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Research Article

GUANXI MANAGEMENT: CONCEPT AND IMPLEMENTATION IN CHINA AND OTHER COUNTRY

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ABSTRACT

This study using grounded theory for research analyze. Initially you will use an inductive approach to generate substantive codes from your data, later your developing theory will suggest to you where to go next to collect data and which, more-focused, questions to ask. Based on the combination on empirical evidences gathered through the published resources, it was determined that the rules of guanxi are deeply embedded within the Chinese society. In fact, guanxi is considered as a moral norm influencing suitable social behavior within the Chinese culture. Guanxi management was adopted by many countries with diverse names and forms. Because it is born from basic human nature, namely love. The difference is that China can implement it well because they know the rules of the game in the concept. Meanwhile, countries that adopt a democratic system also carry out Guanxi management practices clandestinely, falsehood and hypocrisy.

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INTRODUCTION

One Chinese management you will find constantly about doing business in China is guanxi. Although guanxi is inconsistently translated into another language, it literally means relationship. Although it is often discussed, perhaps no business concept is more difficult understood when doing business in world especially in China except the guanxi. Fundamentally guanxi is about building a network of mutually beneficial relationships which can be used for personal and business purposes. In this sense, guanxi is not so much different than the importance of having a strong network when doing business in any country. However, in China, guanxi plays a far more important role than it does in the other countries. While in the other parts of the world, you may be able broker a deal just through formal business meetings; in China it is necessary to spend time getting to know your Chinese counterparts outside the boardroom during tea sessions and dinner banquets. In addition to the time commitment, the depth of relationships developed through guanxi can be much deeper than business relationships in the other countries. Usually, it is not uncommon for people who have strong guanxi to lend money to one another or to form a group to pursue business opportunities together.

Guanxi's importance in China has developed as a result of the cultural implications of the rule of law and the concept of

characteristic. For millennia, China has lacked a strong rule of law. Because the law has not often been able to provide the legal protections, Chinese people needed to develop another means of ensuring trust amongst themselves in personal and business matters. Maintaining face, or reputation, among people within one's own network is also an important characteristic of Chinese culture. Because of the importance of maintaining face, Chinese people will usually not take advantage of a person with whom they have guanxi. This is true because if they develop guanxi with them and they were to take advantage of them, all of the people in their network would know what they had done and they would lose face with this network. By losing face they would also lose the respect of others in the group and potentially lose their connection with their network. Therefore guanxi has become a means of building trust that law cannot always provide for Chinese people in personal and business matters.

For these reasons, a Chinese company will feel far more comfortable doing business with a company which they have strong guanxi because they believe it will make it far easier for them to trust their business counterpart. It is equally important for foreign companies to develop strong guanxi with Chinese companies and government organizations. This guanxi will help multinational companies in case they run into problems doing business in China. In addition, Chinese companies will

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feel more comfortable doing business if they have strong guanxi with multinational companies either because MNC's have built a strong relationship with them or the MNC's were introduced to them by someone in their network.

While developing guanxi is important to doing business in China it is not necessarily easy to develop, especially for a foreign company. Having a full-time, long-term presence in China is essential to developing and maintaining guanxi. In addition, to effectively develop guanxi multinational companies it will be helpful to have a native-born Chinese person to be responsible for developing these relationships. A native Chinese person will be familiar and comfortable with the cultural niceties of developing guanxi in China. The multinational companies' local Chinese staff or representative should meet regularly, in both formal and informal settings, with potential and current customers and relevant government agencies to develop strong relationships on behalf of the multinational companies. If government relations are important to the multinational company business, the MNC's may also want to consider hiring someone experienced working with the Chinese government on a full or part-time basis to leverage their contacts and experience with the government on their company's behalf.

RESEARCH METHODOLOGY

This study using grounded theory for research analyze. Grounded theory is a research tool which enables to seek out and conceptualize the latent social patterns and structures of your area of interest through the process of constant comparison. Initially you will use an inductive approach to generate substantive codes from your data, later your developing theory will suggest to you where to go next to collect data and which, more-focused, questions to ask. This is the deductive phase of the grounded theory process.

Grounded theory refers to a set of systematic inductive methods for conducting qualitative research aimed toward theory development. The term grounded theory denotes dual referents: (a) a method consisting of flexible methodological strategies and (b) the products of this type of inquiry. Increasingly, researchers use the term to mean the methods of inquiry for collecting and, in particular, analyzing data. The methodological strategies of grounded theory are aimed to construct middle-level theories directly from data analysis. The inductive theoretical thrust of these methods is central to their logic. The resulting analyses build their power on strong empirical foundations. These analyses provide focused, abstract, conceptual theories that explain the studied empirical phenomena.

Yet grounded theory continues to be a misunderstood method, although many researchers purport to use it. Qualitative researchers often claim to conduct grounded theory studies without fully understanding or adopting its distinctive guidelines. They may employ one or two of the strategies or mistake qualitative analysis for grounded theory. Conversely, other researchers employ grounded theory methods in reductionist, mechanistic ways. Neither approach embodies the flexible yet systematic mode of inquiry, directed but open-ended analysis, and imaginative theorizing from empirical data that grounded theory methods can foster. Subsequently, the

potential of grounded theory methods for generating middle-range theory has not been fully realized."

With its theoretical orientation based in sociology, Ground Theory strives to understand and explain human behavior through inductive reasoning processes (Elliott &Lazenbatt, 2005).Grounded theory has considerable significance because it (a) provides explicit, sequential guidelines for conducting qualitative research; (b) offers specific strategies for handling the analytic phases of inquiry; (c) streamlines and integrates data collection and analysis; (d) advances conceptual analysis of qualitative data; and (e) legitimizes qualitative research as scientific inquiry. Grounded theory methods have earned their place as a standard social research method and have influenced researchers from varied disciplines and professions.

The research method selected in any study should be driven by the research question and should be differentiated from other methods of inquiry by its approach to data collection and analysis (Egan, 2002).The big question that will be answered in this study is "Howconcept and implementationguanxi managementin china is compared to other country ". While some interesting things to analyze in this study include; (a) recognize precisely and deeply the concept and implementation guanxi management in China. (b) recognize precisely and deeply the concept and implementation guanxi management in the other countries. (c) recognize precisely and deeply different the concept and implementation guanxi management in China compared to the other countries.

Guanxi, Nepotism, and Corruption

Guanxi is a very essential for Chinese businessmen (Zhang, 2013). But guanxi practice have many diverged from basic guanxi philosophy. And, it becomes almost indistinguishable from corruption. In fact, most claimed that their business could not survive in China without engaging into a single form of corruption. This requires businessmen to engage into occasional drinking, dining, and partying to maintain influential networks. They claim that to smoothen the steps of getting business permits, licenses and other business transactions, they give gifts and outright bribes to government officials. According to Zhang (2013), one businessman estimates that around 3 percent to 5 percent of his company's operating expenses can be attributed to maintaining guanxi.

According to Zhang (2010), public opinion shows that corruption is considered as the most hated social problem in China, yet almost all are guilty of committing it in one form or another. For instance, any case that occur to someone, he said that when her father became seriously ill, they took him to a hospital and when they were told that all the hospital beds were already occupied, they turned to their guanxi to ask for help. Fortunately, one of their relatives who is a well-connected official managed to secure a private hospital room for her father. In return, the hospital director and their relative agreed to get the director's son into the top school in Nanjing (Zhang, 2010). This is just a manifestation of how it becomes very difficult, if not impossible, to distinguish guanxi and corruption. In fact, both guanxi and corruption have become intertwined with Chinese social norms.

To illustrate further the relationship between guanxi and corruption, the case of Ling Jihua, a former Chinese

presidential aide, is examined. Mr. Ling, who was considered as one of the highest ranking Chinese officials to be sentenced and jailed for corruption, was found guilty of abusing his power, taking bribes, and illegally acquiring government secrets (Wong, 2016). Accordingly, Mr. Ling served as a top aide to former Chinese president and Communist party chief Hu Jintao from 2007 to 2012 (Phillips, 2016). As the top aide, Mr. Ling was in-charge of overseeing the General Office that handles all administrative matters for the Communist party chief and the other leaders of the party. However, in December 2014, Mr. Ling had been officially placed under investigation for alleged graft and corruption. After about one and a half year of investigation, Mr. Ling was found guilty and was sentenced to life in prison. The case of Mr. Ling and other high profile Chinese officials involved in corruption has revived the debate regarding the relationship between guanxi and the proliferation of corruption in the government.

However, based on a study conducted by Han (2016), it was determined that guanxi is not the cause of the rampant corruption in China. Rather, guanxi serves only as a tool that is used by many Chinese officials to engage in corruption. In simple words, guanxi becomes the “passive factor in corruption” (Han, 2016). However, Han (2016) argued that guanxi can only be used for corruption purposes if there is information asymmetry in the government. Guanxi is used in many aspects of the government, including legal rulings, commercial business transactions, and promotions of government officials, among others (Han, 2016) gifts, money, and service are considered the major basis to maintain long-term connections in China. Various evidence revealed that judicial and police activities in China are highly influenced by guanxi networks, which perpetuates corruption and injustice in the country’s legal system. Guanxi also distorts the rule and enforcement of law and the entire criminal justice system by means of permitting criminals to develop mutually beneficial connections with government officials (Han, 2016).

Through bribery and other forms of valuable services and expensive gifts, some criminals escape being sentenced for their crimes committed. As such, guanxi becomes a vital tool for individuals to engage in corruption. Another case can be also considered to understand more the effect or role of guanxi to corruption by studying the corruption case of Zhou Yongkang and his relationship in Sichuan plus his other allies. Under the presidency of Xi Jinping, his anti-corruption campaign little by little uncover the corrupt activities of Yongkang and followed by his allies. As known to many, Yongkang is among the powerful men in China until his retirement in 2012. He was a former top Chinese police official as well as politician. The image below put in a chart the power of his influence through his network, which can be referred as his guanxi network.

Based on the combination on empirical evidences gathered through the published resources, it was determined that the rules of guanxi are deeply embedded within the Chinese society. In fact, guanxi is considered as a moral norm influencing suitable social behavior within the Chinese culture and provides the standards and rules on the establishment, continuance, and use of relationships and connections. More specifically, guanxi has profound influence on almost all social

interactions in China, whether it’s in the government or in business.

The concept of guanxi can be the same the concept of “who you know” in other Asian countries like in the Arab nations as well as in the Philippines. As mentioned earlier, the Arabic word for guanxi is “wasata,” which means nepotism. This is prevalent in the political context of these mentioned countries although, it is not directly related to corruption. Just like guanxi, nepotism can be a tool to engage in corruption. According to an article published in Facts and Details, nepotism is among the serious problem in the Philippines aside from corruption.

Example, the “who you know” concept or nepotism can be applied in the political context by voting, selecting, hiring, serving the person they know. Not only that, people try also their best to be known or establish relationship with the government officials in exchange for something like jobs and the likes. Because the Filipinos mostly prefer people they know, they are not far from establishing a group sharing common intentions that can be associated with graft and corruption.

A popular corruption case happened in the Philippines is the pork-barrel scam by Janet Lim Napoles. Pork-barrel is a metaphor term for localized government spending. Among the sources of this government fund appropriated in the localized project are from the taxes collected from the people. In the case of Napoles, she established ghost projects with her political allies like the senator Bong Revilla (Romulo, 2013). Through this way, the money from the government will be placed in their pockets.

In the around Arab nations, Somalia is the most corrupt nation as presented by an article written by Soldaad, nepotism is a cancer in Somalia (2013). It is the practice of all people in power and this obviously result in massive corruption in this country.

In fact, guanxi is seen to “fit the new structural needs of capitalism and even to provide Chinese capitalism with a competitive advantage”. Although the accumulation of social capital is a time-consuming process and appropriate use of guanxi is all the more challenging. By connecting the concept of guanxi to the popular theories, we believe our paper has provided new perspectives that can help our readers understand better the implications of guanxi dynamics for knowledge management and decision-making in specific, and the growth and development in general, of Chinese high-tech entrepreneurial firms (Dess, 2006). The narrative is a strong argument that Guanxi can be in line with Capitalism and even control it.

DISCUSSION

In fact, Guanxi management has experienced polarization in practice. This is influenced by the development of modern era and globalization era. They have made the world economy society must adopt the ways of capitalism in carrying out its economy. For example, when the Guanxi management practice appeared, the public did not think that they would trade between other countries with many rules of the game. In the past, trade tended to be limited to relatively uniform money.

Whereas now trade was heavily influenced by fluctuations in the exchange rates of their own currencies against other currencies.

The scope of trade and relations between humans in the present era have also experienced developments. It was so far different from the past of Guanxi management practices. In the past, relations between humans were still very simple, had a small scope (limited), and were not influenced by extreme cultural differences. But now the scope is getting wider and everything is open. Different cultures will find the most rational meeting point (agreement). As a result, not everything can be solved by normal equilibrium (a middle ground), because the philosophy is qualitative, it isn't quantitative. In the process, it tends to be influenced by the strong influence of each country. So that many country's culture were distorted with the culture of other countries. In fact, many countries lose their original character. Each country will influence other countries with their culture. They did this for purpose in order to they still control the approach, conceptual understanding and management of the situation. They are philosophy that become their soul.

Although it has been distorted due to the times, but originality of Guanxi management can still be applied by some Chinese people very well. This is a wealth of philosophy and strong social concepts. So that in its development, this concept is not reduced by the new concepts development, but the new concepts development which must follow the direction of the Guanxi philosophy.

Actually Guanxi management is one of the self-concepts born of human nature to love another one. In nature, the level of affection and empathy is greatly influenced by the level of closeness between the two parties. The closer someone toward another one, then higher the level of affection. Likewise, the farther relationship or even unfamiliar, then lower the level of affection between the two parties.

From the nature of love, what distinguishes China from other countries is the real concept chosen and formulated. China implements the concept of compassion in philosophy relating to humans using Guanxi management. While not all nations have the concept of relationships and compassion as outlined in the formulation of philosophy which become characteristic of a nation. Countries and nations that don't have the special relationship concept characteristics generally interact among fellow humans with the basic nature of love that exists in each of them.

The character of the relationship and affection formulated in Guanxi management provides clear guidance for the Chinese people about the requirements in establishing cooperative relations between them. This is not had by other nations that do not have the local wisdom about relations between them. So that nations like this tend to change the relationships attitude depending on who interact with them. That is, on the one hand they are cooperative with other parties, on the other hand they do not have a strong character. So that nations like this tend to be easily influenced by other cultures.

In the present era where most people glorify democracy, the Guanxi management concept will be the antithesis of democracy. Democracy refers to objectivity in making choices,

while Guanxi management prioritizes the closeness of relationships in making choices.

In determining people who will hold positions in government or companies, followers of democracy are intended to choose professionally according to their fields and abilities. Democracy must avoid and ignoring closeness. Whereas in Guanxi management, relationship closeness is the most important requirement in determining and appointing someone to occupy a position.

Ability and expertise can still be learned and developed, while trust and closeness cannot be built strongly without closeness. This implicitly illustrates that trust and closeness that was born naturally and sincerely without a position tendency will remain strong for long time. That is caused there is a heart and emotional bond that still transcendently (psychic) without being influenced by worldly interests (physical). So that the presence or absence of the position will not change the closeness that has been established. In contrast to beliefs and relationships born because of (after) positions that tend to be fake and influenced by world ties. So when the position was gone, the relationship between them would gone as well.

In democracy, Guanxi management will tend entered in the category of nepotism. So that judicially there will be a very strong rejection because it conflicts with justice. In the politics of a country that uses a democratic system, Guanxi management will be subject to attacks from other parties to overthrow political opponents. In fact, political players generally make very ideal concepts but they themselves often break them. When they democratize by glorifying justice, transparency and professionalism, they themselves do not do what they said. For example, in determining the state job position they are looking for the closest people, both from the party management, and professionals who support their party. Or even non-partisan professionals who can be recruited to enter their party or become volunteers and team for success their goals.

This phenomenon teaches that Guanxi management shows openness and honesty in acting and attitude even though conceptually seems less ideal. But democracy does the opposite, namely hypocrisy, deception, and disgusting betrayal even though it has very idealist concept.

From this description we can conclude that in fact Guanxi management was adopted by all people, nations, and countries with diverse names and forms. Because it is born from basic human nature, namely love. The difference is that China can implement it well because they know the rules of the game in the concept. Meanwhile, countries that adopt a democratic system also carry out Guanxi management practices clandestinely, falsehood and hypocrisy.

CONCLUSION

Guanxi is a wealth of philosophy and strong social concepts. So that in its development, this concept is not reduced by the new concepts development, but the new concepts development which must follow the direction of the Guanxi philosophy. Actually Guanxi management is one of the self-concepts born of human nature to love anotherone. In nature, the level of affection and empathy is greatly influenced by the level of closeness between the two parties. The closer someone toward

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Guanxi management provides clear guidance for the Chinese people about the requirements in establishing cooperative relations between them. This is not had by other nations that do not have the local wisdom about relations between them. So that nations like this tend to change the relationships attitude depending on who interact with them. That is, on the one hand they are cooperative with other parties, on the other hand they do not have a strong character. So that nations like this tend to be easily influenced by other cultures.

In the present era, the Guanxi management concept will be the antithesis of democracy. Democracy refers to objectivity in making choices, while Guanxi management prioritizes the closeness of relationships in making choices. Followers of democracy are intended to choose professionally according to their fields and abilities. Democracy must distancing and ignoring closeness. Whereas in Guanxi management, relationship closeness is the most important requirement in determining and appointing someone to occupy a position.

Trust and closeness that was born naturally and sincerely without a position tendency will remain strong for long time. Trust and closeness cannot be built strongly without closeness. That is caused there is a heart and emotional bond that still transcendently (psychic) without being influenced by worldly interests (physical). So that the presence or absence of the position will not change the closeness that has been established. In contrast to beliefs and relationships born because of (after) positions that tend to be fake and influenced by world ties. So when the position was gone, the relationship between them would gone as well.

Guanxi management will tend entered in the category of nepotism, in democracy perspective. So that judicially there will be a very strong rejection because it conflicts with justice. In the politics of a country that uses a democratic system, Guanxi management will be subject to attacks from other parties to overthrow political opponents. In fact, political players generally make very ideal concepts but they themselves often break them. When they democratize by glorifying justice, transparency and professionalism, they themselves do not do what they said.

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