**Chinese/American Cross-Cultural Business Negotiations Literature Review**

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Abstract

The following literature review evaluates categories, strategies, and styles of cross-cultural negotiations that have contributed to the imbalance and high failure rates in international negotiations between Chinese and American executives. These formative articles feature cross-cultural negotiation investigation (by the scholarly and business community) into behavioral links between various categories in the ethical decision-making process based on variables in nationality and culture. These persuasive articles represent insight by various means throughout the research, addressing cultural elements. Exemplified in these studies incorporate the element of predisposition, including a lack of understanding and empathy by American executives of Chinese values and how they are practicable in business. Materialization of Chinese concepts including Guanxi (social networking), Sun Tzu, Confucius, ethics, hypocrisy, and more, adding to the foundational theory development in efficacious Chinese/American cross-cultural negotiations.

**Key Words:** Cross-Cultural, Guanxi, Sun Tzu, Confucius, Reciprocity, Ethics

**Seminal Articles (1)**

The focuses of these foundational studies are on two contextual variables, nationality, and culture. They hypothesize that cross-cultural and cross-national variables influence ethical behavior. An additional assumption they offer is that previous research has assumed that culture and nationality are synonymous. These initial studies as seminal in three ways: (a) in reference in the commentary Whitcomb, Edener, and Li (1998) the previous research has neglected ethical issues and emphasized different values across cultures and suggests that relationships between culture and management practices have not been established. (b) Previous cross-cultural studies have actually revealed more than social and cultural factors, but political and economic influences also (c). Moreover, bias by western researchers (Torres, 2011). The conclusion of this review supports the need to understand international negotiation strategies and tactics, through understanding of culture. The conclusions focus on cultural skills of communications techniques and protocol. The gap in the overall research into Chinese negotiations in this investigation and the preponderance of previous and current studies do not focus on the factors of cultural history and teachings that influence the ethical decision-making process when negotiating internationally, and how these differ from those ethical factors influencing Western negotiators strategies and tactics (Tan & Chow, 2009).

King (2010) treated the entire country as one randomly sampled approach, focused on the influences of parents on the students Guanxi characteristics of Lian (face) and Mianzi (saving face prestige, and/or reputation). It also concluded that age has a negative weak relationship; however, managerial responsibility also has a weak relationship with the influences of Lian and Mianzi. The study also related Lian and Mianzi in terms of Lian having more significance in generating trust than does Mianzi. This study suggests a starting point, for future additional qualitative phenomenological research, for comparison of lived-experienced Chinese executives and their counterparts in the U.S, and their perceptual differences as to how both sides react to these dissimilarities, in order to empathize and develop mutually successful international strategic negotiations.

Crombie (2010) evaluates Guanxi as social networking and social capital, as it provides one of the most fundamental aspects of Chinese culture through an essay and overview of Guanxi and social capital. It provides descriptions and definitions that prepare the foundation of virtually all other social behavior research in an investigation of cultural ethical differences in international negotiations between Chinese and American business negotiators. Crombie offers the following:

“Guanxi, it's the first word any businessperson learns upon arriving in China. Loosely translated, Guanxi means "connections" and, as any China veteran will tell you, it is the key to everything: securing a business license, landing a distribution deal, even finding that coveted colonial villa in Shanghai. Fortunes have been made and lost based on whether the seeker has good or bad Guanxi, and in most cases a positive outcome has meant knowing the right government official, a relationship nurtured over epic banquets and gallons of XO brandy” (Balfour, 2007, para. 1).

Guanxi derives from Confucianism, a social philosophy with a history of over 5,000 years. Included in Confucianism is the establishment in relationships of harmony, trust, orderly hierarchy, and reciprocity in interpersonal relationships, termed Guanxi. Chinese sometimes see Americans as “aggressive, impersonal, and excitable”, while American see Chinese as “inefficient, indirect, and even dishonest” (Graham and Lam, 2003). This essay suggests that there are four main differences in how Chinese managers in Western person-hours interpret management, (a) the need to take a long-term time horizon, (b) efficient risk reduction, (c) consensus oriented decision-making process, and (d) the importance of personal relationships (Guanxi). The Chinese manager views the overall quality of relationships based on four constructs (a) trust, (b) favor, (c) dependence, and (d) adaptation. Some argue, that there is also a dark side of Guanxi which presents ethical dilemmas of relationships, including corruption. As a result, some argue it is impracticable to do business ethically in China because of endemic corruption (Ho and Redfern, 2010).

Key constructs for future research include the following Confucian ideals: (a) reciprocity; (b) selfishness is a sin; (c) do not treat your parents as you would not wish your children to treat you; and, (d) orderly and respectful relationships. The combination of some of these factors with the absence of the rule of law in China and the treatment of business negotiations as a form of war (military strategy) present conflicts between personal and corporate behavior. A central paradigm example includes the payment of bribes to government officials, to do what they would otherwise not do, illegal in the US; in China considered appropriate and frequently part of reciprocity. The Chinese view this not as corruption but rather relationship based. Social capitals has a number of definitions, however most agree it includes goodwill, reciprocity, relationships, attitudes, and in some way enhances value in interactions. Huang and Wang (2011) conclude Guanxi and social capital are Chinese and Western values respectively

Additionally, key elements for additional research include the lack of business ethics as a subject in the Chinese educational system (Sardy, M., Munoz, J. M., Sun, J. J., & Alon, I. 2010): reflecting admission by Chinese corporate employees to practicing some form of unethical conduct in the workplace. Further, perceptions of Chinese executives and working offer an overview of Western business practices as scandalous. Added conclusions by the researchers offer ethical conduct as evolutionary and diverse based on culture, requiring an in-depth understanding and customization of practices in host countries. This diversity includes history, demographics and leads to the observation that ethical conduct lies on a person’s origin.

In summary, these seminal and decisive literature research provides for the generalized conclusions directed at overall dimensions of ethical behavior, however, they have overlooked and/or not addressed perceptions of honesty, lying, deceit, hypocrisy, or misrepresentation of facts as strategic and/or tactical tools in international negotiations between Chinese and American business executives.

**Culture and Negotiations (2)**

The numerous theories focused on understanding the complexity of culture as an influencing element of ethical negotiations between Chinese and American business managers, results in a generalized philosophical meta-theory of “cultural differences”. China does not have a well-developed multinational business culture (Dong and Liu, 2010). Many studies methodology further divide the cultural ethical components for these negotiations into a three-stage “Ping-Pong” model presented by Fang (2006): (1) pre-negotiation; (2) formal negotiation; and (3) post-negotiations .These cultural theories often approach the same ethical questions through the examination of: (a) Confucian moral teachings; (b) cultural theories embracing Guanxi; (c) ethics; and (d) Sun Tzu (military strategy). Further, current theory argues against Hofstede’s view of the lack of change to culture over the short or intermediate term. Instead, Finnemore and Sikkink (2001) offer an alternative approach to cultural and social analysis that deals with the role of human consciousness in social life, intended for advanced students of international relations. “The processes of globalization have made even the most passionate country specialists aware of the increasing influence of international factors, both material and ideational, on domestic politics around the globe” (p. 411).

Pan, Song, Goldschmidt, and French (2010) address the differences that younger Chinese executives have from their older counterparts because of the more traditional Chinese collectivist view system, versus a western individualistic value system. They ask the question, “Are the ethical values of young executives in different countries converging to a common global business culture?” (p. 284). To illustrate their point they refer to previous research emphasizing the ethical effects of individualism when compared to collectivism and evoking Confucianism, Daoism, Buddhist and Socialism. The models used, are young executives based on the experiments and research, that Chinese business managers relationships with their western counterparts are limiting. A different point of view would be that the research and examples are too constricting and future research should construct on expanded elements of behavior to include education, geography, organizational structure, and politics.

Performance drivers in cross-cultural relationships of foreign companies doing business in the PRC are examined by Quer, Claver, and Rienda (2010), and conclude the major components of performance fall into the following subheadings: (a) managing inter-partner relationships, (b) management control and autonomy of International Joint Ventures (IJV’s), (c) IJV contracts, (d) cultural differences in IJV’s, and (e) Guanxi: a strong cultural parameter in the Chinese context, (f) local partner attributes, (g) experience and knowledge of foreign companies, (h) strategy and attributes of foreign companies, (i) entry decisions and location in China, (j) human resource management practices, (k) industry structure and factors, (l) and differences in performance criteria used by IJV partners. Future research should not separate these forms of corporate structure and relationship; but should endeavor to include IJV’s, MNE’s, and State Owned Enterprises (SOE’s) doing business with western businesses.

Further cultural issues of management and negotiations include inter-organization relationships, the constitution of markets, trust, multinational enterprises, and emerging economies. The premise of this theoretical assumption is that macro management influences impact the micro level, creating trust and risk-taking. Tsui-auch and Möllering (2010) resolved that foreign managers face a challenge when trying to change institutional behavior in China business relationships. They find that, “in adapting to environmental conditions in China, managers have a choice between trying to reduce vulnerability through control and trying to absorb vulnerability by building trust” (p.1016).

Cultural negotiations embrace the consequences in political development, state-society relationships, religion & politics and foreign relations. Yang and Li (2009) review the roles of politics, political power of the Chinese Communist Party (CCP) and the law, utilizing Pan’s Consultative Rule of Law Regime. Political study in China must include class and class conflict, modernization of political influences and the effect of international influences on doing business in China. These researchers looked intensely at the relationship between institutional arrangements, relationships, and public policy, in what is still a developing country. The findings are valuable to future research as they provide extensive detail into the CCP, interest groups, and local administrations. Those who have lived and worked in China recognize that many corporate executives, in some fashion, report to a government official. To the west, this may appear as a dotted line relationship, (the man behind the curtain) regardless; it exists and is in conflict with the role of government in western business environments, requiring extensive additional research and model development.

In summary, China does not have a well-developed multinational culture (Dong and Liu, 2010). Research into management and human resources practices, needs to recognize and understand cross-cultural interactions, individual difference, much of the material is relative to intra-organizational strategies and tactics. Strength of the research is the comparison of individual and group issues, and the focus on the importance of conflict management, specifically in a culture like China’s. Chinese and American research has focused on the rapid political, economic, and social changes, which influence current business culture and negotiating styles. Moreover, China has increasingly integrated the international business community, advocating the need for supplementary research, in order to understand and adjust to evolving strategies and tactics in negotiations into tomorrow’s global trade vogues.

**Confucius (3)**

Confucianism is contemplated as both a religious and philosophical convention in China, surrounded by Buddhism, Daoism, Chinese Legalism, and military strategy. In contrast to Buddhism, Confucianism has its origins in China. Consequently, it is perceived as a classic Chinese tradition (Hennig, 2010). Confucian moral teachings provide direction for motivations, adversity, and personal harmony in personal and group relationships. Confucian elements focus on Ren (compassion), Yi (rightness), and Li (rights), (Han & Altman, 2010; Ip, 2011). Further, Confucian ethical teachings include values of etiquette, love of family, righteousness, honesty and trustworthiness, benevolence, and loyalty to the state. Additionally, Han and Altman (2010) put forward that Confucian values are perfectly consistent with the Western conception of citizenship social rights and responsibilities are mutually dependent. However, a conflict in the value of Confucian teachings exists between positive business dealings, corporate social responsibility, harmonious relationships, and those of his disciple, Sun Tzu’s concept of strategy through bribery, corruption, and deceit to defeat the enemy (Low & Ang, 2012). An asset of this research is the inclusion of Xenophobia, philosophical foundations, and economic systems. In further support of other works are the four key roots of culture: (a) agrarianism; (b) morality; (c) pictographic language; and (d) Chinese wariness of foreigners. Additionally, in support of other works are the eight cultural elements: (a) Zhongjian; (b) Shehui Dengji; (c) Renji Hexie; (d) Zhengti Guannian; (e) Jiejian; (f) Mianzi; (g) Lian; and (h) Chiku Nailao. Further, current exploration also brings forth, three Chinese business culture elements of (a) nation state, The People’s Republic of China (PRC) and what is sometimes called “the PRC condition”, (b) Confucian moral cultivation, and (c) American individualistic culture of personal needs. One conclusion includes solid recommendations for westerner negotiators to recognize cooperative Confucian tactics instead of the warrior-like Sun Tzu stratagems for better results (Akgunes & Culpepper, 2012). The weakness of this analysis is the lack of research into the fundamental differences in cultures because of Sun Tzu war/business strategies (life and death in war, however not in business) and the influence of these on ethical differences between the opponents. The researchers do not endeavor to understand the paramount nature of these influences, instead, treat them as simply hurdles to be avoided!

Han & Altman (2010) reflect on Confucian moral roots of citizenship behavior in China. They follow a line of investigation that examines the magnitude of Confucianism on moral standards as it relates to organizational citizenship behavior (OCB) in China. The assumptions include moral characteristics about organizational harmony, group orientation, Guanxi, diligence, self-learning, and thrift. Their study focuses on individual employees, and all of their functions regarding work, customer service, self-development, individual initiative, group activities, social welfare, and coexistence in adversity. It provides a view of Chinese Confucian moral behavior, which is helpful in understanding managerial styles and motivations. “There are 12 types of OCB in the PRC, including helping co-worker; individual initiative and/or functional participation; group activity participation; self-development; social welfare participation; promoting company image; voice; protecting and saving company resources; interpersonal harmony and keeping the workplace clean (Lee & Farh, 2004) and keeping departmental harmony and coexistence in adversity. This study can contribute to future research, in the context of employee performance, however, additional variables of employee behavior are required, such as social and moral values that differ by geography, organizations, and industry. Finally, research requires additional investigation into understanding the differences between organizational and individual social moral behavior as it relates to honesty in cross-cultural negotiations between Chinese and American relationships.

To what degree does practical wisdom play in Confucian teachings and does it provide conceptual and ethical leadership factors for Chinese managers? One study, by Dr. Ip (2011) endeavors to understand better the significant elements of Confucian ethical leadership. The form of the this research is a normative analysis (value judgments) focusing on the core elements of Confucianism, major issues facing corporate governance, identify attributes of Confucian ethical leadership based on Junzi (ultimate virtuous person) and the implications facing foreign managers dealing with Chinese managers. Dr. Ip incorporates the same Confucian elements as the other works cited, and adds the Chinese elements of Ren (compassion), Yi (rightness), and Li (rites). Further, his research addresses additional core elements of ideas, values, and principles in Confucian classics, including Luny, Mongzi, and Xuzi.

In summary, future Chinese/American business negotiations will continue to be influenced by Confucian philosophy and the core values of collectivism, honor, respect, obedience, and an effort to achieve a harmonious relationship (Sebenius and Qian, 2008). However, future research lies in the general examination and overview of Confucian principles as in fact, both a religious and philosophical, have positive and negative elements, and ethical implications are not always clear. Additionally, collectivism is not compatibility with equality due to its tendency to override individual interests and goals, but instead somewhat passive in Chinese current culture (Hennig, 2010).

**Sun Tzu & Military Strategy (4)**

“He who knows his enemy and himself well will not be defeated easily” - Sun Tzu, Art of War. This statement and recognition, supported in many articles on Chinese negotiation tactics provides value and key elements in research. The combination of Sun Tzu and Guanxi reflects a conflict in the use and value of trust as perceived by Chinese in negotiations, resulting in a lack of trust between Chinese and their American counterparts (Torres, 2011). Trust building in China is delicate and long-term in development, reflecting an extensive history of war scenarios, while Americans endeavor to gain trust through agreements and contracts, resulting in what are often are incompatible negotiation styles and techniques.

Business strategy in China evolves from a number of historic philosophical writings, embracing military and political tactical leadership. Perhaps the most profound and influential is “The Art of War”, by Sun Tzu, reflected in the strategic guideline that business negotiations are war, a battlefield, with only winners and losers (Sebenius, & Qian, 2008), also leading to different perceptions of lying, deceit, and the misrepresentation of facts. If there are no winners in war, if one side approaches business as war, it is logical to conclude they are not going to find compromise very easily. Sun Tzu teaches that deceiving the enemy is necessary focused on “to win over the unworthy competitor-enemy, one must use the morally justified stratagems, such as secrecy, deception, and espionage” (Benoliel, 2013. p.3).

Further, Sun Tzu offers a guide to deceit at;

* Show your enemy what he wants to see
* Show your enemy what he expects to see
* Have your enemy see nothing (Cantrell 2013)

In summary, the combination of Sun Tzu and Guanxi reflects a conflict in the use and value of faith as perceived by Chinese in negotiations, resulting in a lack of trust between Chinese and their American counterparts (Torres, 2011). Trust building in China is delicate and long-term in development, reflecting an extensive history of war scenarios, while Americans endeavor to gain trust through agreements and contracts, resulting in what are often are incompatible negotiation styles and techniques.

**Guanxi (5)**

The term Guanxi is an indigenous concept and Chinese literally means relations or special personal relationships (Gao, Knight, & Ballantyne, 2012; Gong, He, & Hsu, 2013). Within China, Guanxi suggests that when one ignores personal relationships or reciprocity, is immoral. Guanxi is a vital concept to understand if one is to function effectively in Chinese society and business (Chinese Schools Netfirms website, 2013). Based on the theory of social capital, Guanxi is understood as the network of extended social connections and obligations. As a comparative analysis, one can examine the differences and similarities between the Chinese concept of Guanxi and the Western concept of social capital. The major significance and value of Guanxi is social capital in international dealings between Chinese and American firms. A key point surfaced in research by Huang and Wang (2011) is the issue of how Guanxi is a product of “unripe” legal and regulatory structure in China. This issue provides an important component for research in that the differences, is both ethical and legal (Gong, He, & Hsu, 2013) leading to mutually exclusive strategies and tactics in international negotiations. Additionally, Guanxi is understood to include an exchanging of gifts, again, legally defined contrarily between the two countries. Lastly, Chinese value (Guanxi) individual or personal connections and social capital, divergent from the Western premium place on networking, information, and institutions. The conclusion includes stressing the importance of understanding Guanxi and social capital value in international relationships, and requires investment by individuals. The subsequent question asked by Crombie (2010) “is Guanxi social capital”? Comparing Guanxi in China to concepts of social capital in western cultures provides similarities and differences, which will help companies do business in China. As China matures economically, the historical application of Guanxi to enhance trust, include information and resource sharing.

In the Chinese business world, however, business managers utilize the network of relationships among various parties that cooperate and support one another, referred to as “reciprocity”. Reciprocity proceeds and progresses regularly and voluntarily. Long-term reciprocity is an overriding element of Guanxi

(Graham & Lam, 2003 p.5). Guanxi theory studies concentrate on three model elements of (1) family, (2) helper, and (3) business (Bedford, 2011). Hofstede’s (2011) cultural dimensions theory describes these as Confucian dynamism. However, the cultural indexes derived from his dimensions only compare overall societies, national indexes, and does not account for the numerous levels of different languages, personal and group differences within nations, gender, education, etc. Further studies attempt to define Confucian and Western conceptual differences in terms of Guanxi: (a) ethics, (b) social obligation, (c) governance, and (d) corporate social responsibility (Low & Ang, 20012). Guanxi, while some argue is not important (Flora, Kineta, & Tse, 2008); others argue Guanxi is diminishing (Wilson & Brennan, 2010). However, most researchers conclude Guanxi is very important (Gong, He, & Hsu, 2013; Jayaraman, 2009; Lin, 2011; Lu & Reve, 2011; Torres, 2011; Yang, 2011). Some research breaks down good and bad Guanxi, including the difficulty for foreign managers to get involved or become a participant in Guanxi networking. Legal disparities between Chinese and American international laws and regulations account for perceptual differences in obligations, both verbal and written. Governance and corporate social responsibility affect Americans with regulations such as the United States Foreign Practices act of 1979. This is exemplified by the Guanxi element of reciprocity, which includes payments to government officials, illegal for American business executives. This difference affects the political spectrum of involvement, support, and information provided to the opponents in negotiations, creating an imbalance in the playing field.

Liang-Hung Lin (2011) examines through an analytical investigation, the profound influences of Guanxi as a relationship concept including commercial activities, business ethics, and organizational behavior. He develops a regression statistical analysis on Guanxi and Confucianism. “Guanxi is emphasized by Chinese society in which roles and benefits are subtly related to each other or even difficult to be separated” (p. 441). The study relates the government and a number of other elemental and behavioral contributors to the Guanxi process, breaking down these components for future research, including reciprocity, Confucianism, and hypotheses developed from these characteristics.

It is imperative to have an understanding of Guanxi according to Bedford (2010) as a dynamic working model of the social and psychological process of Guanxi development in the workplace, based on the constant changing nature of Guanxi as a cultural element. Previous studies concentrated on three types of Guanxi, as presented in another model by Fan (2002) which includes (a) family, (b) helper, and (c) business. The goal of the study is to focus on working Guanxi and backdoor Guanxi, or the way Guanxi is created and maintained, differing from Fan, which focuses on the implications for Guanxi types. The proposed framework provides the basis for an asymmetrical approach to Guanxi building, utilizing Fan’s types. In order to understand the conclusions, the following requires definitions: (a) Working Guanxi (close friends and associates as intermediates); (b) backdoor Guanxi (business, rather than personal solutions); (c) Lian (face, credibility); and Mianzi (status, prestige, respect). The conclusions generalize the interaction between the components of Guanxi and recognize the need for multiple cultural elements of Guanxi, more so than the singular construct that it is good, or a definable form of behavior.

Guanxi is a relationship factor that is more focused on external societal orientation, instead of internal self or individual orientation Wen (2008). Further, western cultural theories are concerned with individual experiences, attachment and separation, whereas Chinese cultural relations theory (Guanxi) is based upon psychosocial homeostasis, or emphasis on balance and harmony, long-term, interdependence and significant other; rather than individualization and separation. Dr. Wen coined the practice of Guanxi-oriented psychotherapy (GPT); including six elements, which are absorbed in Chinese therapy, however, provide some insight into how Chinese view Guanxi. GPT is grounded in Chinese indigenous culture, with contributions from Confucianism, Taoism, Buddhism, Shamanism, as well as rationalism. Regarding the practice of the Guanxi-oriented psychotherapy (GPT) (in contrast to Western individual-oriented psychotherapy), there are several important elements, namely:

a. To offer counseling about life (rather an analysis of the complex);

b. To achieve and maintain Ying-Yang balance (instead of psychosomatic homeostasis)

c. To deal with symbiotic antagonism (rather working on the issues of separation-individualism)

d. To value endurance-containment (rather confrontation working through)

e. To encourage self-sacrifice (rather self-actualization)

f. To attend to the state of “no-self, no-me” (rather than the state of “I think, therefore I am”) (Wen, 2008, p. 1).

In addition to Wen, a comparison of Xinren and Guanxi relationships (Kriz and Fang, 2004) examines and compares Xinren (deep trust) and Guanxi (relationships) in interpersonal interaction of Chinese businesspeople. The priority is to identify the differences in behavior with Western businesspeople because of these cultural characteristics. The Chinese consider themselves a combination of (a) bureaucratic, (b) gentlemanly, and (c) strategists, all relying on trust. However Western trust is more a function of (a) liking, and (b) confidence between individuals in business.

Relationship portfolios (Zolkiewski and Feng, 2009) are investigated and analyzed relative to management in a business-to-business Chinese context, through a qualitative exploratory research design. The question for this research focused on the importance of what are the cultural elements, personal trust, and understanding network effects when doing business in China. Further, are these issues different between China and the west? The researcher had worked in the company and developed a case study previously, which is emphasized as important. The translation and back translation are also considered important, which is open to question as to bias and validity. The specific overall aim of this study evolves during the article, focuses on “the customer”, as to strategic importance and how the sales reps (sample population) stated that in order to do business they had to become friends with their customers. While the article separates the view of the value of Guanxi as different, between the sales reps and customers, it only highlights the “good” Guanxi, in a limited self-serving light.

When does Guanxi matter? Flora, Kineta, and Tse, (2008), described Guanxi as an organizational alternative mechanism that opens dialogues; builds trust and facilitates reciprocity affecting firm performance across industries and cultures; and is a common way to help firms circumvent institutional barriers. This study also focuses on issues of: (a) market performance; (b) capitalizing on Guanxi to influence corporate level performance; and (c) the dark side of Guanxi, or potential damaging effects on firm performance. The overall concept is comprised of the uniqueness of Guanxi to China, the necessity of understanding individualist cultural orientations, social networks, complementary skills, and qualifications; all aimed at maintaining a social accounting, fair and even relationships over the long term. All of these providing answers to the question of “why Guanxi matters?” reflecting a number of concepts, concluding in general, that Guanxi is salient and important to management, governance structure, and market performance.

Is the importance of Guanxi diminishing? Business research suggests consideration that devalues Guanxi value due to three general reasons: (a) Guanxi learning by foreigners, (b) PRC modernization, (c) and reduction of Confucian values. However, a distinct point of view, differing from their limited study conclusions, offers the Chinese term for relationship is “Guanxi”, one of the most important cultural traits of Chinese people. You do not always control how you will pay back a Guanxi debt; examples can include pressure to accept low quality production, delays, inferior materials, theft, corruption, nepotism. As a result, Guanxi does not look to become less important, but very prominent as part of a businesspersons arsenal in doing business in the PRC.

Another view of the importance of Guanxi to multinational companies in China, provided in enquiry by Yang, (2011) examine the question of whether or not Guanxi continues to be important, or as some argue, is it diminishing. composition provides valuable information as to the characteristics of Guanxi, which is not a simple or fully agreed upon definition, however, most agree include (a) special relationships between two independent persons (b) entirely committed to each other, (c) obligation, (d) favors are expected and given, (e) reciprocity, and (f) long-term. A key point brought out in the essay is that a significant difference between Guanxi and the western business networking is that Guanxi is more long-term. Guanxi is less interested in short-term gains, but more engrossed in-patient, long-term future gains. Further, government is involved in most all businesses behind the scenes in China, and Guanxi provides plays an important role for businesses and executives to keep on top of government policies, regulations and additional business opportunities.

Guanxi as a structural hole and closure for helping non-Chinese actors doing business in China (Lu and Reve, 2011) provides insight into the three dimensions and differences of Guanxi, structural hole and closure, for helping non-Chinese actors doing business in China. The assumptions include the following definitions for each:

1. Guanxi – Mechanism by which individuals are able to achieve personal, family or business objectives
2. Closure – “everyone is connected such that no one can escape the notice of others, which in operational terms usually means a dense network” (p. 277).
3. Structural Hole – “A relationship of non-redundancy between two contacts” (p.277).

These connections can then be categorized as: (a) network initiation; (b) network maintenance; and (c) network termination. The conclusions, reflecting on the significant failure rate of companies initially trying to do business in China, is a result of; Guanxi, reflects specific Chinese cultural interpersonal relationships of favors, reciprocity; where Western network concepts reflect structural hole and closure as contractual logic of benefits and costs. Further, these two concepts do not blend well. The strength of this research is the level of specificity into the definitions and motivations of Guanxi.

In summary, when doing business in China, a risk analysis for western companies attempting to expand or enter the market requires an understanding of Guanxi as a social network, which is not transparent and often corrupt as described by K Jayaraman (2009), on the faculty of Fudan University (Shanghai). The research confirms the lack of strict laws in China, but instead, the contractual obligations aspect of relationships described as an “abyss”. “As stated in the Art of War “Know the enemy and know yourself; in a hundred battles you will never peril”, western business persons should have a strong understanding of China’s history, culture, demographics, political and economic situation” (p. 61).

**Social Exchange & Conflict (6)**

Research based on social exchange theory (SET) relative to Chinese and American cross-cultural negotiating practices comprise various social reference and philosophical considerations relative to perceptions formed through symbolic interactions, social capital and reciprocity, ensuing in social behavior, based on subjective interpretation of social facts, resulting in subjective cost-benefits (Zhang, 2013; Huang; Wikhamn &Hall, 2012; Warren & Dunfee, 2004). Further social exchange theory suggests the influence in organizational behavior focuses on four demarcation issues including: (a) causes of conceptual ambiguities, (b) norms and rules of exchange, (c) the nature of resources exchanged, and (d) social exchange relationships (Cropanzano & Mitchell, 2005). Additional social exchange elements comprise rewards and punishment, approval by others reflecting social interactions resulting in both positive and negative outcomes, including specified and unspecified values of reciprocal obligations (Huang, 2010, Wikhamn & Hall, 2012). An element of concern as to reciprocal forms of obligations suggests harmful components of bribery, quality diminution, unqualified participants, and reduced access to potential business opportunities (Bedford, 2011). Both mutually symbolic and rewarding social behaviors have value supporting my SET research with implements of categorization and coding, applicable to interviews, questions development, and interpretation, leading to theory development in Chinese/American perceptions, focusing on cross-cultural honesty. Additionally, social conflict theory helps address conceptual ambiguities, resources exchange based on cognitive and perceptual boundaries, often resulting in intercultural miscommunications and/or misunderstandings. A key element of social conflict as it relates to future research is the attention given to “winner take all” mentality, resulting in conflicting mixed motives based on perceptions, believes, and values of each negotiation opponent (Avruch, 2012).

Social reference theory, or the clarification of social and philosophical considerations based on perceptions formed by symbolic interactionism leading to social behavior, changes over time based on subjective interpretation of social facts as illustrated by Zhang (2013). Further, these subjective elements change constantly because of growing social references that influence relationships. His theory leads to perception as an independent variable as part of symbolic interactionism, influenced by a dependent variable he calls social reference. Alternatively, social fact/reference = perception = response. A very important component of this research, to my research topic is Dr. Zhang’s statement that current theory of Western and Chinese comparative history in sociological perspectives has not contributed fully to theory and methodology as of yet. Further, this research suggests symbolic interactionism creates numerous factors of subjective interpretation of social facts, constantly changing, requiring ongoing research. Also offered, is a view of social exchange theory, whereby any comparisons between cultures requires a reference or base of values important to each side of a negotiation or relationship.

Further investigation focuses on cross-cultural social conflict contexts of cognitive and perceptual boundaries, leading to intercultural miscommunications and misunderstandings, including a review of individual and collective identities, with auxiliary focus on ethnic, nationalist, kinship, history, language, and religion as illustrated by Avruch (2012). A key aspect of this research, as it relates to prospective research and topic is the conflict resolution potentials involved with intercultural contexts, exchanges, and communications processes. Added, Dr. Avruch’s research addresses , “winner take all” mentality, conflicting parties mixed motives as applied to limited resources, perceptions, beliefs and values that each side brings to the negotiations..

Cropanzano and Mitchell (2005) suggest social exchange theory influences organizational behavior focuses on four issues: (a) causes of conceptual ambiguities, (b) norms and rules of exchange, (c) the nature of resources exchanged, and (d) social exchange relationships. A key element of their research points out the differences, low to high, in exchange orientation endorsement and obligations, adding complexity relative to individual and organizationally based reciprocity. Their research further looks at forms of exchange rules comprising (a) rationality, (b) altruism, (c) group gain, (d) status consistency or rank equilibration, and (e) competition. Their conclusions offered support the concept that social behavior based on exchange is both material and symbolic in value. In summary, social exchange creates conditional behavior based on the positive reactions of others, over time, providing mutually rewarding material or symbolic affiliations. This study provides additional considerations for research as it relates to the coding and relationship development for my interview population beginning with the development of questions, follow-up queries, understanding, and interpretation of social exchange relationships during the cross-cultural negotiation process.

Huang, (2010) examine the component of cross-cultural communications as it relates to social exchange interaction in Chinese business negotiations. Rewards and punishment, approvals by others, are all part of whether social interactions result in negative or positive outcomes. The focus of this research is on the nonverbal element of cross-cultural interaction, post implementation in China of the Economic Reform and Opening Policies. These communication variables include (a) greetings, (b) negotiating styles, (c) attitudes regarding perceptions of time, (d) the meaning of numbers, (d) gift giving, (d) and the significance of gestures. The concentration of this social exchange theory (SET) offered by Wikhamn and Hall (2012) examines the employer commitment provided by perceived organization support (POS) regarding the interactions and reciprocities of employees in relationships with Swedish organizational dealings. This study concluded that reciprocity is universal; however, different cultures apply atypical importance to both content and context. Further, social exchange reciprocal relationships can be specific or unspecific as to the value and form of obligations. While this study absorbed data based on Swedish firms and employees and organizational support and commitment, the key element that can apply to future study is the value measurements as to reciprocity, and obligations by both American and Chinese negotiators as they consider their corporate and personal responsibilities in their relationships, and decide on costs and benefits to each.

Social exchange theory and Guanxi is a double-edged sword Warren and Dunfee (2004). They conducted a quantitative ANOVA paired samples T-tests research methodology incorporating social exchange and social capital within six Guanxi contextualization’s scenarios. Conclusions reached in the study suggests that social exchange via Guanxi has both good and bad influences and outcomes and that in opposition to some theories, may not be diminishing as China expands legal and regulatory influences, partially as a result of limited obligatory alternatives. Further conclusions suggest Guanxi practices may be harmful to managers, businesses, and the community as obligations resulting from reciprocity can include bribes, reduced quality of production, less than qualified participants, and finally denied access to business opportunities.

In summary, SET suggests a close look at the cultural elements of relationships, based on perceptions and symbolic interactions, of Chinese and American business negotiators in order to achieve the highest benefits with the lowest risks. Organizational and individual behavior in virtually all instances incorporates reciprocity of some form, covering either the short or long term. Part of social exchange includes the element of language for research development, implementation, and interpretation.

**Ethics (7)**

In examination of Chinese business ethics, it is noteworthy that a Mathis & Jackson, (1999) study consisting of 1300 employees and managers, found that 48% admitting to practicing some forms of unethical conduct in the workplace. The researchers categorized six factors (a) high expectations of others, (b) challenge avoidance, (c) other directed, and sympathetic, (d) religiosity, (e) ethically challenged, and (f) empathetic (Sardy, Munoz, Sun, & Alon, 2010). China does not have a single business ethic model, but a suite of business ethics. Geography, history, local cultural diversity, and organizational cultures comprise the considerations in constructing workable and reasonable business ethics for China (Ip, 2009). The institutional transformation of China, since Mao’s death, has left the cultural values of the Chinese people in a state of flux. An example, profit, the motivator of capitalism, has advanced the Chinese business manager’s willingness to accept unethical business practices (Whitcomb, Erdener, & Li, 1998).

What are the outcomes of competitive-unethical tactics? One investigation by Fleck, Voklkema, Levy, Pereira, and Vaccari (2013) found that most participants employed one or more maneuvers, when studied in terms of an outline by Rivers and Lytle (2007) as the six tactics of unacceptable behavior subject to varying situations and culture, identified as:

(1) Make an offer or demand that is far greater than what one really hopes to settle for;

(2) Promise that good things will happen to your opponent if he/she gives you what you want, even if you know that you cannot (or will not) deliver those good things when the other’s cooperation is obtained;

(3) Lead the other negotiators to believe that they can only get what they want by negotiating with you, when in fact they could go elsewhere and get what they want cheaper or faster;

(4) Convey a false impression that you are in absolutely no hurry to come to a negotiation agreement, thereby trying to put more time pressure on your opponent to concede quickly;

(5) Threaten to make your opponent look weak or foolish in front of a boss or others to whom he/she is accountable; and

(6) Intentionally misrepresent information to your opponent in order to support your negotiating arguments or position (as cited in, Fleck et al 2012).

The challenge of developing a business ethics in China requires an examination of the future of China business ethics (CBE) based on increasing demands of Corporate Social Responsibility (CSR). Two surveys of CSR, conducted by Ip (2009) were based on perceptions and activities, first: suggesting two general theoretical components including ideological legacy, comprised of Confucianism and socialism, second: the political economy consist of profit and morality. His conclusion starts with the view that China does not have a single business ethic model, but a suite of business ethics. Geography, history, local cultural diversity, and organizational cultures comprise the considerations in constructing workable and reasonable business ethics for China. This article provides some value for future investigation, however, it leaves numerous aspects of cultural behavior out, including organizational structure, legal and political pressures, managers demographics, beyond geographical, including educational, industry oriented and development of corporate management strategies by both Chinese and western corporations and managers.

In a cultural ethical Chinese business perception study by Chan, Ip, and Lam (2009), provides a compilation of 14 expert researchers articles focused on the two observations made by the authors: (a) a limited amount of indigenous research trained outside of China, utilizing traditional western research methodologies, and (b) the focus on China’s ethical, or unethical business practices based on the media and journalists attention. A significant finding, based on their review of Zhang (2006) concludes that Chinese perception of their organizational ethical culture is a significant factor that influences their judgment of whistleblowing during the decision-making process whether or not they actually blow the whistle. This conclusion is based on the importance placed by Chinese on protecting their company from lawsuits, financial losses, and decreased moral. This conclusion is general in nature and appears somewhat limited with a selective group, allowing for potential, unmeasured bias. Tan and Chow (2009) advocate, with an analytic framework, segmenting the role of culture and national differences in order test their relationship to individual level variables. Their study breaks down the issues of cultural and national differences in a quantitative regression analysis that adds value to the existence of these differences.

Additional research into Chinese ethics begins with the premise that China is a country in the process of institutional transformation and cultural values are in a state of flux. One unique investigation endeavors to develop a better understanding of the ethical business decision-making process in China Whitcomb, L. L., Erdener, C. B., & Li, C. (1998). The basis for this study includes (a) Chinese culture differs significantly from traditional western practices, and (b) recognition that significant differences also exist in work values between Asia and the west. A key point in this study states the question of whether cross-cultural research on ethical behavior finds whether people from different countries define right and wrongs the same in the business decision-making process. The study includes five vignettes (company example ethical decision-making situations). The results are displayed in five tables, using the Likert 1-10 point scale. They hypothesize (1) Chinese and U.S. subjects will select the same behavioral choice when faced with the same ethical dilemma, and (2) Chinese and U.S. subjects will select the same rationales to justify their behavioral choices. This study sampled 181 undergraduate Chinese students from a university in Beijing, and 60 undergraduate students from a university in the U.S. Their generalized conclusions supported substantial differences due to Confucian teaching in China, versus western philosophical approaches to ethics. They do suggest further study to expand understanding of current values with business managers rather than students, allowing for the constant growth and evolution of China’s economic and international environmental changes.

Future business managers in China and leaders need to constantly update, learn, and understand their ways of thinking and managing utilizing ethical principles in decision-making in order to sustain their business growth according to Low and Ang (2012), the propose an interpretation and comparative analysis of Confucian ethics and wisdom, when understood by western business managers will improve their business practices and enhance corporate social responsibility. The study begins with a literature review of Confucian teachings and definitions, which provide a good foundation for understanding Chinese cultural views on ethics as seen in Table 21.

Table 21

*Differences Between Confucian Concepts and Western Concepts*

|  |  |  |
| --- | --- | --- |
| Issue (s) | Confucian Concept/Thoughts | Western Concept/Thought |
| Ethics | Spirituality; living with and in the Tao; one becomes a person because of others; where one is never a person independently or in and of oneself but develops into one only in community | Utilitarianism; one that maximizes utility, specifically defined as maximizing happiness and reducing suffering |
| Social Obligation | Everyone is part of the One Whole World; there is a familial or collective value and pull | Individualism and the rights of the individuals are upheld as paramount. |
| Governance | Govern with wisdom and talent, keep it with benevolence, and at the same time govern the multitude with conscience and rituals.  Corporate | Based on individual rights with Democracy that is, the right of the people to elect and select their public officials or leaders. Upon election, the leaders and his or her people decide on the governance |
| Corporate Social Responsibility (CSR) | CSR in Confucianism stresses on the  compelling and natural need to return or give back to the community; thus, CSR is a natural function and part of the process or loop when doing business | CSR in the Western concept entails quality, benchmarking and its measurements to ensure standards and results. In the West, because of the primary need to protect individual  rights, the emphasis on transparency also floats out and it becomes part of the CSR process |
| People (Labour) and Corporate Social Responsibility (CSR) | The element of humanism is strong in Confucianism, and by virtue of the Heavenly Mandate, the leaders are accountable to the people; and if the leaders are not responsible, then the people have the right to remove the leaders. | Human and individual rights are stressed, and hence workers’ rights are part and parcel of the human rights spectrum |

Source: Cheng and Ang (2013)

Additionally, the study presents categorizations of Confucian values into self-development, relationships with others and social responsibility. They provide a view that many studies have shown that overseas Chinese are motivated and influenced by Confucian ethics. Some would argue that government and corporate pressures within the China mainland could alter respondents contributions based on different experiences and pressures. The researchers attempted to establish validity through different times and days for interviews, to avoid peer pressure, contact, and potential biases. The overall conclusion, general in nature, supported a high degree of ethical participation by the sampled population. Their more specific conclusion suggested that weak leadership leads to poor ethical practices, which do not seem to actually be supported by their questions, answers, or interpretations.

In summary, research into comparisons of the perceptions and elements of ethical business behavior is ongoing, dynamic and requires continued investigation. International business executives must consider and comprehend cultural ethical values and standards of both China and the US, when doing business in China.

**Hypocrisy (8)**

The formation and evaluation of hypocrisy, also moral hypocrisy is synonymous with deceit, deception, fraud, dishonesty, and misrepresentation of information leading to bad faith. The studies endeavor to dissect key elements of motivation and relative issues influencing morally hypocritical behavior in negotiations whether a result of status, culture or emotions. These differences are magnified when comparing cultural diversity between Chinese and American negotiators. Included are issues of withholding or misrepresenting information as to immoral and leading to an enhanced level of hypocrisy and bad faith. Further, these studies provide a foundational element for theory development of the causes, both perceptual and actual as it comparative differences between Chinese and American cultures relative to hypocrisy and dishonesty in negotiations.

Double standards, or the development or expansion of a working definition of hypocrisy beyond a behavioral inconsistency is offered by Monin and Merritt (2010). Where “practicing what you preach” is how Stone & Fernandez (2008) define hypocrisy, the authors contend, hypocrisy also mingles inconsistency with dishonesty. A valuable finding and element for additional investigation is the fact that cultural negotiators present a moral inconsistency without essentially feeling like hypocrites or perceived by others as bad faith participants. This important element will require research discussions with Chinese and American executives, in an effort to dissect cultural issues of motivation, status, and perceptions of honesty and hypocrisy.

Another approach to understanding the role of hypocrisy and deceit in cross-cultural negotiations offered by Lammers, Stapel, and Galinsky (2010) suggests we explore the ethical failures in negotiations because of the decision to trick, sham, withhold, or misrepresent facts, details, and/or overall information. Their underlying assumption was that doing so, is not mutually beneficial and/or builds trust, destructive towards the long-term relationship and joint success. A key element of their study was the enablement of the negotiators to enhance their power position while increasing their personal success by misrepresentation as a strategy. The study utilized Hofstede is high and low power context methodology. The major conclusion of the study was that trust and deception had a negative impact on negotiations, leading to bad faith and the appearance of hypocrisy, also resulting from in-equality of social groups of varying degree of power. They also conclude that negotiators will take power when they can, or at least when they have no fear of law or other negotiating anxieties, in fact, feel they are entitled to do so. I would point out, that the conclusion of this study, which is the suggestion that the way to combat this tactic is open revolt, or by tainting their reputation. This is not in this researchers experience or view an appropriate approach to resolution or creating a more balanced strategy of negotiation in diverse cultures, such as those that exist between Chinese and American executives in cross-cultural negotiations. In fact, this is a significant part of my research, in that the theory development of what is the best way to address honesty, deceit, deception and elements of bad faith between foreign negotiators are the goal.

What are the intrapersonal incongruities between what negotiators think is moral hypocrisy as an adaptive strategy, and how they comport themselves based on their views. Research by Wu and Shu-Ling (2012) provide one interpretation, which is the assumption that moral hypocrisy is a combination or blend cognitive dissonance, psychoanalysis perspectives, deceit and self-deception, resulting in attitude or behavior modification. Further, moral hypocrisy is then fashioned by perceptions and judgment, entailing emotions, power, consistency, and other greyed variables. Potential research on moral hypocrisy needs to be done from many perspectives, such as emotional intelligence and cultural variables. Wu and Shu-Ling tends to confirm the element of cross-cultural perspectives relative to hypocrisy and deceit, which result in judgment and behavior that influences attitude resulting in lesser trust and leading to bad faith.

Another element of hypocrisy is the stimulus of emotion and how it may have influence on the moral judgment and honesty. Starting with another view of hypocrisy as that of “double standards”, with an explanation of differences between immoral behaviors that are done by others, versus those done by ourselves as recounted by Polman and Ruttan, R. (2012). A key element of this study, lends well to my research, which suggests that while significant literature has been developed on the subject of moral judgment, but much less so, concerning emotional influences impact moral behavior. Their assumptions include the element of emotional ubiquity in social and moral activities, including anger, guilt, and envy. The contribution that can be derived from this study comprises and highlights the importance of emotions in moral judgment during negotiations in an effort to develop theory as to what these emotions are, why they occur and how others might adjust or deal with these strategies, tactics, planned or unplanned for.

## Summary (9)

The principle concepts of most studies have been biased to date (Torres, 2011) on the subject of cross-cultural negotiations high failure rates (Akgunes & Culpepper, 2012; Al-Khatib et al., Graham & Lam, 2004; Peng, 2011; Torres, 2011) between Chinese and American business managers and focused on categorical elements of; Chinese culture, Confucianism, Guanxi, Sun Tzu, social capital, ethics, economic, legal, religious, ethnic, governmental, and political dissimilarities. (Ma, 2010; Crombie, 2010; Huang & Wang, 2011; King, 2010; Larson & Wang, 2012; Peng, 2011; Tan & Chow, 2009; Tu & Chih, 2011). Additionally investigations to date have concentrated on reciprocity, harmony in personal and group relationships (Ip, 2009; King, 2010). The gap in the literature embraces the role of spoken and body language translations as inequitable elements in the perception of honesty, deceit, and hypocrisy in these two culturally diverse nations (Zhou & Zhang, 2008). These contradictions and uncertainties of the previous research fail to address these perceptions and behavior. Further, the gap to date reflects the need for future research to define and understand the culturally imbalanced cross-cultural negotiations platform between Chinese and American business managers to improve the degree of mutual success.

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