

[class mate at school or university, or] to find someone who knows him and introduce you. . . . In my case I was introduced to BOI people by a member of a consulting company. . . . We visited BOI almost every day to follow up the case and try to establish a personal connection. . . . One surprising thing was that our [German] President used to learn Thai from a BOI staff member in Frankfurt and this relationship was always referred to . . ."

When dealing with BOI, she took care to avoid offering a straight bribe or any favour "against the law. It would be considered as corruption." But her company's relations with the Customs Department were assigned to a shipping company whose staff were known to bribe customs officers.

This case demonstrates how complex and multi-layered patronage-building can become. None of the alternatives considered or implemented for building the desired relationships was created "cold." Each was designed to exploit some previous social connection, bridging different contexts: school and university friends, friends of friends, a connection made by a consultant, a connection made by the Company President, a long-term arrangement between the shipping agency and the Customs Department. And when she dealt with this BOI officer this Thai manager took along her assistant:

"so, if I leave the company, [the assistant] is still the link with him. [And if the assistant leaves too] she takes these experiences and personal relationships to her new job."

Thus the manager does her client assistant a favor which will be reciprocated with loyal service, even if they should be working for different companies.

In this case, the patronage relationship could be transferred so long as the BOI officer (patron) is properly introduced to the assistant (new client) while the manager (old client) was still in office. But in other contexts such a transfer may not be possible.

## 9.6 Guanxi

Informal GUANXI relationships constitute a major social dynamic in the People's Republic of China, Taiwan, Singapore, and in Chinese societies elsewhere.<sup>6</sup> The theoretical question that arises is how far guanxi is a Chinese variety of patronage (patronage with a Chinese name), and how far it should be regarded as a distinct phenomenon. The practicing international manager has to make up his/her own mind, perhaps deciding on the all-embracing interpretation in some situations, and discriminating in others.

Guanxi has been defined as:

. . . the set of personal connections which an individual can draw upon to secure resources or advantages when doing business or in the course of social life. (Davies, 1995)

This definition is broad, and in practice the term is used with many different meanings. At one extreme it may indicate no more than that the individuals concerned are favorably inclined to each other, and that a basis exists for a relationship. At the other

extreme it might refer to the relationship and even that the individuals share membership of an informal association.

Guanxi relationships are used in order to secure personal, business, and political advantages, and are important in all aspects of business life in the Chinese world. The businessperson approaching local government with an application to establish a new company hopes that a guanxi relationship with someone in authority will make the procedure much shorter and smoother. When he decides to build a new office, good guanxi helps secure a good location and a lower price than otherwise. Guanxi with a client speeds up the deal at the best possible price. In business, guanxi is a form of social capital owned by the businessperson and associated with his/her organization. (Chen 2001).

### ***9.6.1 How can guanxi and patronage be differentiated?***

There are grounds for arguing that guanxi and patronage are essentially the same, and grounds for arguing that they are distinct. Guanxi and patronage relationships are similar in that, first, both are based on interpersonal trust. Second, they join individuals in informal relationships that have no contractual basis. Third, they set a pattern of mutual obligation and provide a channel for the exchange of different resources. Fourth, they have no fixed duration. Fifth, they distinguish insiders from outsiders. Sixth, both patronage and guanxi may reflect a high cultural context – although, as we have seen, patronage arises in all national contexts.

However, in other respects patronage and guanxi have to be distinguished. Whereas patronage is based on a vertical axis, guanxi can function on either a vertical or horizontal basis. For example, classmates of equal status may be joined by guanxi obligations, without any one of them having superiority or dominance. Second, the economic motive may sometimes be far less important than the basis of loyalty and affection. Thus guanxi may be less coercive than patronage.

The interpretation made may depend on the significance of a particular instance. If the manager is interested in the extent to which informal relationships facilitate the exchange of resources, he/she might decide to treat guanxi and patronage as related and to make predictions based on this generalization. If the focus is moved to the axis of the relationship – vertical or horizontal – then it might be wiser to look for differences.

The problem that arises in using guanxi as an analytical tool is that the concept is often used imprecisely, both by Chinese and non-Chinese. Sometimes the term is employed so universally that it lacks any descriptive worth, and sometimes with so narrow a reference that the meaning is distorted.

Guanxi relationships can exist between family members, between personal friends, and between business associates who might not normally be counted as personal friends. The international manager working in an environment where guanxi loyalties influence decision making needs to take the trouble to identify precisely the ties that bind participants in a particular instance.