenced by the communications process, and that the ability of the

organization to manage these relationships will have a significant impact on how the competitive it will be and the overall success. Because of this Relationship Marketing is of great importance (Harker & Egan, 2006).

China's population is estimated to reach 1.5 billion by 2030 (China Daily, 2011). In China everything happens with a great speed and the economic growth is so fast that it is hard to keep up with the pace (Song, 2010). China has in recent years showed an incredible economic growth in GDP that shows to be more than 9 percent per year. Together with India, China is the fastest growing market in the world, and also the most popular markets for foreign entry. Some recent forecasts say that already by year 2050 China will be the leading economy of the world, followed by US and India (Johnson & Tellis, 2008). The Chinese market has gone from being a plan economy to a market economy, driven by factors like customer satisfaction, profit and market share. During a while China could be considered as the factory of the world, but lately there is also a view of that the Chinese market soon is going to be considered the prior marketplace of the world (Marketing in China, 2011). Because of this promising market of economic growth, many firms come to China for both survival and opportunity (Johnson & Tellis 2008). As an example out of Fortune 500 companies, 400 of them have entered China (Johnson & Tellis 2008). While Western companies are entering the Chinese market, the relationships that these businesspersons have with all their stakeholders have never been more critical (Bradley et. al, 2010). Since the Chinese market are becoming popular for Western companies the Western style of marketing is also being used by both Chinese and Foreign companies. In Shanghai for example there are everyday events held and sponsored by western companies in order to find local customers and to build relationships to them. At these events companies come with the aim to build relationships to important stakeholders and Chinese representatives (Business Week, 2007). In order to grab the opportunities of the economic growth in China it is important that the foreigners that enter China are aware of this and as a result try to connect with as many Chinese as possible. This since it will make the development of the business in China go smoother (Saxon, 2006).

Barnes et. al (2011) mention that since because of the globalization and the rapid economic development in China, relationships with and between Chinese parties are

getting more attention in the west. In addition to the increasing interest of Relationship Marketing and its importance in the West is according to Wong (1998) and Shou et. al (2010) also including the interest of relations in China, and with that the concept of Guanxi. Wang, (2007) mentions that Guanxi is studied more since there is a growing interest of how to do business in China. Also Fu et al (2006) mentions that the increasing interest in Guanxi and its complex network is connected to that more western companies are doing business in China. Guanxi has even been considered by some to be the Chinese equivalent to relationship marketing, while some prefer to still make a distinction and refer to Guanxi as business networking (Wang, 2007). In China relationships are of a great importance and China is a so-called relationship oriented country and a high-context culture and the relationships are more intense and of a long-term (Barnes et. al, 2011, Saxon, 2006). According to Fu et. al (2006) interpersonal relationships are something that exist in every culture but is in the Chinese society unique. Saxon (2006) mentions that personal relationships are central of the Chinese society, including business relationships (Saxon, 2006). Guanxi is the Chinese word for interpersonal relationships or connections and is considered as crucial to understand when doing business in China (Shou et. al., 2010, Vanhonacker, 2004, Zhu & Zhang, 2007). Guanxi “facilitates economic transactions by providing pooled resources, tacit knowledge, and joint solutions to joint problems” (Shou et. al 2010:503). Guanxi can also strengthen the cooperation between the companies, thorough sharing the trust and information (Shou et. al., 2010). In contrast to Relationship Marketing, Guanxi is the term for the social network in the context of China, and it can be very beneficial in terms of leveraging connections with partner organizations, opening doors and get access to resources that otherwise would not be available (Barnes et. al, 2011). Chinese people often use their Guanxi relationships in order to make their lives better. They often use relationships for getting jobs; favors, information and they often succeed (Saxon, 2006).

1.2 Problem Discussion

The globalization and the recent rapid economic growth are attracting many western companies to do business in China (International business times, 2011). The opportunities that have been presented lately are getting more difficult for Western companies to ignore. This since China is a huge market and also is expected to be an

engine of the global economic growth already in the next decade (Harrison & Hedley, 2010). When entering China it is important to consider that it is neither easy nor rapid. However, if a plan is well created there is a way that the market opportunities and the success can be near (International business times, 2011). Lately it is shown that Western companies that are coming to China are trying to change their global strategies more for the Chinese markets since it is now known to be much different from the western. Also Chinese companies are getting more sophisticated and having higher expectations for the quality (Harrison & Hedley, 2010). Since the demand for western goods are increasing in China, western companies are trying to find a way to crack the code to access the huge market opportunity that the Chinese market gives access to (Business week, 2011). The strengths of the Chinese companies are that they have an understanding of their target markets and years of observing foreign (Chen & Penhirin, 2004). The competition is increasing so the main issue is how to understand the Chinese markets and how to best sell the product or service to the western companies target markets in China (Harrison & Hedley, 2010).

According to Arnold & Bianchi (2001) Relationship Marketing should be used according to what kind of customer the company approaches. This shows that there could be a need for distinguishing the consumers depending on how the Relationship Marketing should be driven in order to be beneficial for both parts and giving the company competitive advantage. In addition it is found by Arnold & Bianchi (2001) that certain customers are more likely to be relationally engaged and therefore will more likely be engaged in a relationship with a marketer and the company. One of the most important considerations when it comes to the building of relationships is the culture. Depending on the culture the willingness to build relationships is different (Arnold & Bianchi, 2001). China is known to be a high-context culture and a country where relationships are in focus, not only the personal relationships but also business relationships (Saxon, 2006). Since Relationship Marketing is developed in western countries and primarily in the US, there is a possibility that the theory should be used in a different way according to the culture context. It is showed that a culture affects how different users react on marketing activities, therefore it is suggested to consider how the marketing practices developed in the west could be transferred (Arnold & Bianchi, 2001). Wang (2007) mentions that some of the Relationship Marketing principles are key considerations for

the success of businesses in China, however Chinese culture is unique, so a transfer of the western marketing principles into China is questionable. So as we know that most of the marketing practices are developed in Western countries and therefore maybe used in other ways in other countries depending on culture and business climate. Relationship Marketing in China might be practiced in another way depending on the cultural differences with relationship commitment. Therefore western companies, establishing their business in China, need to have an understanding of how the practice of relationship marketing is different depending on the culture we belong to.

Since the marketing practice has been evolving during the 20th century it is now found that the customers are main decider of business and the focus have moved from getting revenues from quick deals (Sunetra, 2009). According to Sorce (2002) customer satisfaction has been in the focus of the marketing theories and activities during the latest decades, but it is now found that even a satisfied customer easily change to other brands. Sunetra (2009) also mentions that customer satisfaction is not any longer a promise to get the customer to stay, and therefore a stronger commitment to the company is needed. So even though a company has satisfied customers they still need something extra that makes the customers committed. Sorce (2002) mentions that this commitment can be created through establish and maintaining long-term relationships with customers. According to Lane et al. (2006) Chinese are overwhelmed with brands and their messages everyday, and in China you see neon signs with commercial messages everywhere you go. This is a problem for marketers of how to find a way to keep the Chinese customers loyal and keep them in the long-term. In addition Chinese are often seen to change their minds in the last minute, often because they are responding to sales offer or suggestions from the salesperson (Lane et. al, 2006). There is now an increasing understanding of that relationship building and maintaining is the way to gain competitive advantage (Sunetra, 2009, Theron & Terblanche, 2010).

Guanxi as the way of building relationship are crucial for the companies operating in China and on the other side Relationship Marketing do share some basic characteristics. These are that they are based on mutual understanding, the long-term focus and cooperative behavior, but the two different concepts are also different from each other (Wang, 2007). Since Guanxi is such a big part of the Chinese society, western companies

that are doing business in China must have an understanding for the concept since this is going to be a help in building the long-term success, minimizing the risk and disappointments (Ai, 2006, Vanhonacker, 2004). Since both Relationship Marketing and Guanxi are receiving more attention, and that the Chinese market is of more interest due to the rapid economic growth, researches need to be done how a western marketing concept is used in another this high context culture.

1.3 Problem formulation

How should a western company use Relationship Marketing and/or Guanxi in China and in what extent is the use of Relationship Marketing and/or Guanxi important for the success of a western company in China?

1.4 Purpose

The purpose of this paper is to describe the Relationship Marketing and Guanxi practices of a western company in China, and to create an understanding regarding the interconnection of Guanxi and Relationship Marketing as the foundation of such practices.

1.5 Delimitations

In this research the field of Relationship Marketing in its practice is studied with the focus on one western company doing business in China. The research is limited to regard one case study of a western companies within the service industry. This company is a business-to-business. Here this company is seen to be western in that sense since the company's both owners are American and are having strong positions in the company.

2. Method

In this section the different scientific research methods are explained with arguments for the chosen methods for this research. The aim is to describe the decisions of methods in order to achieve the purpose in the best way.

2.1 Scientific Approach

According to Bryman & Bell (2005) deductive theory represents the most used one, as the way to describe the relationship between theory and empirical material. Typically the deductive theory is connected with quantitative research, where the theory verification is engaged with hypotheses that are set up and later confirmed or rejected (Hartas, 2010). The deductive process is logical and has a linear order and the theory and the hypotheses make the basis for how the empirical material is collected (Bryman & Bell, 2005). Another way to describe the relationship between theory and empirical data is through the inductive theory. Here the theory is the result of the research (Bryman & Bell, 2005). Inductive theory is often used within qualitative research and here one thing leads to another (Hartas, 2010, Lichtman, 2010). Hartas (2010) describes inductive research as where the theory is emerging from the data. Here the reality is the base of the study where the researcher is trying to find patterns. This further means that the researcher is giving generalizing conclusions based on observations (Björklund & Paulsson, 2003). In a broad comparison the deductive theory can be described: Theory → Observations/Results and the inductive theory is Observations → Theory. Both types are though considered to contain one and another (Bryman & Bell, 2005). There is further one other way to do research; this is when going back and forth between the different levels during the research, this is called Abduction (Björklund & Paulsson, 2003).

This research is inductive in that meaning that the base for the study is the area of interest, how relationship building is done in China. Therefore, for this research the reality that is collected through the empirical data is the base for the study that will be summarized together with the theory chosen. Further the purpose is to get a deeper

understanding of the area studied and this is suitable with the inductive research method, as the research will give generalizing conclusion based on the empirical data. With that said the deductive process is not used in this research, also abduction were not suitable for this research.

2.2 Epistemological Considerations

Epistemological considerations are a taking an important part when it comes to research strategy (Bryman & Bell, 2005). Epistemology is according to Hartas (2010) the philosophy of knowledge that is the thoughts regarding the specific beliefs about the nature o knowledge. Bryman & Bell (2005) describe that the epistemological issue is handling whether what knowledge that should be considered as acceptable within a discipline. The question how the social reality could be studied with the same methods, principles as the natural sciences is a central consideration (Bryman & Bell, 2005). There are two different views of knowledge according to Bryman & Bell (2005): positivism and interpretivism.

According to Bryman & Bell (2005) positivism is a view that shows the importance of following the natural sciences. Harter (2010) describes positivism as were the knowledge can be obtained from observing a phenomena. In addition Bryman & Bell (2005) mention that positivism includes both deductive and inductive approaches. Positivism makes a quite clear distinction between theory and research, here the role of research is to test the theories and be a source of producing material that will develop rules. These connections between theory and research show that it could be possible to collect observations that are not influenced by already existing theories (Bryman & Bell, 2005). Lichtman (2010) describes positivism as a view that except an objective reality. Further the positivism is explained by Björklund & Paulsson (2003) to be a cumulative process where new knowledge is added to old knowledge. The researcher is an observer with no what so ever influence on the study, this makes it possible for another researcher to do the research and get the same result (Björklund & Paulsson, 2003). Positivism is in short: it is only through observation, experimentation, comparison a phenomenon can be understood, reality is independent from human experience, research is value-free (Harter, 2010).

Bryman & Bell (2005) mention that the alternative to positivism is interpretivism, and is a view that collects the writers that criticized the idea of an application of the scientific model to the social world. This view is centered on understanding, interpreting and based on the thoughts that a strategy needs to respect the differences between all objects of natural sciences and people. Therefore this consideration needs the social scientist to add the subjective meaning to the social actions (Bryman & Bell, 2005). So here the observer cannot be distinguished from the area of research and the knowledge is created through the creating of understanding not through observations and verification. The phenomenon is studied with considerations to the surrounding environment (Björklund & Paulsson, 2003). In addition Lichtman (2010) mentions that positivism is connected to quantitative research while interpretivism is connected to qualitative research.

This research is written with Interpretative considerations, with the perspective that sees the differences between the natural science objects and people. Also in this research the subjective meanings are added to the social actions that are studied. The result of the study was generated through both interpretation and analysis of the empirical and theoretical material. In addition this research is inductive and that is as well as interpretivism connected with the qualitative research method. Since the research was done with the purpose of create an understanding of the research field, the focus is not on verification of hypotheses and therefore the positivism was rejected.

2.3 Ontological Considerations

Ontology is the science about the relations of the kinds of the objects, properties in every reality and ontology seeks explanations of entities (Hartas, 2010). Here the considerations are according to Bryman & Bell (2005) regarding the nature of social entities. Ontological considerations are mainly about the question whether social entities can be considered as objective entities that are having a reality that is external to social actors, or if they are built up from perceptions and actions by social actors and thus should be considered as social constructions (Bryman & Bell, 2005). According to Björklund & Paulsson (2003) the nature science is traditionally describing the reality

with an objective view, this view is lacking within the social sciences. These two views of ontological considerations are called objectivism and constructionism (Bryman & Bell, 2005). Further argued is that the view of the world that the researcher has, can be influenced by the background of the researcher, but also what the researcher is studying and the problem within the area of interest (Björklund & Paulsson, 2003).

Bryman & Bell (2005) describe objectivism as the thought of those social phenomena that we are meeting are external facts and is out of our reach. With that said social phenomena are independent of social actors. One alternative position to objectivism is constructionism, here social phenomena together with its meaning are continuously being accomplished by the social actors. Further it is known that social phenomena will not only be produced within social interactions it is also considered to be in constant revision (Bryman & Bell, 2005).

In this research the view is that the social actors are a part of the social phenomena. The view within this research is that within the research field the social actors are actually affecting the phenomena studied. In addition the view within this study is that the humans are separated from the objects of nature science and also the social entities and phenomena are in always in revision. So this research has the constructionism view and the objectivism were rejected.

2.4 Competing Paradigms

In order to have an understanding for the epistemological and ontological considerations it is important to consider the so-called four competing paradigms. These four paradigms are functionalistic, interpretive, radical humanistic and radical structural. The functionalistic is a study that focuses on problem solving that are leading to rational explanations (Bryman & Bell, 2005). In the interpretative paradigm, the understanding has to be based on the experiences of the persons working in the organization. This since this view is based on questions that considers if the organizations itself exist in addition to the perceptions that the social actors are having. The third paradigm mentioned is the radical humanistic, in this view the organization is something that the actors need to get away from, the organization is a social

arrangement. Here that that there is a need for change drives the research. Finally, the fourth paradigm radical structural, is where the study of the organization is seen to be the result of the power relations that are resulting in conflicts (Bryman & Bell, 2005).

In this research the view is based on the interpretative paradigm since it this research is having the view that the organization can be understood through the persons in the organizations that are studied.

2.5 Research Strategy

According to Bryman & Bell (2005), there are two different research strategies: quantitative and qualitative. On the surface it is found that there is a small difference between the two strategies other than that in qualitative research the researchers employs measurements and researchers with the qualitative strategy do not (Bryman & Bell, 2005). Quantitative studies are due to Björklund & Paulsson (2003) studies that including information that the researcher can measure and qualitative studies are often used when the researcher is trying to get an deeper understanding within a certain field, situation or event. Also mentioned by Norman & Lincoln (2011) is that quantitative studies in contrast to qualitative, focus on measurements and analysis of casual relationships between the variables and are not having the focus on processes. Bryman & Bell (2005) argue that the differences are deeper than only the presence of quantification. They believe that more differences are found in the epistemological foundations and in other aspects. The quantitative research is seen by the authors to have a deductive approach when it comes to the relation between the theory and research, and the focus is to test the theories. The strategy takes the practices and norms of the scientific model and also of positivism (Bryman & Bell, 2005).

On the contrary there is the qualitative research method that has focus on words instead of numbers in the collection and analysis of data. Also this research strategy has an inductive approach when it comes to the theory and research relationship, here focus lies on the generation of theories (Bryman & Bell, 2005). Marshall & Rossman (2011) argues that in general qualitative researches are enacted in natural setting, have focus on the context, fundamentally interpretative and view social worlds as holistic and

complex. Norman & Lincoln (2011) mention that qualitative studies have focus on the quality of entities and, processes and meanings, those are not experimentally examined or measured. Bryman & Bell (2005) argues that the qualitative approach have the view of that the social reality is something that constantly is emerging of the individuals creation. Also it is known that interview and observations are more suitable for the qualitative research while it is considered that if the study consists of mathematical models or questionnaires the research strategy chosen should be quantitative (Björklund & Paulsson, 2003). Jacobsen (2002) and Björklund & Paulsson (2003) argues that qualitative research is suitable when the research aim to get a deeper understanding within a certain field and also when you want to get a nuanced description of the field.

This study is done with the qualitative research strategy. This since the purpose of the study was to create an understanding of the research field and with that said this study was seeking to create more understanding for a research field that is already studied and also to get a more nuanced description of the field. In addition this research is inductive, which is connected to the qualitative research method. Further as mentioned before this study has the view of the interpretive perspective and constructionist view. These epistemological and ontological views are connected with the qualitative research methods. Also the research field was studied with observations through interviews, which also is connected with the quantitative research and therefore the qualitative research strategy was not used.

2.6 Research Design

The research design is according to Bryman & Bell (2005) giving directions of how the collection and analysis of the data is going to be done. Here the choices considered are consisting of, the connections between different variables, generalization to other people than those who were participating in the study, understanding the different behavior in different contexts, evaluating the different social behaviors and their connections (Bryman & Bell, 2005). Bryman & Bell (2005) emphasize that it is important to distinguish between research design and research method. The research design is the guide for the chosen research method(s) while the research method is the

technique chosen to collect the data. There are different research designs to choose between and some of them are: experimental design, cross sectional design, longitudinal design, case study and comparative study (Bryman & Bell, 2005). In this research the research design of case study is used. Case study is defined to be: "An intensive analysis of an individual unit (as a person or community) stressing development factors in relation to environment" (Norman et. al, 2011:301). According to Bryman & Bell (2005) a case study is a detailed analysis of one single case. Case studies can be of a single organization, a single location, a single person, a single event. In this research the case is the organization ChinaNetCloud. In addition Yin (2007) mentions that case studies are in general used when the research questions of How or Why is asked that is inline with this research that has a descriptive purpose and a how research question. The research method was chosen in line with Norman et al (2011) who claim that a case study is of an intensive type and they are more in detail, rich, complete and basically more in depth, that also is the purpose of this study to create a deeper understanding. Norman et. al (2011) also mentions that case studies can be done through qualitative and quantitative studies, and this research is base on the qualitative method as mentioned earlier. In addition case studies can be seen as a examination that is very detailed of a single example (Norman et al, 2011) which in this research is done with the western service business to business service company ChinaNetCloud.

2.7 Research Method; Interview

The empirical data in this research is collected with semi-structured interviews; this research method is due to Bryman & Bell (2005) often used within qualitative research. Interviews are examining between the interviewer and a respondent, in order to get the opinions, motivations, and emotions of the respondent from the target population (Bajpai, 2011). The purpose of doing interviews is not to test hypotheses; instead the root is the interest in understanding the experience of other people that they create (Siedman, 2006). According to Bryman & Bell (2005) semi-structured interviews are interviews where the researcher put up a general interviewing guide with specific topics. This interview guide is used so that the interviewer and the respondent have freedom to make the answers different during the interview and that questions that are coming up during the interview also will be included (Bryman & Bell, 2005). The

interview guide (attachment 1) was created in order to make sure that the respondents answered the overall areas of interest but the interviewer does not need ask the questions in the exact order. In addition the interview guide were written with questions of and open answer character since this is makes the respondents to feel free to formulate their own answers (Bryman & Bell, 2005). In addition the interviews were done with help from the interview guide since it is suitable when there are only a few respondents (Jacobsen, 2002). Also the interview guide questions were not of a leading character since this should avoid (Björklund & Paulsson, 2003). The questions in the guide were formulated with a language so that the misunderstandings could be avoided and started with background questions about experience and position. The themes and the questions aimed to be of an open character this since the interviews should feel open and natural more like a dialogue. Further the interviews where done with the aim that let the responder talk freely with a little interruption from the interviewer (Bryman & Bell, 2005).

When doing interviews it is according to Siedman (2006) important to keep our egos in check and to be aware of that we are not in the center of the world: others stories are important. In general the semi-structured interviews are very flexible and can be done in different ways; personal contact, email, or phone (Bajpai, 2011, Björklund & Paulsson, 2003). Also the interviews can be done in-group or with one person and in this study, and the interviews were done one by one, not in a group. The chosen method interviewing is the most common used method within the qualitative research (Bryman & Bell, 2005). Overall the research method of interviewing was chosen since interviews are giving a special access to information that is strongly connected to the purpose of the study. Further the interviews are giving the opportunity to the researcher to see and interpret other responses, like for example the body language (Björklund & Paulsson, 2003).

It is important that the researcher is aware of that interviewing is time demanding and also sometimes money demanding (Siedman, 2006). Inline with Bryman & Bell (2005) the interviews were recorded and later transcribed. This is important in order to make the data reusable and to be able to meet criticism that the researcher might have affected the analysis makes it possible to make a deeper understanding of what the

people have said during the interview. It is though important to know that recording and transcribe interviews is very time demanding and the equipment can distract the respondents (Bryman & Bell, 2005). In addition Bryman & Bell (2005) mention that there are a few sources of error connected with the research method of interviews. Mentioned is that the respondents can be affected by the interviewers age, gender, personality etc. Another source of error is that when the research data is collected it is depending on the interviewer's subjective judgments and sympathies (Bryman & Bell, 2005). After the interviews where done they where transcribed as this is make the research more reliable. In addition, it made the interviewer to be able to hear to responds again. Also during the interview since the interviewer was taking notes alone and asking questions it was hard for the interviewer to be able to take notes of everything the responder were saying.

According to Siedman (2006) interviews have no magical time reference but the important part is that the interviewer decided this in advance. The time for the interviews were intended to be around less than one hour, not more since the interviews were going to be transcribed. The interviews that are done were five, the respondents have different positions: CEO, CTO, COO, Marketing Director, International Sales Director and Business Developer. In addition the interviews were of a relaxed character where the respondents talked freely about how they work with relationship building and maintenance in China. The interviews were very flexible in that way that the interview questions were not asked in the specific order. In addition some questions were added as follow-up questions in order to get the most out of the respondents. In general the respondents had a lot to say about the relationship building in China and therefor it sometimes were hard to keep them on the track of having focus and talking about the specific purpose of the research.

2.8 Sampling

Since the purpose of this study is to create a deeper understanding of how relationship marketing and Guanxi is used in the context of China, the case study organization is located in Shanghai, China. The sampling for finding a western company to do a case study of was done through non-probability sampling and convenient sampling.

Convenient sampling is when the researcher is choosing object for the study that is in the nearest surrounding (Bryman & Bell, 2005). Hartas (2010) mentions that this sampling method is an easy way to select respondents that are available and are volunteering to participate. Nearest surrounding in this research doesn't refer to geographical surrounding. Within this research nearest surrounding refers to the researcher's previous working experience background in China. Therefore the research was done with a company that the researcher already had connection to. In this research the western company ChinaNetCloud was chosen to be the base of the empirical data. ChinaNetCloud is western in that sense that the two owners are American and therefore the company has an western culture. The case study of ChinaNetCloud is done with the research method of interviews of five influencing persons in the organization ChinaNetCloud. These persons were chosen with the variables of being persons that are all in some way included in the relationship building with customers or other stakeholders.

2.8.1 Presentation of ChinaNetCloud and the respondents

As mention the case study organization is the western company ChinaNetCloud operating in China. The company was chosen with the convenience sampling and the respondents all have been working for a while in China and therefore have the experience of relationship marketing and Guanxi in China.

2.8.1.1 ChinaNetCloud

ChinaNetCloud is a Server Management company founded in 2008 by two Americans with previous Silicon Valley experience, James Eron and Steve Mushero. ChinaNetCloud, having three main services, server management, cloud computing, system and server consulting. The Server Management is including managing every part of the company's IT infrastructure. With the cloud computing service ChinaNetCloud is providing the right technology and the opportunity to run the system on public or private cloud in China, Asia or U.S. The system and server consulting is providing solutions to problems in every part of online operations, architecture, design and operations. ChinaNetCloud is the China's only Internet Server Management company, and China's oldest Cloud Computing Business. ChinaNetCloud had a deep knowledge base and combining this with their relationships with important datacenter, hardware, and software providers in

both China and globally. ChinaNetCloud has over 150 customers in the industries of; ecommerce, gaming, SNS, New Media, Web 2.0, Mobile. The team consists of over 60 system experts and support staff in Shanghai and Beijing. The team is mixed with western and Chinese employees.

2.8.1.2 Steve Mushero

Mushero has been working in China for six years and before that he was working in Silicon Valley. Mushero is an executive and senior technologist with a broad and deep background in both business and technology. Companies he worked with have been both startups and multinationals. In addition Steve is an entrepreneur with over a dozen startups with the main focus of building technology, products and companies. He is also an author of the book "Off-shoring the middle-class" that is about Globalization. 2008 he co-founded ChinaNetCloud that today is China's largest managed services company, providing managed hosting, cloud computing and full-server system administration. Now Mushero is the CEO and CTO of ChinaNetCloud that is having a bright future. Before he started ChinaNetCloud he worked as CTO for China's largest video sharing site Tudou.

2.8.1.3 James Eron

Eron is a co-founder of ChinaNetCloud in 2008 and is the Chief Operating Officer. He has developed ChinaNetCloud to expand into being the leading provider of Server Management and Cloud Computing services in China. In addition Eron has nearly 20 years of technology and management consulting experience in the US, Japan, and China. When he was a Sr. Manager in BearingPoint Management Consulting's Shanghai office, he managed business development and local project delivery teams for financial service clients. He also has been in senior sales and operations positions in Chinese and US venture companies, including managing a successful merger. Eron has a Bachelor's degree in Electrical and Computer Engineering from the University of Wisconsin-Madison and an MBA from the University of California-Berkeley Haas School of Business. He is fluent in Japanese and conversational in Mandarin Chinese. Some of his personal specialties are Cloud Computing, Server Operations, Financial Services Insurance, transaction processing, Enterprise Content Management/Business Process Management, Organizational Governance, Business Intelligence, Project Management, Business Development and Sales.

2.8.1.4 Jen Peterson

Peterson is originally from US and is at present working at ChinaNetCloud as a Marketing Director and has been that since she arrived in China one year ago. At ChinaNetCloud she is in charge of developing all the marketing activities. Before Peterson came to China in 2011 she lived in Taiwan for two years. Peterson has a background of being marketing director in New York and she has deep experience with technology, IT branding and advertising. Peterson has a good understanding of the Chinese culture and is conversational in Mandarin Chinese.

2.8.1.5 Tim Lee

Lee is American born Chinese that have a background within the hospitality and sales. Lee has been in China almost one year and has been working as an international sales manager at ChinaNetCloud since then. Before he came to China he was working in US as a Senior Implementation Specialist at MICROS Systems Inc. He also has been Marketing Director at BriteVision Media and has a Bachelor degree in Management and Information Systems from Suffolk University. He has great experience of Hong Kong and Chinese business culture; he is conversational in Cantonese Chinese and Mandarin Chinese.

2.8.1.6 George Sheng

Sheng who is a local Chinese is currently working at TenPay as a Market Development Manager. Before that he was working as both Sales director and Sales Manager. At ChinaNetCloud he was a Sales Director with the main responsibilities of business development and key account management. The industry focuses of the business development are within ecommerce, Online Video, Gaming, SNS and online marketing. His key accounts at ChinaNetCloud were big companies like SMG, BesTV, China Union Pay Online Mall, and PayPal. Sheng has a Bachelor degree in Energy from Zhejiang University in China.

2.9 Criteria

When it comes to business research there are three criteria that are most important to consider: Reliability, Validity and Replication. Reliability is a criterion that is used in order to consider in what degree the research is going to be the same in case of that the

study will be done again, or if the research is affected by occasional incidents. With this said Reliability is measuring in what degree the research can be repeated (Bryman & Bell, 2005). The second criterion is Validity that is a question about whether the conclusions generated from a specific research can be generalized to other social environments and situations. The third criterion is Replication that considers depending on how well described the course of action is (Bryman & Bell, 2005).

In line with these criteria in order to achieve higher reliability and replicable the way this research is done with is carefully described so this research can be done again with different researcher. When it comes to the validity it is not that high since the sample was done with a convenient sample and not with possibility sampling. Therefore the generalization is not going to be that high and in addition the interviews done were all within the same industry so it will also lower the generalization possibility. Interviews are also a method according to Siedman (2006) where the outcome somehow is a function of the interaction between the interviewer and the participant; this will lower the reliability of this study.

3. Theory

This section describes the used theory for this research. The theory is mainly focused on the definition, bases, the dimensions of Guanxi and Relationship Marketing. This in order to understand Relationship Marketing practice in China.

“As a merchant, you’d better have a friend in every town” (Grönroos, 1994:18)

3.1 Guanxi – Chinese Relationships and its importance

Guanxi is a rich, complex and dynamic concept that lately has been studied in western practices (Chen & Chen, 2004). According to Luo (2007) Guanxi is today seen to be the most important business determinant when it comes to business performance in China. It is clear that all businesses enter China according to Luo (2007), including foreign investor and marketers will face Guanxi. Guanxi is connected to a concept that is all about getting connections in order to get favors within relations. Guanxi is in a broad view interpersonal linkage that also has the consequence of exchanging favors. Due to Luo (2007) it is therefore seen that Guanxi is more than interpersonal relationships, this since the relations is including obligations that is mutual Guanxi is used to describe a person that knows many people, have many connections and is getting things done, this not always through formal channels (Luo, 2007). Guanxi is seen to be a human factor and a social dimension (Ai, 2006). In a Guanxi network the every single relationship has its own characteristics and the friends connected with the business relations are of a special kind that cannot be found anywhere (Vanhonacker, 2004). Guanxi is generally referred to as social connections or relationships that have a base on interest and benefits that are mutual. The Guanxi relations are also having a special bond between the partners that are based on mutual obligations and are expected to result in continual cooperation and favor exchange (Wang, 2007).

The word Guanxi contains two words that are Guan (关) and xi (系). Guan means the relationship in the sense of the extended family and negative meaning of barrier

(Ambler, 2007). Guan is traditionally seen as a door and when you open the door, you are inside and one of us, but outside the door no one will recognize you. Guan can also have the meaning of doing someone a favor (Luo, 2010). Also it can be explained as, “one must pass the gate to get connected” (Wang, 2007:81). According to Luo (2007), Xi of the Guanxi concept is connected to formalization and structure. Chinese people are in general more respectful to status than people are in western countries, as an example the relationships of a senior to his or her subordinates will come almost automatically, but of course not the opposite. Further Luo (2007) mentions that this part of Guanxi is about hierarchy and formalization. The word xi also has the meaning of referring to long-term relationships (Luo, 2007). Ai (2006) mentions that Guanxi is based on respect and care. The focus of the relationships is over a long-term period including more concerns of all the networks members. Guanxi is also reducing the transaction costs, and having the goal to make the cooperation’s between network members easier and retains customers. Guanxi is seen to be an evolving phenomenon within both culture and social practice (Ai, 2006).

Guanxi is described to be the Chinese word for personal bonds or connections that is essential to establish when doing business in China (Zhu & Zhang, 2007). Also one definition of Guanxi is “friendship with implications of a continual exchange of favors” (Chen as in Wong, 1998:25). Another definition of Guanxi is that it “refers to the interpersonal relationships or connections and can be applied not only to kinship and friendship relationship but also dyadic relationships” (Hwang, 1987; Jacobs 1979 as in Lee & Dawes, 2005). Further Guanxi network can be described as “the social interactions within the network place and its members in the equivalent of an infinitely repeated game with a set of people they know” (Davies as in Wong, 1998:25). Ambler (1995) argues that if the Chinese Guanxi can be equal to the relational paradigm in the west but one of the problems that can occur is due to the differences with time aspects in China. In the Taoistic China, Guanxi relationships are built over time and cannot be establish quickly. Therefore western managers that often are deadline driven, transactional executive, can find it hard to slow down the pace that the Taoistic China requires (Ambler, 1995).

Vanhonacker (2004) mentions that Guanxi is a major part of the Chinese society. In every part or aspect of the Chinese society focus lies on personal relationships including business relationships. In the Chinese society that is relation-centered, the importance of social relations is significant (Vanhonacker, 2004). According to Luo (2007) relationships are in China more than just realizing individual goals Every relationship in the networks is having different characteristics and in China the person that is helping you out with business matters are not considered as a friend in other places in the world. More often this person is seen as a business relation (Luo, 2007). According to Vanhonacker (2004) the relationships in China are not only for help and mutual benefit, they are even defining who you are. Therefore the persons you have relationship to will help you gain more status (Vanhonacker, 2004).

3.2 Relationship Marketing and its importance

According to Grönroos (1994) has the focus within the marketing practice has gone through a change during the past few years. The focus has gone from concentrating on developing economies of scale towards seeing the advantage with understanding the customers. In addition Relationship marketing is getting more attention lately, this because of the changing business environment in the world (Grönroos, 1994). Alquahtani (2011) explains an explosion of the interest in Relationship marketing the last three decades. Relationship Marketing is used in greater extent due to the challenges that are connected with the traditional marketing approaches (Alquahtani, 2011), and companies are using Relationship Marketing tactics in order to increase the customer patronage and commitment (Ashley et. al., 2010). Relationship Marketing was first defined as “attracting, maintaining and in- multi-service organizations- enhancing customer relations” (Berry, 1983 as in Berry, 1995:236). Further it is found that the former main focus attracting new customers is only one intermediate step in the process of the marketing process (Berry, 1995). Marketing is now also including the building of relationships and making the relationships stronger, transform customer into loyal ones and have the goal to treat the customers as clients. Further Berry (1995) mentions that Relationship Marketing consists of important strategy elements including: core product or service that will be in the core of the relationship, extra benefits added to the service or product, pricing in order to increase and encourage customer loyalty and to include marketing to the employees so that they will serve the customers in the best way (Berry,

1995). The customer capital is an important asset and a component in the intellectual capital of a firm. It is also a major source of competitive advantage and the value is that it will contribute to revenues both current and future (Chang & Tseng, 2005).

Today the definition of Relationship Marketing is: “to establish, maintain and enhance relationships with customers, and other partners, at a profit, so that the objectives of the parties involved are met. This achieved by a mutual exchange and fulfillment of promises” (Grönroos, 1994:9). These kinds of relationships are mentioned by Grönroos (1994) to be of the long-term character but not necessarily. Further the relationship building with for example a customer is containing two parts; first attract the customer and later build the relationship with this customer. This is done in order to have a chance to gain from the advantages connected with relationships (Grönroos, 1994). In addition of the advantages itself with having a close relationship with customers and stakeholders allows the company to collect additional information of the customers needs and wants that will be helpful to meet the expectations of the customers. Further the Relationship Marketing is that base for a continuous contact between the company that will make the company to be able to tailor the product or service to the customers’ expectations (Cobos et. al, 2009).

According to Grönroos (1994) since the long time relationships over time will make both parts find out the best way to interact and that will lead to decreasing relationship costs for both customer and supplier. Alquahtani (2011) mentions that Relationship Marketing is a way of creating understanding of how to improve consumer’s attitudes towards a specific product or service. Further Grönroos (1994) claims that the mutual satisfaction of this relationship will make it possible for the company to avoid the transaction cost that is connected with customers that are switching to different supplier or service provider. The benefits of building long-term relationships is coming from that customers wants to receive things that are from long-term relationships and this beyond just getting the core product or service (Alquahtani, 2011). This is connected with the view that the cost of keeping customers for a long time is lower than attracting new ones. Even though Relationship Marketing was first developed in service marketing, but is now the underlying practice for both service- and industrial marketing. But Relationship Marketing view is argued to be more suitable for the service marketing

(Grönroos, 1994). According to Grönroos (1994), especially in the west the views of marketing are seen as an interactive process within a social context and therefore establishment and maintaining of relationships are seen as cornerstones.

3.3 Dimensions of Guanxi and Relationship Marketing

It is mentioned that some of the basic characteristics are the same with Guanxi and Relationship Marketing. According to Wang (2007) the shares characteristics are mutual understanding, cooperative behavior and long-term orientation. But there are also differences like in the Western relationships are more depending on legislation and rules while Guanxi relations are driven by moral and social norms. In this following section the different dimension of each is further explained.

3.3.1 Guanxi Dimensions

When building Guanxi there is dimension like in Relationship Marketing that will influence the relationship. These three overall dimensions are Xinren, Ganqing and Renqing.

3.3.1.1 Xinren (Trust)

In general the Chinese societies are according to Chen & Chen (2004) having higher trust with particularistic trust with for example family members, while they have lower trust in large collectives. The Chinese word Xinren means in English trust and trust is the consideration that a promise from one party is reliable and with that said the party will fulfill its obligations in the relationship (Barnes et. al, 2011). Chen & Chen (2004) mentions that trust within Guanxi is the basically the trustworthiness in the other Guanxi partner. Fu et. al (2006) claim that trust is a word that is used to determine the quality of the Guanxi, and it is the level of trustworthiness and the sincerity of the person. This Guanxi dimension is closely related to Ganqing (commitment), so if the Ganqing is bigger between to parties the greater the Xinren will be (Luo, 2007). According to Barnes et. al (2011) the difference between Xinren and trust is that Xinren has the focus on the dynamics between the parties and further implies the importance of benevolence and trustworthiness. Many authors imply that when the trust is increased the companies' relationships will get stronger and lead to more cooperation between their counterparts (Barnes et al, 2011). According to Fu et. al (2006) the family base for

Guanxi implies that the person is trustworthy and a person that you can turn to whenever you need help. Luo (2007) also mentions that the family is the strongest base for Guanxi and in addition the parties are developing Guanxi and must show each other the empathy in order to be able to trust each other (Luo, 2007). Chen & Chen (2004) the importance of trust lies within that the Guanxi building is done in an environment where general trust is lacking. Luo (2007) mentions that in situations where two parties that are strangers have the interests of doing business together. They are put together through the help of an intermediate agent that has relation to both of the parties and therefore using his Xinren to bring these together. Here a difference is found between Western business relationships and Chinese, this since the western relations doesn't necessary include a personal connection. Also for Chinese it takes time to build a relations that is close, personal and of non-family character (Luo, 2007).

3.3.1.2 Renqing (Favors, mutual exchange)

Renqing is according to Wang (2007) an underlying concept that is important to study in order to have an understanding for Guanxi. According to Chen & Chen (2004:315) Renqing "emphasizes the sense of obligation owed to each other". Renqing is a unique term in China and within the Chinese culture (Wang, 2007) but can be translated into English as Favor (Barnes et. al., 2011). The Renqing can be practice according to Barnes et. al (2011) through gift giving and mutual favor exchange and the Renqing is connected to a strict rule of reciprocity. Wang (2007) mentions that Renqing often is connected to the emotions that individuals get in daily situations. Renqing are seen to be exchanges of different favors that are done with considerations of special rules and norms of the Chinese society. In the Chinese culture this Renqing with its exchange of favors is more connected to reciprocity than in western cultures. In the rule of reciprocity the meaning is basically if someone give you something of beneficence you should return with more beneficence (Wang, 2007). So as Wang (2007) mentions the persons that are sharing a Guanxi relationship are both committed to the reciprocity obligation and if one of the partner gets a favor the other partner owe Renqing. The difference with the reciprocity in western and Chinese culture is the time, western people tend to considered that the Renqing should be paid back in short term and the exchange relationship should be balanced. Here Chinese people are seeing the pay back in a more long term since the relationship are is intended to be for a long time. Renqing

is not possible to measure in objects therefore is easy to pay back money while the depth of Renqing is almost impossible. In addition to reciprocity the rule of empathy is also according to Wang (2007) connected to Renqing and is here the rule of the benefactor's behavior. This behavior is based on the forgiveness due to the Confucian principle. If the empathy is higher the relationship is going to be developed easier. The empathy is important since it is considered that if a person has high empathy the person is possessing higher Renqing. Barnes et. al (2011) claims that because of the reciprocal rule connected with Renqing the rule is the base for leverage better coordination within the relationship, but if one party fails the reciprocity rule the harmony in the relationship will be damaged.

3.3.1.3 Ganqing (commitment)

Ganqing is seen to be referring to feelings of an emotional character inside the network and its members Wang (2007). According to Barnes et al. (2011) the word Ganqing can be translated to English as affection or feelings. This is also mentioned by Fu et. al (2006). Ganqing is connected to social bonding and social bonding is defined to be the degree of friendship that is shared by the parts. In China Ganqing is the measurement of emotional commitment and the relationship should both share successes and failures together (Barnes et. al, 2011). It is also seen as something that can indicate the closeness of Guanxi (Wang, 2007) and within the social relationship between two persons the Ganqing is improved through that persons are social interacting, for example going to events, wining and dining (Wang, 2007, Luo, 2007). According to Fu et. al (2004) Ganqing refers to the level of emotional understanding and connection. This is connected with the sharing of feelings, happiness and similar. In order to build Guanxi the social activities are requirements in China (Luo, 2007). Here the social interactions will help the cooperation in the relationship and as a result the two parities are starting to have positive feelings and the relationships problems and failures will be easier to handle (Barnes et. al, 2011). It is found that even if two persons have the Guanxi base it is not sure that Guanxi will be built. If the Guanxi base can be developed into a Guanxi relationship is depending on the Ganqing. The only way to transform the Guanxi base into a Guanxi relation is mentioned by Luo (2007) to be that both parts are developing Ganqing. The Ganqing that is considered by (Wang, 2007) to be the closest is the emotional attachment that is blood-connected, the family. On the other side it is

mentioned that the business relationship where the blood-based is non-existing the individuals often do efforts with affection, this in order to establish good Guanxi (Wang, 2007).

3.3.1.4 Mianzi (face)

One should know its master's face before they hit the dog

(Luo, 2007)

In China and within Guanxi the concept of Mianzi ('face') is one of the key concepts, but is though very abstract (Langenberg, 2007). According to Shou et. al. (2011) the saving face concept is important in establish good Guanxi, individuals often trying to save face through for example gift giving. Individuals are seen to make an effort investing on affection, this since it will make the Guanxi development process go smoother. The achievement of Mianzi is coming form when the individual are performing something that easy noticed by others or through impression management that is done proactive. At the same way the Mianzi is lost when the performance is not meet the requirements (Shou et. al., 2011). According to (Langenberg, 2007) Chinese want to keep their face because it is connected with the inherent satisfaction and is similar to the western concept of prestige and operates. Mianzi is connected to dignity, self-esteem and vanity and is an emblem of the individual's identity. Therefore as a result if a person is in some way doing a threat to someone's Mianzi this will also be a threat for the person's identity. Further Langenberg (2007) claims that in the context of interpersonal communication the Mianzi is a source of giving information about the compliance of an actor including the norms connected to reciprocity. Individuals that are exchanging giving and returning are within the network rewarded with Mianzi. Further the individuals that have large Mianzi are preferred to doing exchange with due to the lower risk. So here it is found that the exchange actors that are doing successful exchange will gain Mianzi and these actors having large Mianzi will also mainly exchange with each other. There are two reasons a person can have low Mianzi; short history of successful exchanges or he used to have Mianzi but lost it earlier because of dishonesty (Langenberg, 2007).

3.3.2 Dimensions of Relationship Marketing

According to Theron & Terblanche (2010) and Ndubisi (2005) there is an ongoing debate according the dimensions of Relationship Marketing. Relationship Marketing is seen to have some integral elements or dimensions; in the discussion there are four dimensions that are evident in literature. These four dimensions are – trust, commitment, satisfaction and communication (Grönroos, 1994).

3.3.2.1 Trust

Trust is a dimension that is important part of marketing relationships. The dimension has a lot of support in the literature with researchers argue that trust is a central part of developing successful relationships (Theron & Terblanche, 2010). Trust can be defined to be “...a willingness to rely on an exchange partner in whom has confidence” (Moorman et. al as in Grönroos, 1994:9). Due to Theron & Terblanche (2010) there are lots of definitions of trust in the relationship literature, but these definitions are common with the point that trust is a “confidence between exchange partners that the other party is reliable and that they will act with integrity” (Theron & Terblanche, 2010). Trust is often according to Ndubisi (2007) defined as opportunistic behavior, shared values, mutual goals, uncertainty actions, positive outcomes and making and keeping promises. Grönroos (1994) explains that the partner has to have belief in the other partner’s trustworthiness. This trustworthiness can be based on the other part’s expertise and reliability. Trust is also a sign of a behavior that shows the reliance on the other partner this involves uncertainty and vulnerability. Ndubisi (2007) mentions that a betrayal of the trust could lead to defection. In addition Morgan & Hunt (2004) mentions that trust is also about focusing on the potential outcomes.

3.3.2.2 Commitment

According to Morgan & Hunt (1994) commitment is an exchange partner believes that a relationship is of such importance that this person has to maintain it. Commitment is a central part of Relationship Marketing (Morgan & Hunt, 1994) and according to Theron & Terblanche (2010) the second dimension of Relationship Marketing is commitment. Commitment is seen to within the business relationships a norm or at least of central expectations. Further it is found that commitment is essential for the building and maintaining of marketing relationships (Morgan & Hunt, 2004, Theron & Terblanche, 2010). If the commitment within a relationship is getting more significant, the

relationship will get stronger and more stable for both parts (Theron & Terblanche, 2010).

3.3.2.3 Satisfaction

Liang et. al (2008) mentions that if the future is considered, satisfaction is an important dimension of Relationship Marketing. Overall customer satisfaction can be seen as something that is measuring the quality in comparison to the cost and effort it took to get it through a purchase. Satisfaction is something that is seen in that is an important outcome forms an interaction or relationship (Liang et al., 2008). One definition of satisfaction is “an overall evaluation based on the total purchase and consumption experience with a good or service over time” (Garbarino & Johnson, 1999, as in Theron & Terblanche, 2010:388). Satisfaction is a critical variable when it comes to Relationship Marketing and because of this it is important that partners are delivering high-level of satisfaction in every transaction (Theron & Terblanche, 2010). According to Liang et al. (2008) there are two types of satisfaction: the transactional and the cumulative satisfaction. The transaction-specific might give the information that is connected to a special product or service, while the cumulative is when the satisfaction is cumulate over a several transactions or encounters (Liang et al., 2008).

3.3.2.4 Communication

Communication can be defined as “the formal as well as informal sharing of meaningful and timely information between firms” (Anderson & Narus, 1990, as in Theron & Terblanche, 2010:388). The importance for relationships both social and business is due of the fact that communication is “the glue that holds industrial marketing relationships together” (Theron & Terblanche, 2010:388). This since the market communication is central part of reaching customers. Further Theron & Terblanche (2010) mention that having the focus on relationship building will lead to an interest in the importance of having dialogues. Also it will lead to create advertising campaigns that will lead to dialogues with different customers that have been identified (Grönroos, 1994). In addition Olotu et. al (2010) mentions that communication is tool for persuading the customer, and in order to be successful with the Relationship Marketing the companies need to integrate all the communication of the messages in the support of establishment, maintenance, and the enhancement of the relationships.

3.3.2.5 Promise

Grönroos (1994) mentions in addition to the four dimensions the promise concept, which is connected to that marketing practices are persuading customers to act in a certain way depending on the promises they gave. The concept of promises are affecting the Relationship Marketing in that way that companies that are keeping giving promises can or may attract new customers and in the beginning build relationship with these. The promises given by the company have to be kept according to Grönroos (1994) otherwise the relationship can never be maintained and enhanced. It is also argued that the promise element of Relationship Marketing is as important as achieve customer satisfaction, customer retention and profitability in the long-term (Grönroos, 1994).

3.4 Bases for Relationship building and maintenance

When discussing both Relationship Marketing and Guanxi there is seen to be different bases or target for whom you are establishing the relationship to. Relationship Marketing has its targets that are basically all of the stakeholders while the Chinese Guanxi have a few bases for relationship establishment.

3.4.1 Bases for Guanxi

In order to establish Guanxi relationships there has to be a Guanxi base. (1998) This Guanxi base is defined to be "commonality of shared identification amongst two or more people" (Lou, 2007:4). This shared Guanxi base is according to Kiong & Kee (1998) is not leading to the existence of Guanxi. This kind of Guanxi base is something that will facilitate the Guanxi relationship (Luo, 2007) but will not predetermine the Guanxi relation (Kiong & Kee, 1998). The base has different relevance depending on the situation (Luo, 2007). According to Fu et. al (2006) it is important to have an understanding for the different roles and bases since it will help in have an understanding of how to best utilize the Guanxi. Here the relationships due to these bases are having completely different meanings due to social and physiological meanings and in addition is governed by different interpersonal rules (Luo, 2007). There are six of Guanxi and these are (Kiong & Kee, 1998, Luo, 2007):

1. **Locality or Dialect.** As an example, when many Chinese were immigrating to Singapore, they went without their kinships so here they were locating with the people that came from the same area and spoken dialect (Kiong & Kee, 1998, Luo, 2007). In addition the home place is of great importance in China since they consider that it is the birthplace of the ancestor. So, when a Chinese person is entering a situation without connections the common place of origin is often big help for new arrivals to establish relationships (Ai, 2006) It is though seen that this base is getting less important (Kiong & Kee, 1998).
2. **Fictive Kinship.** Here the base is the last name of the persons. This since the people were thinking that if they share the same last name was a sign of having the same ancestor (Kiong & Kee, 1998, Luo, 2007). This is also seen a kinship that is declining in importance (Kiong & Kee, 1998).
3. **Kinship.** The kinship base (affinal or agnatic) of Guanxi is having a big importance in the intra-organizational relations. This in the situation considering ownership and business control in private organizations (Luo, 2007). According to Kiong & Kee (1998) this base is seen to be the most important. Luo (2007) mentions that the kinship and its importance as a Guanxi base is still remaining important but due that family size is getting smaller, monogamous marriage, mass production and the rise of economic opportunities, the kinship as a base is challenged in management control and control of Chinese companies (Lou, 2007).
4. **Workplace.** Here the Guanxi base is a colleague. Before colleagues were fellows with the same dialect group or distant relatives. Since the colleagues are working together this is another base of both establish and strengthen the Guanxi. Here the importance of the colleagues is big according to Luo (2007) when a person is taking the step to create its own business. Since the trust is developed of working together it is today often seen that people that used to be colleagues form business.
5. **Trade association or social clubs.** Trade association is arranging different activities such as social dinners where the information gathering is easier and the opportunities for interaction are bigger. Here there are a lot of opportunities to establish Guanxi with potential suppliers, buyers and investors. The social clubs and trade associations or social club can be seen to be a kind of institutionalized Guanxi (Kiong & Kee, 1998).

6. Friendship. Friends are important in the establishment and transaction of business (Kiang & Kee, 1998). According to Luo (2007) the relations that are between people that is not in kinship with each other. The Guanxi base of friendship is not seen to be a true base, this since another base of being colleagues seem to be a prerequisite for the base of a friendship relation. (Kiong & Kee, 1998) mentions that the importance of friendship is due to the opportunity to build a more close relation, which is crucial in business Guanxi relations. To have a so-called close-knot relation is especially important in business and in addition Guanxi without Ganqing would be more risky and distant (Luo, 2007).

In the Chinese society each person is having personal identification with other peoples, this is also important to them as individuals (Lou, 2007). Due to Vanhonacker (2004) the relations in the Chinese society are so important that the relations a person has is not only helping the individual it is also define the individual. With that said it the individual has relations to senior people the society will treat you with more respect (Vanhonacker, 2004).

3.4.2 Relationship Marketing Targets

Peyne et al. (2005) mentions that the increased interest of relationship marketing is also getting the practitioners and academics to understand the great importance of understanding that the relationships with in business are of different kind. So here the understanding of long-term relationships is not only important with customers it is also concerning the stakeholder groups. According to Peck et. al (2009) the so-called six markets model presents six role-related market domains. Here every market represents the dimensions of Relationship Marketing, which involves parties who can contribute directly or indirectly to an organization's marketplace effectiveness. Payne et. al (2005) claims that nowadays the marketing literature is showing more attention to that the field of marketing has to be wider than only concerning the customer. The six markets model has been argued to be the most comprehensive of the models that are concerning the relationships with stakeholders. The six markets model is describing the six markets that the companies have to focus on:

1. **Customer Markets.** Buyers, intermediaries, wholesalers and final customers
2. **Referral Markets.** Two categories: Customer (Advocacy referrals) customer-base development (company initiated customer referrals)
3. **Supplier and alliance markets.** Here the suppliers that are providing the physical resources needed can be divided into strategic suppliers, key suppliers, approved suppliers and nominated suppliers. While the so-called alliances are partners that supplies the competencies and capabilities that are more knowledge based than product based. Alliances are seen to be a partnering transaction and cooperative relationships.
4. **Influence markets.** In this group there are a many different groups. Financial and investor groups, unions, industry bodies, regulatory bodies, press and media, user and elevator groups, environmental groups and competitors.
5. **Recruitment markets.** All the potential employees including third parties that also are access channels including search companies, employment agencies, job centers, off-line and online advertising and own staff. Here the function, role, geography, seniority is bases for segmentation of these.
6. **Internal markets.** Here the segmentation is used for the potential employees for example, function, job role, and geography and seniority level.

(Peck et. al, 1999, Payne et. al., 2005)

3.5 Relationship Marketing in its practice

In order to have an understanding how the relationship establishment and building are done in practice there are some tools, instruments or way to achieve the close connection that the person in the company wants to have. Overall Relationship Marketing and Guanxi are using the same tools but there are differences in what tools are more efficient in each of the concepts (Harrison & Hedley, 2011).

3.5.1 Face-to-face meetings

The meetings that are done face-to-face are normally an essential step in making relationships that will increase sales volume in most markets. This seems to be especially favored among Chinese, since they have a great trust in the salesperson. A way to make a good impression could be to speak some basic Chinese; this is a sign of

respect and making the bond closer to the potential customer (Harrison & Hedley, 2011). At conferences or other events the suppliers offers can be learned about and this is a way of making the first contact with customers and here the face-to-face contact is very important since this is something that the buyers value high. It is very common that foreign companies that are coming into China are spending a lot of money and time on these events in order to show that they are committed to the local customers (Harrison & Hedley, 2011). Networking is a fundamental aspect in relationship marketing and when used effectively it can be a tool for maximizing the outcomes. Events are excellent sites for networking and development of business relationships (O'Brien & Gardiner, 2006).

3.5.2 Email

Emails are the most frequent used tool on the Internet used by customers. Email has become a part of consumer's lifestyle and can be a good tool for building relationships since it proves a two-way communication. In addition email doesn't need the employers to have any special training. Emails can effectively enhance relationship quality, service quality and loyalty (Huang & Huey-Pyng Shyu, 2009). E-mail is today an important way to make the primary communication. Thus email should be seen as an important communication tool in the beginning of the establishment of the relationship. The E-mail is seen as a first contact that should be personalized and followed by face-to-face discussion. Email could be sent also after making a phone call that will make the email feel less "cold" (Harrison & Hedley, 2011).

3.5.3 Websites

Here is a great opportunity to establish the first relationship with potential customer. In China there are over 400 million Internet users and with that said China is the largest online community. Therefore it is important for companies to have a clear and communicative website that will generate an interest for the company. This is in addition one way to meet the local competition since the local websites are often poorly designed, lacking information and have an unprofessional impression (Harrison & Hedley, 2011).

3.5.4 Social Networking Sites

According to Harrison & Hedley (2011) engaging in Social Networking Sites (SNS) are important to consider since it is found that 92 % of the Chinese population are using some kind of social media. They are also likely to attend on online forums or blogs. Mentioned is that since Chinese are seem to distrust the traditional media for advertising and that the importance of SNS are raiding the online community can be a perfect way to reach the targets. Since the impact of the great firewall of China the Western SNS such as Face book, YouTube, Twitter has it own homegrown versions. The most popular are Weibo, RenRen, Youku (Harrison & Hedley, 2011). Ang (2010) mentions that Social Media can be used by organizations to build brand loyalty this since it is available twenty-four hours seven days a week and have a natural way encouraging communication. Social media can also be used in order to pick up what the customers are talking about and in addition the people using social media are actually sharing something together. The tools that can be used are also blogs where the companies can blog about its product or service (Ang, 2010).

3.5.5 Phone calls

Harrison & Hedley (2011) claims that even though that many customers could feel that it is a forced way of getting information and starting a relationship, it still is an effective way of make the first introduction and try to make a connection. In general Chinese companies have a high employee turnover even at the senior level, so this can also be used to keep track of important decision makers in the company (Harrison & Hedley, 2011). In addition Halbe (2012) mentions that the technology is moving the meeting place to take place over the phone. This is a communication style that though will not make it possible for the persons to observe the non-verbal communication. This is the overall disadvantage with having the relationship building through the phone communication instead of face-to face (Halbe, 2012).

3.6 Culture and its impact on Relationship building

Culture is according to Hofstede (1980) a collective programming of people in a certain environment. It is not a characteristic of the individuals; it is a number of people that are

sharing the same experiences and education. Culture when it is conducted within the group, geographical region or a nation is the mental programming that these people has in common and this programming is different from other group or similar (Hofstede, 1980). These programming that Hofstede (1980) mentions are difficult to change and also if it change it will change slow. Henning-Thurau & Hansen (2000) mentioned that it is important to consider the culture today since businesses are getting more and more globalized. The authors also mention that culture is connected to what the relationship partner's evaluating the relationship quality, this since the individual's norms and values are influenced by the specific cultures norms and values (Henning-Thurau & Hansen, 2000).

Hofstede (1980) made a distinction between four dimensions in the culture: Power distance, Uncertainty Avoidance, Individualism-Collectivism, and masculinity-femininity. Power distance is in what extent the society accepts that power in institutions and organizations are unequally distributed. Uncertainty Avoidance is if the society feels threatened by uncertain situations and tries to avoid that. Individualism-Collectivism is two opposites. Individualism is when people are taking care of themselves and only their close family while collectivism is where people are expecting their in-groups to take care of them. The next dimension is masculinity and its opposite femininity, here masculinity express that the values in the society are having focus on money and things and not caring for others (Hofstede, 1980). Zhang (2004) mentions that when looking at these four cultural dimensions there are some clear differences between China and western organizations. In the dimension of power distance China is of a high number (80 compared with around 30 in Western countries), this means that China is centralized. Further it is found that China is of a collectivism dimension and the country tends to be long-term oriented. In addition China is a strong collectivism country with the medium femininity. This has the meaning that Chinese are more depending on different groups or institutions. These groups are determining what they will do and the Chinese have strong loyalty to these groups. They are also more interested of working together with other people in order to avoid risks and also reduce the individual responsibility. In addition the culture in China is that they appreciate and value to put the duty on the group and the harmony of the group is also very important. Beside this to pursue personal goals is something negative (Zhang, 2004).

Zhang (2004) mentions that this shows that Chinese are more concerned about the relationships than the contracts. The contracts also have less strong meaning in China compared with Western countries. Chinese tend to see contracts as something that can always change and also the contract can be modified. Chinese that is having a strong collectivism and medium feminine tend to solve conflicts different compared with westerners. Due to Zhang (2004) Chinese are different since they tend to avoid open conflicts and want to have the focus on harmony and personal relationships. If conflicts occur the Chinese want to solve through authority or solve it in private. Also in China the conflicts can be solved with negotiation and compromises. In this relationship oriented country the personal relationships are of great importance. This can be connected to the building of social and interpersonal relationships before any contractual agreement is settled. This is mentioned by Zhang (2004) to be Chinese Guanxi.

4. Empirical data

In this chapter the empirical findings from the interviews are presented. The five interviews were of an open character and are here collected and put together under each heading.

4.1 Guanxi and its importance

“Guanxi is overall something that is unavoidable in China”

(Peterson Interview, 2012)

Eron¹ mentions that Guanxi in ChinaNetCloud’s specific business is less important, since they are dealing with typically younger Internet companies in China and they are known for being good at what they do. He says, *“Guanxi in our specific business is less important”*. Some people may have gone to the same school and or grew up in the same town or being drinking buddies or things like that, but for the service that ChinaNetCloud provides Guanxi is less important because they cannot fake what they are doing. Eron mentions that this could be different if he were selling hardware, but when you are providing a service, you actually have to be good at providing that service. In addition he says, *“So if you don’t and fundamentally you cannot perform the service to an acceptable level, then even if you have Guanxi you will not get a renewal of the contract”*. Due to Eron in the industry he is operating within there are less of the Guanxi culture and you have to stand on your own merit and that means doing the right thing and keeping your customers in mind. Also he mentions that if the deal sizes were bigger the Guanxi should probably be more important. Also Eron mentions that if they were operating in other industries there will be more Guanxi like for example within oil, gas, construction.

According to Sheng² Guanxi is in China the most important thing if you want to create something, do some business, and make some deals. He says, *“Guanxi means that you can*

¹ James Eron, Personal Interview, 20120503

² George Sheng, Personal Interview, 20120426

get the resources, you can borrow the money". Guanxi can introduce you to new products and with Guanxi you can win the deals and at the same time he says that Guanxi is also the connection among peoples. So, in order to be successful you need Guanxi relations and these need to be accumulated day by day, year after year in order to have a comprehensive Guanxi network. Lee³ answered that Guanxi is 'Getting things done', which means that if you don't have the right Guanxi there will be no movements and progress you need to have the right connections in order to make things happen. This is in China very common and also normal. This is also something that Sheng mentioned; Guanxi is making everything go much easier and smoother. For Sheng this is a kind of a personal marketing within your network. If you have very good personal marketing within your network then you will have good relationships and Guanxi. Further Lee mentioned that Guanxi is about helping others as an example he mentioned that if you have a website or a server in China you have to have so-called ICP (Internet Content Provider) license. This license can be very different to get if you a foreign company but very easy if you are a local company. ICP is a way for the government to control your content on you website, that you are not posting any inappropriate things, if you do they will shut you down. Normally it will take about 20 days but it can take a lot longer depending on whom you know, and who knows whom and in what city. Lee further mentioned that one of their partners is helping ChinaNetCloud's customers with getting ICPs since they are having big connection in Shanghai. So that is Guanxi for Lee. Lee mentions that *"This is a part of our job here, that we can leverage the relationships or our Guanxi with the local companies because for me a lot of my clients are international so they don't know what is going on here"*.

Peterson⁴ has the opinion that Guanxi is a Chinese word for relations or connections. In that way she says that everything has Guanxi in someway. A cup has Guanxi with the table it stands on and if you lift it will have a different Guanxi. Like in Chinese she mentions that you say 'Mei Guanxi' for the English excuse me or don't worry, what you really say is that I don't have any relationship with you and it is fine that you hit me accidentally on the street or in the elevator. But if your scooter is damaged people may

³ Tim Lee, Personal Interview, 20120425

⁴ Jenifer Peterson, Personal Interview, 20120424

just actually say 'Wo You Guanxi', I actually have Guanxi with you now. Peterson further mentions that she has asked some Chinese about building Guanxi, *"I have asked some Chinese about building Guanxi and I think that you can say that how you build Guanxi is though different from how we build relationships in the west"*. As an example she mentions that many Western people think that Guanxi relationship building is a lot about going to events and give away business cards, but this is often not how a Chinese person or salesperson will do. Peterson's opinion is that their Guanxi will always be built in private. Often the relationship building is within those private rooms in the restaurant where they can have dinner and drinking Baijiu (Chinese liqueur). So the Guanxi establishments are within very private settings and Peterson claims that Chinese do not want to make it in front of other people. So in general it is very little about going out to events and collecting business cards in front of everyone and she mentions, *"I feel that Guanxi is much more private and it has very little to do with going out and collecting business cards in front of everyone"*. Part of the challenges for Western companies are according to Peterson that the Guanxi can be a source of problems, so instead of just trying to grow the Guanxi she believes that the western companies should focus on doing something outstanding. They can also start to build Guanxi with returnees, American born Chinese and then eventually to the local Chinese. This is since when you have something that no one else is selling the salesperson when they quit they can never take their clients with them, since they actually think that you are doing something good. Chinese often consider Western people to be more trustworthy of that they will do a great job and that they have more knowledge than Chinese and even if it sometimes can be a misconception it is something that Western companies can leverage. That is also why in her opinion one way to go is to avoid Guanxi, since it sometimes can be like entering the mafia. For products it can be suitable to use sponsoring or spokesperson in order to build relations based on this person. In addition she mentions that Guanxi is everywhere and even on Taobao (Chinese version of eBay) there is Guanxi. This through the rating system, if you are not satisfying your customers everyone will know about this.

Eron says that in China the responsibilities of the relationship is more of an importance, when you say that this is a friend of mine it actually means that you have Guanxi, which mean that you have respect, and in order to cope with the harmony and social pressures we won't cheat each other. He says, *"Guanxi that you build in China is more of an one-to-*

one relationship and there are a sense of responsibility, privilege or favors that are extended versus that in the west it is easier to meet people based on, are they going to help you or not, you sort of have to stand on your own merits". Also the business dealings are typically of a higher level of transparency. Sheng says that in China in some industries it is less open, with no or little transparency due to the Guanxi. Chinese are also more likely to do business with people they know or you can create the connection from node to node. Mushero⁵ sees the relationship building as the same thing in China and in the west, but how you use it might be different. Mushero also sees a difference, *"I believe that the main difference is how you maintaining the relationships and how much you working with them"*. He says that in China, Guanxi is used a lot and in China they tend to pay more attention to the relations. While in the west it we seem to be more casual with the relations we have, we do not use them that much and we do not keep track of them. In China it could be crucial to keep track on the relations you have.

The relationship and its importance is something that Lee thinks exists everywhere but, in China it is even more important. Even though he is mostly dealing with foreigners, he has the opinion that when building relationships with Chinese people, they are very much into the Guanxi. Lee describes it as the ultimate power in a way and for him everything is government, but there are different levels and different departments or divisions of government. *"Just because you have good Guanxi with one or if you have Guanxi with the military that is great but, what if you want to do business? It may not always relate. So having the right connection is important"*

According to Sheng Guanxi is important for Westerner that are coming and doing business in China. Sheng mentions the importance and says, *"There are two kinds of businesses in China: either you already have Guanxi and you will base and do the business based on Guanxi, or you want to do business and have your ideas and then you have to develop Guanxi in order to develop and actually realize the business plan"*. Sheng is saying that in both kinds of businesses you have to in someway have Guanxi. This since otherwise, no people will have trust in you and with this trust as a base, we can do business whatever the product is. On the opposite Sheng is mentioning that if you have

⁵ Steve Mushero, Personal Interview, 20120426

products but people do not know you then it is not going to be easy to make a success in China. So trust is the most important part of having relationships and Guanxi. Guanxi can be used in private life as well, Sheng says that he can use Guanxi to help family, friends the people that he trust and like. So Guanxi is for Chinese people not only important within the business. For example, *“If a friend of mine wants to start a business with a person that I know, I will help him with my Guanxi so the business can be done”*. Even though the Guanxi is very important still Sheng mentions that he can see that this is changing since people today understand that if you only rely on the Guanxi you have the society is nor transparent nor fair.

Eron says, *“With Guanxi you are in some way restricted to the people that you know and who they know and whom they know”*. In other markets and countries his opinion is that you have more direct access to more people and you can walk in and say this is who I am and this is what I do and make a connection to someone. Moreover, if you both believe in the same philosophy, dream, aspiration or mission then you can connect very quickly and at any level. In China the traditional Guanxi system means that you have to have preexisting connections and those connections are meaningful to a purpose that you need to use them for, so if you have big Guanxi connections in different industries and with the government, you will set that up those and cultivate that for years in advance. This since you know that someday you might need it and this is something that Eron sees as a difference in other markets and other countries.

For Mushero Guanxi relationship and its importance was something that he was aware of even before he came to China for doing business, this since he already had relationships here and as soon as he came he focused on building relationships and to extend his personal network. Mushero mentions that Guanxi is helping his customers to connect with the right people in order to get things done. Guanxi is a way of connecting investors and customers to different kinds of services that are very useful for them. These favors are something that later will help us mentions Mushero.

According to Eron, relationship building is such a big part of the culture that they actually have a name for the it, this is something that in the West have been understood as if you don't have Guanxi then you cannot do business and this is something that Eron

doesn't necessarily think is correct. In the U.S and other markets the concept of having and focusing on developing long term relationships is also of course very common, but Eron says: *"that it is more of a question about how much do you rely on a particular relationship with someone that will close a deal versus someone that on the merits of a product, service or proposal itself"*. Eron mentions that the importance is if you have a personal relationship with someone you are more likely to help this person in businesses and this is no different from an alumni relationship. Eron also say that his view is that the concept of Guanxi is a part of many cultures. In comparison Eron is questioning that if Chinese go to Europe and see the alumni networks, and because they are alumni they have a special way to help each other and then the Chinese are going back and telling all there friends, that there are this thing called alumni in Europe.

4.2 Relationship Marketing and its importance

"I think that our and overall all the businesses are about relationships. It is about that everybody is sharing with everyone else"

(Mushero Interview, 2012)

According to Peterson Marketing is always about relationships because it is about finding new ways to establish relationships with new customers and to find ways to maintain the relationships the company already has. For Peterson relationships are important since there are always needs for explanations, somebody that can explain what you are going to get, explain what is going to happen when they sign a contract and somebody that will make sure it happens. Then the relation is about that you want to make sure that the customers are satisfied once they got the service or product so that they will purchase again. Relationship Marketing is according to Peterson more important today. *"I think that Relationship Marketing in 2012 is more important than before because today you can touch so many people carelessly"*. You can just touch the masses on your website, social media and do it recklessly. Today companies tend to show that their relationships actually are something that makes them look good. Peterson mentions one example where the company is actually leverage their relationship to their customers: Morten steakhouse, noticed a man twittering from the airport saying, "I'm stuck at the airport and I just want to be home and have a Morten

Steak". So Morten Steak went to the airport and brought him one, later they announce this to everyone online. According to Peterson the company today can leverage these relations to the masses. So the fact that everyone knows what they did is advertising what they are doing with their relationships. Peterson also mentions that in U.S there is a saying that the really rich and famous people really want to show what they are doing anonymously; they all drive Prius cars so that everybody knows how 'green' they are. This is what companies are doing too, according to Peterson they want everyone to know what they are doing with their relationships. There are a many opportunities to build the relationships today through responding to twitter posts and others in order to make customers, potential customers, partners and other stakeholders satisfied. The relationship building is for Peterson with the aim of the long-term this in order to get referrals in the future.

For Eron Relationship Building and its maintenance is something that is very important but at the same time he admits that in general he and his team have done a poor job in maintaining relationships or develop relationships in the long term. *"In general we have done a poor job, in maintaining relationships or doing more to develop relationships in the long-term"*. This since the focus for the sales has been to start a project with customers and after they close this deal, they go on to the next. It is according to Eron, the Project Managers that are following up after the deal is closed, with the customers and provide support service. Eron claims that in general they have a continuous interface with the customers but as a sales team they do not. By not having this, they are missing some up sale opportunities and in general, this has to do with the lack of time. Eron claims that they of course want to following up with the customers in order to get deeper relationships but they often do not have the time. Now the focus is changing and they are now trying to do this more, since it is shown to be of great importance says Eron. Eron has seen that the focus on relationship building is leading to more referrals that will also gain the future business. As an example Eron mentions that even though they haven't done the best job in maintaining their relationship he says that *"I think for the company we still receive about 50 percent of our leads from existing customer so that shows that we are doing something right"*. Musherero also mentions that half of the new customers are actually coming from existing ones. He says, *"half of our customers are coming from existing customers that we already have relationships with"*. Therefore he

wants to underline the importance of having long-term relationships with customers, this in order to make them satisfied. The satisfied customers will refer to other people about the company and its services. It is also important with the relationships and the networks since Steve mentions that part of his role in the relationship building is to connect everybody to everybody. *“ChinaNetCloud’s customers have customers that have partners that are connecting their partners to us, it is all about getting good relationships in order to get other relationships”*. Lee also says that he often gets referrals from someone that he might not even remember but he will always try to see the potential, and the importance is for Lee to leave a good impression with the person you get connected with so that you will develop a relationship. Lee’s view of Relationship Marketing and its importance is that it is very important especially in China. Lee says, *“Even though I have some opportunities that will not lead to a closed deal, I will always maintain a good relationship with them because: a) They either come back to me later or b) they will refer me to someone else”*. The importance of relationship has to do with that even though there are opportunities that will not lead to a sold service or product. Sheng mentions that most of his clients are Chinese and he describes that the way of how you build relationships building are in China depending on the ownership of the companies. So when it comes to handle relationships there are differences based on if they are multinationals or state owned. How you build relationships are more of an importance when you are in contact with state owned enterprises or in a large industry.

4.3 Relationship building and maintaining in China

“Typically it involves more alcohol here, and various activities, fundamentally it is humans that are attracted to the same things, people who we get along with and whom we want to do business with”

(Eron Interview, 2012)

Eron’s opinion is that there is not any fundamental difference between the relationship building in China and in the West. His idea is that the foreigners that are in China are sharing a common bound, *“It is like we all here to swimming in the same water, struggling to make the business grow”*. For the returnees there is a different understanding of experience abroad and both the foreigners and returnees are struggling with the local

challenges. Eron says that he feels that as a foreigner he relates to how foreigners and returnees are doing business. This is because when it comes to the local people the first question is that if it is possible to communicate with them or not. Even though Eron himself speaks Chinese to some extent, there can be problems. In some cases when Eron sees that a company has a problem with something he typically leverages his Chinese local sales team in order to introduce them to a, b and c company or a person. This makes them feel that Eron is there to help them even though he is not fluent in their language and he says, *"They don't need to understand me, but they need to understand what I'm about and how we will help them to succeed"*.

Mushero's opinion is in line with Eron's that there is no real clear difference how you build relationships in China compared to in the West. As an example, Mushero mentions that in Silicon Valley in the U.S it is very similar to what they in China call Guanxi, where everything is about relationships and connecting people. As in China it is in the culture to build relations and connect people. This is because it is a source of credibility that I know you and if you do this for me, I can do that for you. He says, *"Everybody will help everyone else because it is a small place and everybody is going to meet up eventually later and it is all about favors"*. Even if you worked together for ten years ago, you will meet up and help each other. Relationships are developed because it can and will help you later and when you help other people, the connections and relationships can grow. Mushero claims that in China at least in most foreign companies and some of the Chinese companies it is very similar, but here they will call it Guanxi. Basically the Guanxi Relationships in China and the Relationship Marketing in the West is the same idea. For Mushero this is an important part of the marketing task, and this can be done in formal ways like partnerships. In China, they always build great relationships through example partnerships that they also like to have on the wall in case they will need you.

For Eron the difference in how the Chinese Sales and he approach clients and prospect clients is mostly depending on that he has more experience than them rather than that he is western and they are Chinese. He might work differently with customers, but overall it should be the same way as the Chinese do. This is also due to Eron because the key features and the benefits of the service sold is the same. He sees that those things are fairly universal for both Chinese and Foreigners, but maybe we have to

discount a little bit more or throwing an extra service to close a deal when it comes to Chinese customers. Probably the local Chinese customers complain or negotiate more in price, but this is something that Eron doesn't think is fundamentally changing how the company operates.

Sheng works mostly with Chinese customers but also have some Western customers and he thinks that western people that are in China are a bit different from people in their own country and he says, "*they are more likely to do business with people from their own countries*". Sheng sees that they are more likely to do business with people from the same country, probably since they want to share the same language, common background and so on. Therefore, Sheng claims that he still has to find the connection but it is less intense compared to how it is with the Chinese. At the same time they are more straightforward and they want to see the result and if your goods are satisfying their needs. If your things are satisfying their requirements they take it very serious. But the difference is also due to Sheng lying in the difference that with Western customers he doesn't have to invite them for dinner, since this will only be useless. But for Chinese if you have a good conversation in the meeting the next meeting is naturally to have a dinner together.

Eron says that in order to build relations at different levels with Chinese a part of the relation is about communication and speaking Mandarin Chinese, which gives you access to more people. Somebody will introduce you to somebody but the fact that you can speak the language that this person speaks will help you establish a better relationship with that person. So language barriers is one issue beyond that there are cultural things there are a lot of activities that foreigners may not participate in or are familiar with. "*Personally I don't drink Baijiu because I can not. But I can still somehow do great business in china*". Sheng sees difference between Chinese and Western people in the way that in China, the family and its relations are the strongest and this is leading to that, the family also often is involved in the business. In the west, the fathers are giving their sons, the freedom of doing whatever they want, but in China, there is a tradition that the son should inherit the business. Mushero says that a difference is that in U.S, you often have 50 friends while the Chinese might have three that are considered as friends, but overall these levels are different in all cultures.

George mentions that the relationships building in China are changing, ten years ago, introducing each other to other people that you know were not that common. It was more to introduce the business to the people that the person knows, the people that the person already has a relationship with. This because the person trusts these people and also can share the benefits with. Eron's experience is that in the U.S or other countries you are competing more with the value of your product or you service. Here in China many things are bought and sold based on relationships with the buyer or seller. In other developed markets you selling more on your product features and benefits. Here it is sold more on the relationships that you have. He mentions, *"People often say that salespeople change jobs in China a lot because after you are gone and sold the product A to everybody that you knows, there is nothing else to sell"*. Therefore you have to go to the next company and then go back to all the people that you know and sell them something. Eron claims that this is not the way he operates in his business since in their case that type of relationship is less important and they have more importance on the value of the actual service, which in some cases make it more difficult to sell in China.

Eron mentions that the relationship building in China compared to in U.S is not that much different, but in China it typically involves more alcohol and various activities. In the west it is often easier to meet people and connect at cocktail parties, change the business cards and make connections of similarities.

4.4 Relationships and the dimension Trust

"If I don't know you, how can I trust you?"

(Mushero Interview, 2012)

Eron mentions that In China there are 1.3 billion people and historically the person that will sell you something, you will never again in you life. Physically you will never be able to find them again, so if they sold you something that wasn't the value that you paid for there is no reprisal for them and no legal system that protects you. However if this person is your cousin or somebody who you grew up with together they are less likely to cheat you and are more trustable. Trust is something that Eron sees is in the core of the

customer relations. In addition this is in the nature of what ChinaNetCloud is selling but for him the interesting thing is that a Chinese company will not trust a Chinese company to run their mission critical system because in general they will steal it. For Eron and ChinaNetCloud their trust is built up on deep technology experience and experience of China. In addition he mentions that they don't accept any referral fees, which also makes the relationship more trustable. *"Trust is basically the underlying base for customers to chop the contract"*. Mushero sees the strong connection between Guanxi and trust. If you have Guanxi you will trust more since you will trust someone you know more than someone you just met and never going to meet again. But this also according to Mushero nothing very special with China, trust is a big deal in all societies. Peterson mentions that the relationship building and marketing is connected to be as trustworthy as possible in China, and a part of that is why ChinaNetCloud doesn't except any referral fees. *"We aspire to be so trustworthy here in China that is also why we don't except any referral fees"*. In China that is a big thing and that is also why it is hard for Chinese to actually believe that this is the case. It can be tempting to take these fees but for Peterson it is more valuable to be trustable and this is something she also does in order to take a way a part of ethical Guanxi problem. According to Sheng trust is very important within the relationships and trust is maybe coming from the background; maybe the person see the background from you and maybe that is the connection. The background that can be as a base for the relation and the trust can for example be based on if you are colleagues, relatives, Schoolmates or Classmates. If you have any historical connections it is more likely that the person will trust you. The relationship and trust is also about the way that you are dealing with people. In addition to trust George mentions that other things that are important: Respect, communication, bonding, and personal connection. If the person is having respect for you he will include you in his personal life. That is important and then you can talk about business and especially for state own companies those are much more similar to the governments officials, they are from the same system where relationships are very important.

Eron mentions that in addition to trust and its importance, he is spending a lot of his time solving business issues for his customers. *"I spend about half of my time not selling server management to my customers but actually solving business issues for my customers"*. This is kind of connecting businesses to other businesses. So solving those

other business problems is through introducing other peoples to customers that they can do business with. This is what will create a much deeper level of relationship with the customer. So Eron mentions that he may not take you out to dinner but he will introduce you to a bunch of business partners that is going to help your business grow. If he can manage to help those companies grow it will have a meaningful profound impact of them personally. This is something that for Eron is showing commitment within the relationship.

4.5 Friendship within business relationships

“I am a friend with all of my customers”

(Lee Interview, 2012)

For Eron the distinction between friendship and business relations is something that he doesn't do but he mentions that some people do. He sees it as that we are handling of the same reasons and if you have a great product or service, then it would actually be bad if you do not share that. All the relations are important: *“Not everybody needs their servers to be monitored and I have many friends who have nothing to do with the Internet industry, but I also have some customers that are my friends and I have a lot of new customers that I found through my relations that I have with my friends and business partners, then again it gives us more business.”* Eron says that half of ChinaNetCloud's new business comes from referrals from our existing customers. So he doesn't have the distinction although he has friends who are customers and not customers it is all mixed together. Eron is not sure how Chinese businessmen do and he believes it depends on different situations. Maybe some are treating certain people as friends because later they may need them for something. Eron's opinion is that there are a bit of the same phenomena in most markets in most countries, but it is more pronounced in China.

In line with Eron, Lee is saying that he is friend with all of his customers or at least he is trying to be and on a professional level. The friendship is for Lee making them satisfied, if they are not satisfied then Lee is not satisfied either. Lee claims that the importance of making his friends within business satisfied lies within that if he makes them satisfied

he knows that the customers will tell their friends, and that will gain the overall business. For Mushero in some levels in relationships there are friendships and this is connected to the very important concept of trust. How can a person trust someone that he doesn't know? *"This is how it is important with the relationship building since if a person know someone that knows someone that knows you it is more possible to trust you."* In addition, Steve says that if he knows someone that says that another person is good he will trust that. This is something that Mushero finds important everywhere but especially in China since it is the culture is a low trust culture. Sheng believes that making distinction between business relationships and friends is different between different cultures. For him Western people are clearer with the gap between business relationship and friendship while in China it is sometimes more mixed together. In addition the word friend has a lot of different definitions and meanings in China. In China due to Sheng you can say that some friends are business friends and people have friendship because they want to do business, if there is no business there are no friendship. This is also regarding other friends like the people that lived with you for a long time since you were just a kid and this is a real friend and this friend maybe doesn't have any business relations with you or maybe they have but this friend is a different. The personal relationships were according to Sheng more important about ten years ago, back then it was not common to introduce someone to someone that the person knew. It is more difficult in China since if you want to introduce your business to people, the people that he already has a relationship to.

4.6 Relationships bases and targets

"In China my relatives are kind of the chief officers"

(Sheng Interview, 2012)

Eron mentions that the targets of the relationship building are affected by the limit of time. He says, *"We are realizing that it is only a certain hours per day and we need to and are targeting specifically, the movers and the shakers typically the founders, CEO, CTOs of the company."* In addition Eron mentions that they do help other related people in making their lives easier, but the focus is for sure the people that are making decisions

and that have a stake in the outcome. Musheru mentions that the relationship marketing targets is depending on the situation, on a personal level when he arrived in China the relationships that he needed were connected to get a job. He also mentions that now for him and his business the targets are of different stakeholders such as investors, customers, contacts, in general the targets for relationships are all of them that will help you enhance the business.

Sheng is describing relationship building in the form of Guanxi in China as something that you cannot do with everybody. Guanxi should be well organized, and for Sheng his relatives are kind of the chief officers. Also he mentions that if you even if you have a lot of Guanxi you have to be clear of what you want to do otherwise it would be useless. *“What is your business plan and with this business plan you will find what kind of Guanxi you will need in order to realize it, and on the other side what kind of Guanxi do you have.”* The targets of the Guanxi relations are first your mother, father and other relatives. After the relatives Sheng mentions that you have other people that you trust and like that you will develop the Guanxi with. So this is why in China many businesses, profitable business are managed by the people that has a very rich father or a very rich family. So family is the strongest and most common Guanxi there is. Musheru also mentions family as the strongest targets for Chinese when it comes to business, but at the same time the families in China are very small nowadays therefore it is getting less important than before. So as a Westerner when you come to China the relationships that you have with your stakeholders are all you can rely on and if you don't have these you will not survive. Sheng is making a distinction between the Guanxi he has within business and the Guanxi that he has in his personal life. Sheng also mentions that some years ago when it was more common to do business with the family, but now most of the persons that you are doing business with and having Guanxi with are mostly your friends. But you also have to think about why you are friends and are having a good relationship with you and that is because you have something that he needs. If you don't have these things he needs he will leave you. So in that case this friend is not a real friend it is more of business relation.

Due to Peterson Relationship Marketing should be connected to that the customer or who ever are the target of building the relationship should feel like you were growing up

together, this since it is not possible to only build relationship to those people that you grew up within the business context. Peterson is targeting all the stakeholders for her Relationship Marketing. ChinaNetCloud is having the salespeople going to events in order to find new contacts and customers, arranging events, partner programs, co-branded events, training on how to present our information to the contacts you already have. One way to find the right targets and get connected for her and the sales are through once you find out who you want to sell to they use LinkedIn in order to see how they are connected. Peterson says that that is probably something they do since they all know how important relations and Guanxi are.

4.7 Relationships and the impact of face

“You never want to just school people in front of others...”

Chinese always wants to keep the appearance up”

(Lee Interview, 2012)

Overall due to Sheng Chinese people are not so straightforward compared to western people. Chinese often wants to make all the people satisfied or avoid make them feel uncomfortable or embarrassed. In marketing the company have to keep a positive image for all the people that are concern with your business. Connected with the face is respect, Sheng mentions that it is extremely important to respect supervisors and senior people, this in order to not damage the image or the relationship. The image of saving face is also important for the business and the network as a whole. Sheng describes it as something that is about the emotional feelings, *“It is about the emotional parts and it could be seen as being embarrassed”*. Eron wants to underline that when talking about relationship building in China he sees that a lot of concepts exist in different cultures but in different degrees. So for him the concept of face is in China very important but is also something that exists in other countries as well. As an example of the concept of face Eron was in a meeting with a potential customer, a company doing IDC works for this potential customer and also a system integrator. In the meeting Eron was suppose to give his opinion of one of the vendors work who Eron saw made some fundamental mistakes. So in the meeting Eron replied that there are some things that he would do

differently but it was not the appropriate moment time or place to say that the IDC company is screwing up. This means that If he would have said it in front of them, the harmony in the room would be disrupted and the PM and the vendor would have lost face. This scenario is something that Eron sees as not much different from similar scenarios in U.S or Japan, but in China the concept of saving face is of a more importance. Lee sees the concept of face as something very important in China and in his views it is about respect, *“I think that having respect and the face is very key in China. You never want to discipline people in front of others and it is a big deal”*. In line with Sheng and Eron he says that you never want to discipline people in front of others. Lee knows that saving face is important and his friend once helped another person to save face by taking part of the blame when the manager blamed the person of doing something wrong. After that Lee’s friend and this Chinese person developed a deeper relation. In China Lee says that Chinese always wants to keep the appearance up. Peterson also sees it as something very important. The importance for the face involved with the relation is that Chinese tend to take insults very personal and serious.

4.8 Relationship marketing in its practice

“For Chinese face-to face are the most important, that is just the way it is”

(Eron Interview, 2012)

In China the relationship marketing in its practice is mentioned by Musherio to take place in different forums depending on the purpose. Musherio is often trying to connect to stakeholders on different events, but he sees a difference in how that is done in China. In China the events are not of the Silicon Valley style and for Chinese networking is still not happening as the way we know it in the west. Musherio believes this is probably due to that Guanxi is never developing on these events. Musherio claims *“it is weird for Chinese to go to events just for meeting people, normally they meet through someone they know and work with”*. Guanxi is developed under more formal conditions. Chinese often feel uncomfortable going to events just for meeting people, normally they will meet through someone they have a relation to. Chinese seems to want to have a connection before they are starting to establish a connection. In U.S the relationships is often

coming from that you say “Hi, how are you and where you from?” Mushero thinks that it is about another trust level and Guanxi, so therefore it is important to think more how are you going to achieve the trust. This is why it makes it harder to succeed in China because Chinese are used to do this way. This can also be different in different cities in China, and here Mushero see that Shanghai is more adapt to the western style of doing business. So overall this is why there are more westerners than Chinese people on the events.

Lee sees the importance to build relationship wherever you are. Even though this relationship building with different stakeholders not directly will end up in revenue it will still in someway be useful for the business. He mentions that often it will end up in that people that he developed relations with are sending him contacts that could be a prospect customer. The most important thing for Lee is that he is trying to be in the minds of different stakeholders, *“the important thing is that I’m in their minds. And of course the more you are in their mind the more likely they will remember you and then refer to you and recommend you”*. Therefor it is also important to make the relationships deeper through for example notes and thank you cards, you don’t have to overwhelm them and spam but just so they still will remember you. Lee sees that in China Face-to-face meetings are the most important in building relationships. His understanding is that some of the Chinese sales people go out and visit the customers quite often. This seems to be standard or expected, but this is something that he wouldn’t do with his western clients. His opinion is that Chinese in all levels are trying to do business socialization, in forms of singing in karaoke, dinners and drinking.

Online relationship building is something that Eron sees at very important in China. This since in the west you have the certifications that you can trust and these will help the customer to choose the products. In china these certificates are paid off by the company producing them, this is something that everybody knows so no one will trust them. On the other side they would trust hundreds of bloggers and people that left comments because in a way the web is more trustable then the news that either are from the government or companies. So in that aspect Eron claims that social media and social networking sites are playing a stronger role in forming opinions in China than in the west. Eron says that in China, *“there is more participation since we all don’t trust the*

certifications but we more trust each other". In the west that this and that certify your product so the customer doesn't have to read the blogs saying that one specific toaster caused a fire because it has a certification that I trust. Also it is important since it is in an environment where historically there has been less of a willing to be self-expressive and more people are using web and other SNS. For Sheng the opinion is that the relationship building online is a good way to reach the targets but due to age differences some generations won't go online. He says, *"For young peoples websites are good and sometimes I believe that the relations are created through SNS"*. SNS is something that Sheng see as something that is a suitable way to build relationships and it is getting more and more popular in China. This since it is an efficient tool with low costs and very straightforward. Of course there are different areas where you can find the targets for you relationship building, Sheng's opinion is also that the SNS and websites are in a way doing Chinese people more western. The generation differences are also something Sheng sees when he handle clients, when the clients are older more Guanxi is needed. Sheng's opinion is that older people can only rely on Guanxi itself, since they are used to it and also some new technologies are hard to catch up with.

Eron says, *"Regardless if I'm in China or in the U.S, I always want to meet my clients once, to look them in the eye and shake their hands"*. Beyond that Eron feels that most of the relationship building can be done over phone or email. Sometimes he wants to be out on the golf course or something like that, but there is still not much that he feels he cannot do himself over email and phone. Having personal meetings are more important than in the west and according to Eron this is something that could be due to that China still is a very traditional country while in the west you might working in a more global market and therefor are not even able to meet in person. In China the bonding often takes place over drinking, singing or other activities. Eron says that this is something that he thinks happens more in China compared to the West. In China things are often done with less transparency than in the west and under those circumstances you have to have stronger bond or relationship or Guanxi to have the other party to create the desired result.

Mushero sees that the difference with Relationship Marketing in the West and China, he says that *"In the west we tend to search more information on the websites and do more by ourselves since this is a way of get to know how the products can help me, while in China*

the product itself has less importance than the relationship that you have". Mushero mentions that this is especially for products or gaming. This is changing but it is still not close to how it is in U.S, where people will look online for everything. This is also about the generations, younger people are more eager to adapt to new technology.

Sheng thinks that events can be useful even in China depending on different perspectives, if you want to sell something and the purpose of these activities are to sell something to the person, you still need to have a good relationship with the person. Events can work well if you just want to do a brand promotion, because you can express the business ideas here and events are also developing in becoming more important since people in China are getting more and more focused on the product itself not the relationship. Sheng believes that this change is something that is coming from the increasing competition. But Sheng underlines that the relationship itself is the most important and it doesn't really matter where and how you do it. But if you want to create a really good relationship with a Chinese person email is something that is almost useless the same with networking events. Also phone calls where you just present yourself and your product, but if you make a phone call and say *"Hi this is George, one of my friend introduced me to talk to you and I know that you and my friend are classmates"* you will get a connection and you will probably meet in person later.

Mushero mentions that what relationship activities you actually do are depending on what you do, but the Chinese are more concern about the face concept, so doing more face-to-face is important. Mushero says that he feels like it is easier with foreigners to do the relationship building through emails or phone calls, but overall it is always considered to meet in person. In addition Chinese are much slower in building relationships and they trust a lot less. He says, *"China is a low trust society so they trust less and it will take longer time before you have any sort of history"*.

In China Peterson sees that the salespersons relationship with the customer is so strong and they will sell to them and once they sold that thing to them they will go find something else to sell to them. So in China it is more about the relation that the salesperson have with that specific person rather than the actual need for the product. This is something that Peterson sees in the office, *"people's relationships are so strong*

that like in our office none of the salespersons care if the other salespeople hear them talking with customers". In New York a salesperson would never let another salesperson know who is a prospect client, this since the sales are based on the product or service you are selling and not the relationship. So in China if you are losing a sales person you pretty much will lose all of their clients. Therefore Peterson also sees a special challenge for Western companies doing business in China. She mentions that for ChinaNetCloud it helps that they can sell to foreigners, because for them the real need is at presence.

In China Peterson mentions *"face-to-face is number one if you have a relationship with someone and they rather pick up the phone than open an email"*. But she mentions that with the relationship marketing in the west, it is a lot more about what the company has and what the company does. Therefore ChinaNetCloud has the ability to chat with the sales team on the website, they arrange events, attend events and do sponsoring events, doing tradeshows, doing e-newsletters, promoting our partners and the relationships, promoting our customers our relationship with them, all of this in order to reach the targets and build long-term relationships. She also sees that relationship marketing can be done through advertising, press releases, PR, social medias, partner programs, and customer programs. This is not only establishing the relationship she sees it as also maintaining them. In order to build relationships with customers in China Peterson mentions that company can try to find Chinese bloggers that are trusted. She mentions that since they ChinaNetCloud have a unique business model they have the advantage of being on television and in magazines. This is something that a small company in New York of this size would never be able to do.

Eron also mentions that ChinaNetCloud sends monthly newsletters to customers and these customers also have 24 hours 7 days a week access to their monitoring systems for their servers. Lately ChinaNetCloud has started to focus more on the relationships with ChinaNetCloud's partners. As an example they have identified the key partners and done cross-sales training with these ones. They train their sales people and they train ChinaNetCloud's team, in addition they done an update with the CRM system in order to be able to better track and see what they actually are doing with their partners. Eron says, *"We found that partners are a great source of leads and we provide leads in both directions. We provide leads and we get leads"*. In general Eron mentions that they

haven't done or only done a very few parties or events and they don't take out customers to dinner and drinks. This is partly because they don't have that much time but Eron believes that it could be beneficial to the relationships in terms of higher client satisfaction and in receiving leads and up sale opportunities. Peterson mentions that the relationships are for ChinaNetCloud about partner relationships, customer relationships that go behind the sales force so that customers can feel that the entire company is behind them. This is something that Peterson mentions to be connected with reaching new companies and customers on social medias, like for example Twitter, Facebook, RenRen (Chinese version of Facebook) and Weibo (Chinese version of Twitter).

5. Analysis

In this section the empirical findings are connected to the theory. The analysis is an answer to the purpose of the research earlier presented.

5.1 Guanxi and its importance

Since more western companies want to enter China and know how to do business (Wang, 2007), it is also more interesting, according to Wong (1998), how to actually build relationships in China. So when talking about relationships in China the concept Guanxi is a natural part of the discussion and one of the keys of success in China (Wang, 2007, Lou, 2007). The importance of Guanxi was something that the respondents all mentioned and Peterson says that Guanxi is something that she even sees as unavoidable when doing business in China. Sheng sees Guanxi as the most important aspect if you want to do something or create something in China. This is because in China you have to have some kind of Guanxi in order to succeed, this in order to get people to trust you, your company and what you are trying to sell. Because of this, even if you have a good product or service to sell it will be hard to succeed. Lee also sees the importance of relationship building and maintenance in all cultures but in line with Wang (2007), he mentions that it is of greater importance in China. Guanxi is for Lee it is the ultimate power and it is also important not only to have Guanxi, you need to have the right Guanxi.

According to Ai (2006) Guanxi is describing a person that knows a lot of people, has a lot of connections and overall is getting things done without going through the formal channels. So in line with this Sheng sees Guanxi as the way of getting the resources you need, so you can realize your business plans and win the deals. Luo (2007) states that Guanxi is traditionally seen, as a door that you have to pass in order to be 'one of us'. So without the right connections you will not be recognized and you will not be a part of the favor exchange that comes with Guanxi. This is also what Lee says that Guanxi is; "Getting things done". The importance of Guanxi is basically that without the right Guanxi there won't be any movements and progress. This is also the reason that Lee mentions, of why Guanxi is so important and a normal phenomenon. In addition Guanxi

is according to Vanhonacker (2004) a major part of the Chinese society and in every aspect there is focus on the relationships, both personal and business. So for Chinese the relationship building and maintenance is something natural. Also connected to the Chinese culture since it is seen to be relational oriented (Vanhonacker, 2004). Sheng also mentions that when you have the right Guanxi, things will get done easier and smoother. Vanhonacker (2004) mentions that within the network the persons are helping you with business deals and this is something that is special in China and Wang (2007) underlines that the Guanxi is always based on interest, benefits that are mutual. Guanxi is defined as “friendship with implications of a continual exchange of favor” (Chen as in Wong, 1998:25), where both friendship and the favor exchange is mentioned. So within Guanxi favors plays an important role and this is something that Luo (2007) mentioned as one of the main goals with having Guanxi relationships. All this show the importance of mutual exchange of helping each other and this Lee mentioned, for him Guanxi is about helping others and helping others to get things done and this is also what he considers to be a part of his job. The Guanxi he has, he uses in order to help his clients and the clients that mostly wants help is the international. This favor exchange is something that even for Mushero is mostly what Guanxi is about. He says that Guanxi is helping his customers to actually connect with the right people and in that way it is a way for his investors and customers to get the useful services that they need. He also see that this favors will not only help his client these will also gain him back in the future when he might be the one with the need for a service. So here the favor exchange is having a reciprocity rule that is also giving the Guanxi relationship a mutual benefit interest.

Within networks Guanxi is described as “social interactions within the network place and its member in the equivalent of an infinitely repeated game with a set of people that they know” (Davies as in Wong, 1998:25). So here the Guanxi is described as something you have and develop in your network and with people that you already know. This is something that Eron agrees upon, according to him with Guanxi you are in some ways restricted to the people that you already know and who they know and who they know. In other markets or countries there is a more direct access to people whom you can build relationship with. So Eron means that Guanxi has the meaning of that you have preexisting connections within different industries and preferably with the government,

and these connections you have since you need them in order to achieve a purpose. Peterson says that westerners misunderstand Guanxi to be something that includes running around at events giving business cards to everyone. This is not what Guanxi is about, Peterson mentions that Guanxi relationships are established and maintained in more private settings with people that you already have existing connections to.

Ambler (1995) mentions that Guanxi and relationship building in China is by many westerners considered to be time consuming and this can be a problem for Western companies that are coming to China in order to do business since they in general are more deadline driven. It is due to the Taoistic influences in China the relationships are built over time and not immediately and the relationships are also something that are of a long-term scope and that you will use later. Eron mentions that the importance Guanxi connections that you need and want to achieve are something that will cultivate over time and nothing that you will get easy nor quick, he also says that these Guanxi relationships that you have in different industries and preferably with the government is something that you set up and cultivate over years. Sheng also mentions that Guanxi is time consuming and the Guanxi relationships is something that will develop and get stronger day by day, year after year.

The relationships building and maintenance in the form of Guanxi have a big importance in China since it is more than just realizing individual goals, they can also define who you are and give you better status (Ambler, 2005). This is in line with Sheng's opinion that Guanxi is connected to something he calls personal marketing within the network. If you have a good personal marketing within you network you will also due to Sheng have good relationships and Guanxi and the more Guanxi the more status you will get and also the possibility of succeed.

On the other side Eron remarks that Relationship building and maintenance is important everywhere while he sees that within his kind of business the Guanxi is less important. The Guanxi can due to Eron be of less importance if you actually do something that you cannot fake and that your customers actually need, in addition he claims that sometimes Guanxi can help your business and it is good that you have it but the Guanxi itself will never make the renewals of your existing contracts. Also he sees that the importance of

Guanxi is more important where the deals are bigger in industries like construction, oil, gas. Sheng also sees that the importance of Guanxi is deeper in state-owned companies. Ai (2006) claims that Guanxi is a phenomenon that are evolving both within the culture and practice, but Sheng has the opinion that Guanxi is getting less important since people are realizing that the lack of transparency are unfair and not good for the Chinese society.

5.2 Relationship Marketing and its importance

Because of the today's changing business environment the opinion is that it is of great importance to understand the customers and also to have the focus on the relationship (Grönroos, 1994). Peterson says that for her Marketing has always been about relationships but due to the changing environment it is more important than ever before, this since you today have the ability to reach more people carelessly. The company can reach and get in contact with many target groups through practices like websites and social media that are suitable for Relationship Marketing. Relationship Marketing was first defined as "attracting and maintaining and in multiservice organizations enhancing customer relationship" (Berry, 1983, as in Berry, 1995:236) and this is also what Peterson mentions that her overall marketing strategy is about. She says that her focus is always to establish relationships to new customers but also maintain and get deeper relationship with the existing ones.

There are a lot of advantages connected to Relationship Marketing with both customers and other targets, first of all the relationship will give the company the opportunity to collect more information about the customers wants and needs. When the company have more information about the requirements that those targets have the possibility of making them satisfied is greater (Cobos et. al, 2009). This is also inline with what the goal for Relationship Marketing is according to the today's definition of Relationship Marketing "...so that the objectives of the parties involved can be met" (Grönroos, 1994:9). Peterson mentions that there are a lot of ways today that the companies can take into their strategies when it comes to building relationships. She sees that companies can today respond to for example Twitter posts in order to make customers, potential customers, partners and other stakeholders satisfied. In addition when doing

the relationship building online Peterson sees the possibility to actually leverage the relationship and the satisfied customer to other people.

Grönroos (1994) mentions that the advantages to have long-term relationship, which is a objective of Relationship Marketing is that over time the relationship partners will find out the best way to interact and this will result in less costs. In addition the focus is also to treat the customers as clients so that they will stay loyal to the company. Musheru underlines the importance with building relationships for the long-term since this will facilitate making the customer satisfied. He also mentions that a satisfied customers would refer to other people about the company and its services. This is something that both Peterson and Eron mention to be one of the goals with Relationship Marketing, to get customer referrals. According to Musheru and Eron half of ChinaNetCloud's customer are coming from referrals from existing, so this is of great importance. This is also why Eron he sees the importance with building and maintain relationships. Even though he sees how important the Relationship Marketing is he admits that the relationship building is something that ChinaNetCloud can do better, since the sales usually focus more on closing the deals and find new customers right after the deal is closed. The reason for not focusing on this has been the lack if time according to Eron, but this is something that they developed lately since the actually realize the importance of relationships.

Musheru also see relationship building as something that is connected to the network and he says that it is all about getting relationships in order get relationships and preferably and probably this will be a way of getting new referrals and new customers. In addition Chang and Tseng (2005) and Grönroos (1994) mention that relationships are a source of competitive advantage that also will generate revenues in the future. This is in line with Lee, who mentions that even though the opportunities that will come from referrals will not directly lead to a sold service or product, he always develop a relationship since that they can refer to someone else about him or they will come back later. Eron says that since ChinaNetCloud has not focused on Relationship building this has probably ended up in that they missed potential up sale opportunities that could have gained their future business in forms of revenue.

5.3 Dimensions of Guanxi and Relationship Marketing

5.3.1 Trust

Trust is according to Theron and Terblanche (2010) a central and important part of all relationships, even during establishment and development. In general Eron sees that trust is important within all relationships and it is also what actually makes the customer sign the contract. In line with this Barnes et. al (2011) mention that trust is that the person actually have confidence in believing that fulfill their requirements.

In China and within the Guanxi both Fu et. al (2006) and Chen & Chen (2004) mentions that trust is determining the quality of the relations and this is showed in why trust is more important in China than in other markets. Eron mentions that because of the size of the population trust is more important here. This in line with Chen & Chen (2004)who claim that the importance of trust is higher since in China the Guanxi building often takes place in an environment where general trust is lacking. As Eron mentions in China there are 1.3 billion people so if you sell something that is not of good quality or is not meeting the requirements of the customers the customers will often not be able to find this person again. In addition there are not so much of developed legal systems that will protect and help the customer in those situations. It is therefore according to Eron more common in China that you in China see more businesses that are done within the family or relatives. This in line with Luo (2007) who mentions that in China the strongest base for Guanxi is the family since they are more trustable than people from outside the family. Sheng mentions that the trust in Chinese relationships is often based on a background, often the background is based on if you are colleagues, classmates etc., so if you have historical connections with a person it is overall more likely that the person will trust you. Also Ndubisi (2007) mentions that a betrayal will lead to defection. This defection can be connected to that you are less likely to betray your family and that is also a reason why trust is in the center of the Chinese relationship society.

In China, trust in Guanxi relationships is having focus on the dynamics between the counterparts and if it the trust within a relationship is strong, the result is more cooperation and also greater commitment (Luo, 2007). Sheng mentions that in China the Guanxi and the relationship itself is something that is very important since it is

overall considered to be the base for trust. Without a relation and Guanxi no one will trust you and your offering so then you will not be able to make success in China. In addition the trust is also based on that you will do favors in order to get personal connections that will lead to loyalty (Wang, 2007). According to Musheru, China is a low trust society and therefore relies more on the relationship itself. So if you have Guanxi, you will trust this person more than someone you just met and never going to meet again. But as in line with Theron & Terblanche (2010) Musheru mentions that this is something that is connected to all kinds of relationships and not only with Guanxi or relations in China.

Peterson mentions that in China the relationship building and marketing is having the aim of being as trustworthy as possible. This is also why ChinaNetCloud is not excepting any referral fees and that makes them gain more trust from customers even though some are having a hard time in believing it. This is also a way of take away a part of the ethical issue with Guanxi. This is connected to the fact that according to Luo (2007) the Guanxi and relationship can only be developed if the partners are showing empathy for each other.

5.3.2 Commitment

Within relationships, commitment is an important dimension and a central expectation within Relationship Marketing (Morgan & Hunt, 1994). Commitment is also something that is essential when companies are building and maintaining relationships. The more you have the more stable and stronger the connection will be (Theron & Terblanche, 2010). Within Guanxi relations it is something that according to Wang (2007) is affection and emotional commitment. Here in China the commitment or Ganqing is connected to social bonding, and this is in what degree you actually are the degree of friendship within the relationship. For Lee the friendship is something that is connected with his business relations, this he does in order to be able to satisfy them. It also has to do with the fact that if he is friend with his business relations they are also more likely to tell other people about them. In addition he mentions the importance of what he calls business socialization in China that are all the activities that Chinese tend to do with customers and other stakeholders in order build relationships and establish Guanxi. This is also mentioned by Luo (2007) who mentions that these activities are a

requirement in China and this can be in order to what Fu et. al (2004) mentions that the more commitment the more you will share your happiness and other feelings.

For Musheru the commitment or Ganqing of the relationship has to do a lot with trust and he sees that there is a low trust in someone that you do not know or have a relationship with while there is naturally more trust in someone that is your friend. So to have the commitment in the relationship is important so that you can establish the friendship. This is in line Lou (2007) that the dimension of Guanxi; trust or Xinren is closely connected with Ganqing or commitment. So the greater commitment a person has within the relationship the greater the trust will be.

Ganqing is so important within Guanxi that even if there is a base for developing Guanxi it is not sure that it will be developed if no Ganqing is at present. In order to develop Guanxi both parts have to be committed (Luo, 2007). Sheng mentions that in China it is more common to mix friendship with business this since friend has different meanings and definitions. People can have business friends that without the business will not be your friends and then you have the friends that are real friends that you grew up together with. Wang (2007) also mentions that the strongest Ganqing there is are the family, but when there are non-blood based relationships people tend to do efforts in order to establish Guanxi.

5.3.3 Satisfaction

As mentioned before, satisfaction is for Eron what is the overall importance over building and maintaining close relationships. If the trust makes you customer sign the contract then the satisfaction is the actual outcome of the relationship that you build with customers (Liang et. al, 2008). Eron mentions that in he cannot fake what they are doing so the satisfaction is actually coming from what they do for the customer and this can be seen to be what Liang et. al (2008) call transactional satisfaction while when the customers renew the contract is the cumulative satisfaction that develops over time. Eron also mentions that even if they would have important Guanxi relations; this is not what will renew the contracts. This is why Eron, Lee and Musheru also are in a big extent helping clients to connect to other companies so that they can make them more satisfied. Satisfaction is also something that they all agree will be something that adds to

future revenues since they say that satisfied customers are going to refer to them in a larger extent.

5.3.4 Communication

In the relationship building and maintenance the communication is crucial for keeping the relationship and it is about sharing the meaningful information between the partners in the relationship (Theron & Terblanche, 2010). In order to be able to satisfy the customers Eron mentions that they have to know how the service they are going to buy is going to help them. Eron mentions that for foreigners in China one of the local challenges is the language barrier. Even if Eron is speaking conversational Mandarin it can sometimes be hard to communicate. Therefore in order to build important and strong relationships in China he usually leverages his Chinese sales team so they can introduce the service to the local clients. Overall even if this is an solution Eron's opinion is that one way to build deep, long-term relationships with the customer is through know some mandarin. In addition Eron mentions that they don't need to understand him, they just need to understand what he is about and how he can help them. Dialogues are according to Theron & Terblanche (2010) something that is the way of reaching the customers that are the targets of relationship building. Peterson mentions that for her Relationship Marketing is about that there is actually always a need for an explanation. She says that the relationship is about that there is a need for someone to explain the product and here there also is a need for communication.

5.3.5 Promise, mutual exchange and Renqing

In China and within the Guanxi relations Renqing or favors is something unique for the Chinese culture (Wang, 2007). In China the practice of Renqing is gift giving or mutual exchange of favors and this was something mentioned by the respondents that they are setting a lot of their time doing. Eron mentions that he estimates that about half of his time is about doing favor for customers. The favors that they are doing are depending, but mostly it is about connecting people with the right people. Lee mentions that he is helping his international customers get the ICP license they need and another example Sheng mentions is that he often do favors for the partners of the relationship he has, so if he has a friend that wants to do business he will use his Guanxi relations that will make his friend be able to realize the business plan. In China favors is connected to a special

reciprocity and mutual obligation. Mushero mentions that the favors he is doing for others are something he knows will help him or ChinaNetCloud later on. It can be seen in line with what Chen & Chen (2004) mentions that it emphasizes the obligation of owing something to each other. This is also why the respondents can spend much time on doing favors for other people since it is within the mutual obligation of reciprocity so they will get it back later. According to Wang reciprocity (2007) is a rule that means that if someone does something for you, you have to do something back but in China the time of when this shall happen is longer than in the west. The reason of why the time scope for returning the favor or gift is not within a short time is because the relationships in China are always of the long-term. The favors and gift included in Renqing is nothing you measure in the value of objects or money also why it is almost impossible to pay back Renqing depths (Wang, 2007). Eron mentions that the Guanxi relations in China includes both respect and harmony and that is something that according to Barnes et al. (2011) will be damaged if any party fails the reciprocity rule.

5.3.6 Mianzi (face)

Within Guanxi face is one of the most important aspects but it is very abstract but can be compared to the English word prestige (Shou et. al, 2011). In general a person will achieve or gain face when the person is performing something that can be noticed by others and lost when the performance is not meeting the requirement. Sheng's opinion is that in general western people are more straightforward than the Chinese and the Chinese often wants to make everyone comfortable and they avoid making someone feel uncomfortable this since this will lead to losing face. Image concept is important in the network as well as the business. Even though Eron sees the importance to understand the concept of face he also sees that it also exists in other cultures and is nothing exceptional in China. The overall importance with face within relationship building is, for the respondents to never make someone feel embarrassed (lose face) in front of other people. In addition Langenberg (2007) mentions that the face is connected with the person's identity so when someone threat the face it will also lead to a threat of the persons identity. This is something that Peterson mentions to be one of the reasons that face is so important in China, for her Chinese are taking critics very personally even though it is the work that is being criticized. Lee also mentions that Chinese always wants to keep the appearance up and Chinese wants to save face because it is connected

to their prestige and affect the identity (Langenberg, 2007). So as Lee mentioned to help a person save face will deeper the relationship and as Eron mention there is no reason to make a person loose face in a meeting. In China if something is not meeting the expectations the criticism should rather be taken in private than in front of others. The face concept is also why Musher's believe that Chinese people value the face-to-face meetings higher than phone calls or emails.

5.4 Bases for relationship building

5.4.1 Bases for Guanxi

The bases of Guanxi are different from who you will target your Relationship marketing to. Sheng mentioned that Guanxi should be done well organized. It thus argued that family is the most important base for Guanxi (Luo, 2007) and this is also something that Sheng agrees with. He says that his family is kind of Guanxi chief officers, so first of all according to Sheng the targets are you relatives and family. The kinship base for Guanxi is blood-based or of marriage kind (Luo, 2007). The importance of the Family Guanxi is also why many businesses in China are family businesses and it is also common that the business is something that you inherit says Sheng. As Luo (2007) mentions the importance of kinship still remains important though is getting less important. In addition Musher is in line with Kiong & Kee (1998) when he argues that the importance to have family as a base is getting less important because of the smaller family sizes in China. Eron mentions in line with Luo (2007) that for Guanxi there are bases that for example can be that you have grown up together, gone to the same school or you are actually friends.

Luo (2007) mentions that one base for building Guanxi relations is through the trade associations or social clubs that are a kind of institutionalized Guanxi. This is something that the respondents didn't mention but most of them argue that events in China often are useless if you want to establish Guanxi. Musher says that in China events are not like in the U.S where you can just go and connect to people regardless if you already have a connection. In China you will base the Guanxi relations on what relations that you already have.

Commitment and friendship that are important dimensions in both Relationship Marketing and Guanxi relationships (Barnes et. al 2011, Theron & Terblanche, 2010) are also something that is mentioned by Luo (2007) to be a Guanxi base. This Guanxi base is important in order to make the relation deeper. This was something that the respondents were mentioning has a lot to do with trust. In general you will have more trust in someone that you refer to as a friend in comparison to someone that you just have as a business relation. This in line with what Luo (2007) says that in business there is a special need to have close-knot relations and without this the relationship will be risky. All the respondents said that they do not do a distinction between the business relations and friendship and Eron mentions that his friends are both customers and not customers and this is something that are all mixed together. Both Sheng and Eron mention that in China there seems to be more friendship involved in the Business relations.

Peterson also mentions that the relationships are of such importance that as soon as they will get a new contact, they will go to LinkedIn in order to see how they actually are connected. This is something she sees as necessary due to that they all know the importance of Guanxi and relationship building in China.

5.4.2 Relationship Marketing targets

The literature is showing that there are more bases for building relationships are more than just the customers (Peyne et. al 2005). Eron mentions that for him the targets of their relationship building has been limited by the time, even though he wants to focus on building relationships to all the stakeholders that is important. Because of this he is focusing on those groups or persons that has the most power and have the focus on CEOs, CTO,s and those persons that actually have a stake in the decision-making. For Mushero the targets for having long-term relationships are all the people that will help him enhance the business. So all the stakeholders are of his interest; investors, customers, contacts etc., but the customer markets are overall the most important for him. Peck et. al (1999) and Payne et. al (2005) mentions six different targets group that are the main focus for Relationship Marketing. The respondents all seem to agree that all relationships that can be built in a company are useful and of value. Noticed is that most of the respondents are talking about the importance of referral markets. Lee mentions

that for him the relationship building can take place anywhere and his goal is to build relationship with different stakeholders. He mentions that this is very important even though that he knows that some relationships won't result in immediate revenue. For him the importance is within the minds of these targets since if they remember him they also are more likely to refer to them later on. For Relationship Marketing Peterson sees the importance of targeting all of the stakeholders. Also the importance is to build the relations so close that the target for the business relationship is having a feeling that you as close as you were growing up together, this since it is impossible to only build business relationship to relatives. ChinaNetCloud is trying to find the targets for their relationship marketing through going to events, arranging events, doing partner programs, co-branded events says Peterson. ChinaNetCloud is doing different partner programs with partners like for example Dell who are connected through selling ChinaNetCloud's customers the right servers. This target is due to Payne et. al (2004) under the supplier markets, where the suppliers are supplying resources to the company. In addition there are so called alliance markets that is more of a knowledge base. Alliance markets were mentioned by Lee to be the way he helps his customer with different services, the relationship he has with local companies will actually provide knowledge of how to solve problems in China.

One of the other targets for Relationship marketing that Payne et. al (2004) mentions is the internal markets, here the employees are the targets. Peterson mentions that they often train their employees so they will know how they should present the company to existing and new contacts. In addition Eron mentions that they continuously have cross training with identified key partners. This means that ChinaNetCloud is training the partners' sales team and the partner has training with ChinaNetCloud's team. In addition the Influence markets are also targets of the Relationship Marketing, which are many groups like for example press and media (Payne et. al, 2004). Peterson mentions that they do work with PR and as an example she mentions that both Eron and Mushero has been on TV and in Magazines. This is something that she sees as very interesting since this shouldn't be possible in for New York, at least not for a company in this size.

Something that the respondents didn't mention if and how they work with the Recruitment markets. According to Payne et al (2004) recruitment markets are the way of building relations with potential employees.

5.5 Relationship Marketing in its practice in China

In China the Relationship Marketing in its practice is influenced by the way of building Relationships. Musheru mentions that in China the relationship building is taking place in different forums but this is depending on what the purpose of it is.

5.5.1 Face-to-face meetings

Face-to-face is something that is argued to be the most favorable relationship building method in China and this is also often leading to more sales volume in most markets. In addition this is something that is more important in China since the Chinese tend to have the trust in the salesmen (Harrison & Hadley, 2011) This is something that all of the respondents agreed upon to be the most important way to build relationships to important targets. Lee also mentions that it is important for Chinese that you actually spend time on visiting your clients and are standard and expected in China. On the other side this is something that he doesn't have to do with his western clients. Eron mentions that regardless if the relationship is built in China or elsewhere he always wants to meet his clients once in person, face-to-face. But overall he also sees the importance of having personal meetings in China and this is something he connects with that China still is a very traditional country.

Events are according to Harrison & Hadley (2011) a way to meet face-to-face with customers and supplier where the offers can be discussed. The fact that it is a meeting face-to-face is also highly valued by customers. Face-to-face were mentioned by the respondents to be of even more importance in China. But due to Musheru he usually goes to events in order to connect with important stakeholders like for example investors and customers. At the same time he is clear about that in China events are different from how it is done in the US. In China networking is something that still is not something Chinese prefer to do. Events are not the forum for building Guanxi relationships and often it is more Western people on these events. Chinese still have a more concern of build relations to people they already have a connection to so for them

it is strange to go to events and meet new people according to Musheru. Here again this is because of the importance of trust. Musheru says that it's more important to actually think of how you will establish trust with the targets of the relationship marketing than to try to attend a lot of events. According to Harrison & Hadley (2011) this is something that most western companies are doing when they are coming to China. So events could be a way to start the important relationship building when coming to China but it shouldn't be seen as something that is in the long term a way of establish deep relationships with Chinese and this is also why Musheru says that it is in general hard to succeed as a western company in China. This also since events also is something that often cost a lot of money and time (Harrison & Hadley, 2011).

Further events in the forms of networking is a according to O'Brien & Gardiner (2008) to be in the center of Relationship Marketing but this seems not the preferable in China. This since the respondents all mentions that in China when building relations you first have to have a connection in order to develop a relation. So networking is still something that is more suitable for Western people but as Musheru sees it is possible that this is changing since cities like Shanghai is getting more western.

5.5.2 Email

As Huang & Huey-Pyng Shyu (2009) mentions email is today the most frequently online tool there is and also very suitable for relationship building since it has the two-way communication character. But according to the respondents this is something that is less important in China and in general Peterson's opinion is that Chinese will rather pick up the phone than open a email. Sheng also mentions this and says that emails are the same as with networking events, it is usually useless. Musheru also says that this is why the relationship building is a lot easier with foreigners since with them you often do it over email. Even though the emails are of less importance, ChinaNetCloud still sends out monthly newsletters because this is a way to reach customers and other stakeholders. In addition Huang & Huey-Pyng Shyu (2009) see that email is often used as a first step in building the relationship and it is often followed by a face-to-face meeting.

5.5.3 Websites

The website is considered as extra important in China since there are 400 million Internet users that are within the reach (Harrison & Hadley, 2011). ChinaNetCloud just recently change their website design and content and now they even due to Eron have the opportunities to chat directly with the sales. In order to reach the target it is important that the website is communicative (Harrison & Hadley, 2011). So in China it can be a problem with the language barrier that Eron mentioned on the website. In addition the local websites often have unprofessional impression (Harrison & Hadley, 2011). This is something that western companies can leverage as something to their advantage. Musheru mentions that the big difference though is that western people tend to search more on websites after information about products and services. Western people tend to do more themselves. Musheru and Sheng also mentions that this is changing in China but still there are also due to the generation differences that some people rely more on the Guanxi relations than go to the websites in order to connect with a company.

5.5.4 Social Networking Sites

In China the SNS are having a great importance since 92 percent is actually using some form of social media and also they are likely to attend online forums and blogs. It is found that this is because that traditional media are not trusted enough (Harrison & Hadley, 2011). Eron mentions that it is because of trust he sees social media as something that is even more important in China than in the west, this because that in the west we have different certifications that can make us trust a company or product. While in China they don't have this kind of system or they have but this is something that everybody knows is not trustable. So instead the Chinese people are more likely to trust what people are writing on forums and blogs. Sheng thinks that SNS is a good way to reach a younger targets and he mentions that some older generations are not likely to be found online therefore for them it is more important with the Guanxi relationships. Young people are according to Sheng more eager to communicate with companies online. In addition he sees it as something that are getting more useful as a tool for building relationships and this change is due to that he see that in general China is getting more modern. The advantages he mentions are that on SNS the cost is lower and it is a very straightforward tool. Peterson also sees the opportunity in building

relationships through actually find bloggers that are writing within the industry and connect to them since they are trustable in the eyes of the target groups. In addition the great firewall of China is something that blocks Facebook, Twitter and YouTube, so when western companies come to China they have to use the Chinese versions; Weibo, RenRen and Youku (Harrison & Hadley, 2011). ChinaNetCloud is new on social medias according to Peterson but they understand the importance of relationship building online and are now presence on most of both Chinese and Western SNS.

5.5.5 Phone calls

Phone calls are an effective way to make the first connection and get information also according to Harrison & Hadley (2011) a way of keep track on important decision makers in China. Eron admits that in China face-to-face meetings are the most important but he always feels like there is overall nothing he cannot do over phone or email. Mushero says that he feels that the relationship building is easier with westerners because with them you can mostly do it over the phone or email. Sheng mentions that phone calls can sometimes be useful for relationship building in China, but it depends. Sheng mentions that if the person explains that is calling because they have an already existing connection it can be useful.

5.6 Culture

Typically in China the culture of building relationships is seen to be different within different industries. In line with Eron the Guanxi and its importance is more important in bigger industries like oil and gas. So even if the culture in China is making the relationships more important in doing business there are some factors that can make this less important. In line with Hofstede (1980) Sheng mentions that the connections between people that also are networks are of a great importance, which can be seen as the collectivism dimension of the culture. Zhang (2004) mentioned that in China the culture is collective, which means that the people rely on the collective not on themselves as individuals. This dimension of the culture can be the reason why relationships with the networks are of a great importance. If you are standing alone you will not get anything done as mentioned by Lee, but if you have many good connections it will facilitate your business. Further discussed was Hofstede's (1980) dimension of power distance, which in China according to Zhang (2004) is higher than in the west.

This has the meaning that in China a lot of things are centralized and controlled by the government. Lee mentioned that he often helps western companies in China since it is often many things that has to be done but usually the western companies has a lack of knowledge of how it works in China.

Another thing that is connected to the Chinese culture was mentioned by Eron that the relationships that are built in China is having more social pressure and also is connected to both respect and harmony. With that said there is more outside pressure that the partners in the relationship will not cheat each other. This is in line with Zhang (2004) that mentioned that in China the people tend to avoid open conflicts in order to not ruin the harmony that is connected with the relationships. So in China the relationships that you have are more than just a relation that you have, it seems to have a deeper and stronger meaning in the Chinese culture. Zhang (2004) also mentioned that in China the culture is a high context culture, which means that relationships are of great importance and focus. Musheru mentions this; he says that in China relationships are getting more attention while western cultures tend to be more casual about the relations we have. Zhang (2004) also claims that in China the relationships are of such importance that it even is seen as something more important than the contracts itself. The respondents did not mention this but the respondents' mentioned that in the Chinese culture the relationships are of such importance that even the relationships are more important than the product or service sold. So in China having only a contract will not make the other partner trust you. You need something more in order to get the partner to trust you, and here the Chinese people are according to Zhang (2004) rely on the relationships as well. In addition the fact that the Chinese culture is collective are having the impact that the long-term view is of importance. The respondents mentioned this that they see that the relationship building is taking more time in the Chinese culture while in the west you basically have a relationship after just meeting. In China the relationship also needs more activities to make maintain it. Lee says that with his Chinese clients he has to do a lot of more visits than with his western clients mentioned this.

6. Conclusion

In this section the findings of the research is summarized and the problem formulation is answered.

Relationships are in the center of the high context culture China. Therefore a western company should use both Relationship Marketing and Guanxi when establishing in China. Guanxi that is a big part of the Chinese society needs to be used in order to facilitate that things will get done. The Guanxi and its relations should be used with the consideration that it is strictly bound to rules of reciprocity. Western companies should also be aware of that Guanxi is something that you should not establish with anyone. The bases for Guanxi should be carefully considered and targeted. Since the most important base of Guanxi is the family Western companies should therefore use the Relationship Marketing in order to reach other targets for Relationships. The Relationship Marketing needs to be practiced differently by the Western companies in China due to cultural differences. Western companies that are building relationships to their either Relationship Marketing targets or to the bases of Guanxi need to build the relationships from already existing connections. Western companies also need to have an understanding that relationship building is more intense in China and here you often need to be involved in different activities in order to maintain the relations. The relationship building also takes more time to establish. Face-to-face meetings is overall the best way to establish a relation, while networking at events is often not the best way to connect to the targets. SNS are getting more important in building relationships and this can be seen as a cheap and not that time-consuming marketing activity. In China for western companies it is not only important to have relationships, you also have to have the right relationships in order to get an access to the resources you will need in order to realize your goals and get things done. Trust is a dimension that is important in all relationships in west, but it is of more importance for a western company doing business in China. It was found that the relationships are more of a friendship relationship and this is connected with commitment. If you are more committed in a relation you are also considered as more trustable. You will trust a friend more than

someone that you are not close with. Therefore it is important for western companies to make the relations deep in order to make the target able to trust them.

Relationships are of great importance for Western companies doing business in China. Therefore it is also important for Western companies to not only use the western practice Relationship Marketing but also Guanxi. This since in Guanxi are something that is unavoidable in China and is having a lot of importance for Chinese. You are somehow restricted to who you know and whom they know and so on. When a western company is coming to China establishing relationships are of a great importance and they company needs to try to build long-term relationship since this will help the business and also result in revenues in the future. This since that in China it is in general more about the relation than about the product or service that is sold.

7. Research implications

The purpose of this research was to create a greater understanding how the relationship building and maintenance are done in China, and so the Relationship Marketing practice in China by western companies. This purpose has overall been fulfilled and how Western companies should use Relationship Marketing in China is explained. The research was based on interviews that were in China with people working in western companies, and because of this have knowledge of how to build relationships in China. Even though these respondents have useful knowledge, the generalization of the study is low since they all worked in the same industry and company. But, even though the generalization is low, this research can be of good interest for western business people going to China. This since this research in general creates an understanding of how important relationship building and maintenance is in China and also how it is influenced by the Chinese culture and Guanxi. This knowledge is something that can be crucial for western companies survival in China.

Future research should focus on the Relationship Marketing practice online. This since the Chinese Internet population is big and still growing, this creates big opportunities to reach a lot of people. In this research SNS were found to be of great importance in China, and this will give companies great opportunities to establish and maintain relationships at these sites. In China the western SNS Facebook and Twitter are blocked and therefore the Chinese SNS have to be used by the Western companies established in China. So how should the relationship building and maintenance be done online in China and how is the Guanxi influencing this? In addition, future research also should focus on the industrial industries and their Relationship Marketing since the service industry has been studied more within Relationship Marketing.

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Attachment 1 Interview Guide

General

- Name, Position
- Experience, current position

Questions

- How is relationship building and maintaining important for western companies in China?
- How is the importance different here in China because of the impact of Guanxi?
- Can you describe the importance of Guanxi when doing business in China?
- What are your experience of how relationship building shall be done in China?
- What impact has trust on the business relationships that you and your company have?
- How important is trust within Guanxi relations?
- What are the targets for your business relationships buildings?
- How is Guanxi different from Relationship Marketing (relationship building in the west)?
- Are the targets for establishing Guanxi relations different than the targets for relationship building in the west?
- Can you describe how Face (Mianzi) has an impact on relationship building in China?
- What is your opinion on how Relationship Marketing that is developed in the West is different from the concept of Guanxi in China?
- Overall how do you think that the Chinese culture is affecting Relationship building?
- In its practice how is it different from in the how relationship building in the business context is done in the west?
- How is these ways of building relationships done in China and is there any impact of Guanxi?
 - Events
 - Email
 - Websites
 - Social Networking Sites
 - Face-to-Face
 - Phone calls
 - Gift-giving



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Linnaeus University is a modern, international university with the emphasis on the desire for knowledge, creative thinking and practical innovations. For us, the focus is on proximity to our students, but also on the world around us and the future ahead.

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