Does Chinese Managers' *Guanxi* Networking Matter to Their Managerial Success? – A Multiple-case Study from Japan

Rolf D. Schlunze[1], Weiwei Ji[2], Masaki Mori[3] and Ming Li[4]

Abstract

The present study investigates what influences *guanxi* networking of Chinese managers in Japan and whether *guanxi* networking contributes to their business success. Antecedents of guanxi networking strategy including locational preference in corporate, market, and living environment, and cultural intelligence (CQ) are examined. 149 Chinese managers registered with the Chinese Chamber of Commerce in Japan have been surveyed by questionnaire. Ten percent replied. All those who replied were asked to complete an interview. The results showed that Chinese entrepreneurs educated in Japan have high levels of CQ. Preferences in the market encourage managers to depart from *guanxi* with ethnical Chinese and open up to local and international business partners where friendship based relations are possible. The cognitive networks of managers were mapped and introduced here as a multiple-case study discussing localizing, embedding and globalizing strategies. The case study survey showed that successful managers prefer to develop close collaboration with customers and clients improving and creating new products and services however, for trustful workplace relations *guanxi* remains a core element of their network dynamics.

Keywords:

Chinese managers, Contextual management appraisal, *guanxi*, preferences, cultural intelligence, managerial success strategies, Japan

1) Head of Space of International Economy and Management (SIEM) Research Group, Professor in Cross-cultural Management, Faculty of Business Administration at Ritsumeikan University BKC, 1-1-1 Noji-higashi, Kusatsu, Shiga, 525-8577 Japan; E-mail: drrds309@ba.ritsumei.ac.jp / info@siemrg.org

2) Lecturer in Academy of Overseas Chinese Studies, Jinan University& Researcher at The Charhar Institute, China; URLhttp://www.charhar.org.cn/

3) Associate professor in Chinese-Japanese Business Relations, Faculty of Business Administration, Ritsumeikan University, Japan

4) Lecturer in International Business, Business School, University of Hull, UK

1. Introduction

Why do Chinese managers hesitate to speak about their success practices in Japan? Successful Chinese managers, often educated in Japan, are popularly believed to be masters of acculturation. As non-visible foreigners they should be able to easily fit into the Japanese mindscape and business landscape. However, we have been asked not to investigate only success practices but also weaknesses of Chinese businesses in Japan. Attending the meetings of the Chinese Chamber of Commerce in Japan (CCCJ) we realized that there is a strong concern about Chinese-Japanese political relations at the national level. Obviously, Chinese managers need to reflect and seek for improved arguments when negotiating with their clients. They wish to learn from the past to build for a better future of Chinese-Japanese trade relations. Of course, it becomes a hardship for Chinese entrepreneurs of SMEs in Japan when political relations are volatile. Being overly concerned with political relations, managers may find themselves distracted from developing their managerial potential. Thus the importance of the survey on success practices and how Chinese corporate leaders create synergy in the intercultural workplace as well as benefits for their customers in the marketplace.

A few researchers (Drifte and Jaussaud, 2010) have investigated Chinese business as a new phenomenon in Japan but no study exists that investigates the success practices of their managerial adjustment, preferences and networking in the Japanese business environment. According to Adler and Gundersen (2008) we can differentiate five different adjustment strategies that range from cultural avoidance to cultural synergy. Cultural accommodation, often seen in foreign firms investing in Japan, and cultural dominance are extreme strategies that lead to failure when cultural compromise cannot be reached. From a cross-cultural management perspective we perceive managerial success as a stage where synergy is achieve with staff members in the workplace or customers and clients in the market. To achieve synergy trust building in the corporate and market environment appears to be very important. Referring to Gu, Hung and Tse (2008) such aspects as trust as well as involvement in the informational and control process matter for *guanxi;* and *guanxi* still matters for business success in East Asia. Chinese managers are struggling to find the best practice in a turbulent global environment with worsening bilateral relations among various competing nations. CCCJ encourages its members to observe a broader scope by applying concepts seeking for new solutions. Social scientists who discuss the knowledge economy know that there is opportunity for change by international managers with cultural intelligence able to build a community of practice that can connect people across borders in East Asia. Other scholars discussed below provide a frame to deal with management problems in the intercultural workplace and market in a globalizing world.

Bjorkman & Kock (1995) used a network approach to investigate the social relationships in China. They argued that in the Chinese context, social relationships (guanxi) are a

prerequisite for information and business exchanges. Ethnic Chinese emigrate throughout the world and operate businesses worldwide. In China, interpersonal connections are called *guanxi*. Yang (1994) stated that *guanxi* means literally "a relationship" between objects, forces, or persons. When it is used to refer to relationships between people, it includes dyadic relationships that are based implicitly (rather than explicitly) on mutual interest and benefit. Once *guanxi* is established between two people, each can ask a favor of the other with the expectation that the debt incurred will be repaid sometime in the future (Yang, 1994; p.1-2). According to Gu et al. (2008), *guanxi* goes deeper as a governance mechanism; it is a direct outgrowth of the Chinese collectivist community in China. Over centuries, the need to maintain harmonious interpersonal relationships has created a system of reciprocal exchange of gifts and favors that unites and expands interpersonal ties among the Chinese.

Baba (2011) explained the model of Chinese behavior and *guanxi*. There is strength and weakness in *guanxi*. The motive to enhance *guanxi* occurs where it is judged that there is profit, or a shared mutual interest. According to Baba (2011) the relationism or *guanxi* of ethnic Chinese consists of a mix of legalism in Confucianism and Sun Tzu's military strategies. An outsider will be usually excluded. A stranger can be treated fairly but does not possess the right to be treated fairly. If the relationship becomes deep, it will never be betrayed, and if so, there are severe sanctions. We postulate that *guanxi* is an ethno-specific form of relational exchange that is shaped by cultural distance and preferences in profit orientation. Ordinary networking, relational exchange and its principal rules are universal in nature, but its dominance among ethnic Chinese and operating rules for the preferences in relational interactions makes the ways and effects of *guanxi* globally distinct (Gu, Hung, & Tse, 2008).

Studies on *guanxi* and preferences in Chinese firms have focused on organizational networking and dynamics (Park, Seung Ho & Yadong Luo, 2001). Studies in this field have largely been conducted on the firm level (e.g. Kahn, 1992; Edgington, 1995; Boston & Ross, 1996; Berköz, 1998). However, on this topic few in-depth interviews have been conducted at the level of the individual. In the global era, managers need to embed their businesses in the local and global context (Harvey et al., 1999, Lam & Yeung, 2010). Meester (2004) saw locational preferences as a choice by an individual manager leading to cross-border investment decision. The preferences and cultural intelligence of managers have an important effect on the business strategy abroad (Cohen & Prusak, 2001). It is therefore of significance to investigate managers' preferences in the business environment because business action is embedded in social relations (Granovetter, 1985). It was found that in the market environment the collaboration in the value chain, human resources access in the corporate environment and the information network in the living environment are important preferences of the managerial success of European managers based in Japan (Schlunze & Plattner, 2007). However, little information about preferences

and *guanxi* is available in the literature on Chinese managers' managerial practices in Japan.

Culturally intelligent managers are aware that *guanxi* is rooted in their culture (Elenkov & Pimentel, 2008). Cultural intelligence (CQ) is an ability to deal effectively with people from different cultural backgrounds (Ang et al., 2007; Earley, 2002; Thomas, 2006). It is believed to be an important cross-cultural competence (Johnson, Lenartowicz, & Apud, 2006) because it enhances managers' learning from international experience (Ng, Van Dyne, & Ang, 2009), cultural judgment (Ang, et al., 2007), intercultural negotiation (Imai & Gelfand, 2010), cultural adjustment (Lee & Sukoco, 2010). CQ is defined by Ang and colleagues as a four faceted construct (Ang, et al., 2007; Ang, Van Dyne, & Koh, 2006). The four facets include Metacognitive (thinking about thinking in order to acquire and understand cultural knowledge), Cognitive CQ (ability to understand similarities and differences among cultures), Motivational CQ (interest in experiencing other cultures and belief in effective function in different cultures) (Ang, et al., 2006). Lastly, behavioral CQ is a person's ability to acquire or adapt behaviors appropriate for a new culture (Earley & Peterson, 2004).

Research about overseas Chinese firms has discussed ethnicity and networks in host countries (Redding, 1991; Hamilton, 1996; Yeung, 1997; Fong & Luk, 2007; Brenner et al., 2010). Additionally, an entrepreneur's personal network tends to have a strong impact on the firm's performance (Peng & Luo, 2000). Despite Japan being the most important developed country neighboring China, very few studies examine overseas Chinese businesses in Japan. There is a need to investigate their preferences and networking practices by a contextual management appraisal in order to identify the necessary inputs for positive outcomes as managerial and firm success.

The purpose of this investigation was to show to what extent *guanxi* networking including Chinese managers' preferences and cultural intelligence contribute to their success in Japan. Therefore, this study investigates how preferences and CQ influence Chinese managers' networking, namely *guanxi*. Our main research questions are expressed as follows: Does *guanxi* networking matter to Chinese managers' business success? Can we observe different types of networkers? Does the cultural intelligence of Chinese entrepreneurs and managers matter for their networking success?

Although Chinese managers have increased during the recent years in Japan studies about managerial success of Chinese entrepreneurs and managerial directors are scarce. The present study is pioneering by topic and methodology. Based on preference analysis, *guanxi* networking and the theory of cultural intelligence, or CQ, (Ang 2008; Earley and Ang, 2003) a contextual management appraisal was designed for the purpose of our investigation. This research is not only exploring a field lacking in research, but it also provides empirical evidence from a multiple case study survey regarding how Chinese entrepreneurs capitalized on their *guanxi* in the corporate, market and living environment to sustain their business success.

2. Method and Material

In the fore field of our investigation we developed a model that aims to explain *guanxi* networking as well as firm and managerial performance by preferences and cultural adjustment. We wished to analyze to what extend preferences and networking in the corporate, market and living environment sustain the manager's and firm performance. Based on empirical observations at the level of intercultural workplaces, three success attributes were distinguished in each environment. As a result of these interviews we reduced the number of variables to the three most important ones (see Table 1). These key variables help us to assess the focus of the manager and differentiate certain types the networking strategies.

Table 1: Attributes and variables to distinguish locational preferences

Attributes	Variables		
Corporate Environment	Collaboration within the multinational enterprise	Human resource access	Working atmosphere
Market Environment	Cooperation with suppliers and customers in the value chain	Market opportunities	Governmental supportive setting
Living Environment	Livable local environment	Local information network	Manifold city life

The framework has been presented at several conferences in Japan and internationally in the field of managerial science and economic geography. A brief description follows. This framework investigates the manager's preferences in corporate, market and living environment. Based on survey data of foreign managers in Japan, Schlunze (2011, 2012) found that the bi-cultural competence of international managers was important for creating synergy. That data provided a new typology that distinguished between expatriate managers who tend to emphasize strategic intent and Hybrid managers who succeed by acculturation in the Japanese business environment. Plattner (2012) based his research on this typology and deepened the knowledge about the preferences of the expatriate and Hybrid managers. Using principal component analysis he found preference patterns distinguish expatriated managers as "Localizing", "Embedding", "Networking", and "Globalizing". Regarding successful management practices, international managers have different focuses and respond differently to the market, corporate, and living environments. They also demand different environmental settings in order to achieve their personal and corporate business success according to the wider circumstances of the particular business situation.

Four patterns emerged: localizing, embedding, networking, and globalizing.

The localizing pattern is characterized by the international manager's personal

communication in the local community (living environment). Manager's preferences for the livable local environment and the local information network are high, while the interest in the manifold city life is antipodal.

Second, the embedding pattern is characterized by international managers' operative communication at the work place. A good working atmosphere is most important after managers' livable local environment, while collaboration in the multinational enterprise is in diametrical opposition.

Third, the networking pattern is characterized by international managers' operative communication in the business network. Those executives use the cooperation possibilities in the value chain as well as the local information network to be successful in business. For them the general market opportunity is contrary as an explicit factor.

Fourth, the globalizing pattern is characterized by managers' strategic communication of headquarters' commands to subsidiaries. The success of those managers is based on close collaboration within the multinational enterprise with consideration of governmental supportiveness in market regulation. Human resource access is complementary.

Shown in Figure 1, the model for a contextual management appraisal was developed our research group members during this research project is shown. We propose that preferences in the corporate, market, and living environment focused on human relations, a strong CQ and *guanxi* contributes to good managerial performance affecting to the overall firm performance positively. Since CQ contributes, like social intelligence to the networkability of the manager, we perceive CQ as an element of networking behavior (Elenkov & Pimentel, 2008).

With the support of the CCCJ we surveyed Chinese managers by questionnaire and interview. Those Chinese managers registered with the CCCJ received our original questionnaire that was developed to investigate the research questions above. To learn

Figure 1: *Guanxi* impacted by preference and CQ contributing to managerial and firm success
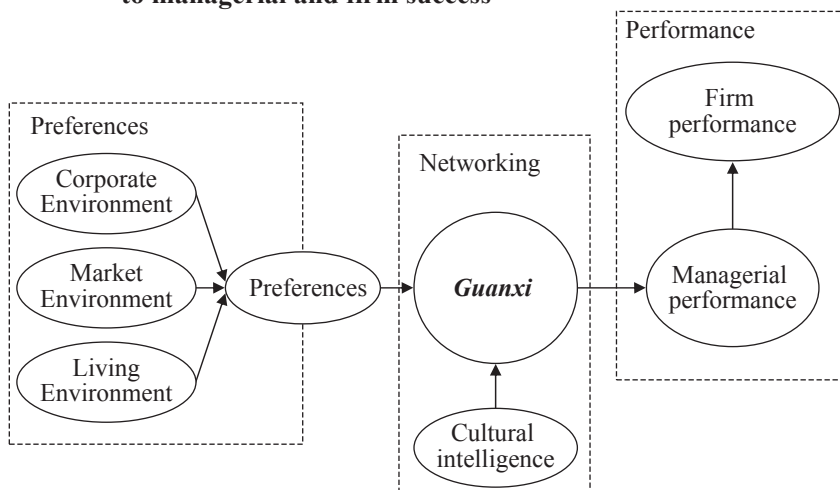
about *guanxi* networking we collected the business cards of Chinese managers based in Japan at The World Chinese Entrepreneurs Convention. We conducted a questionnaire survey on the network of 149 Chinese entrepreneurs and managers based in Japan. Since the return rate was just ten percent an interview survey was conducted. We are grateful to those Chinese managers who were also willing to provide deeper insights by cooperating with our interview survey. Managers' cognitive *guanxi* networks were mapped as described by Schlunze et al. (2013, 2014).Our method includes visualizing the *guanxi* network of the manager using Vennmaker software. Each manager indicated the location of important supporters. We distinguished the strength of ties to individual supporters, characterized by gender and nationality, and to institutional supporters, including corporate customers and clients. The visualization helps us to consider the network density in the corporate, market and living environment together with the managers and later with co-researchers that could not attend the interview. The theoretical considerations outlined above helped us to evaluate qualitatively. For comparison of different network cases we can also use the coefficient created by the Vennmaker software to state with certainty the differences in the *guanxi* networking. The network density reflects the ratio of the number of actual links in a population to the number of possible links in the same population. Actors in a high density network are likely to have a greater level of contacts than those in a low density network. Thus, information can be expected to flow more frequently among members of a high density network (Scott 1991). Vennmaker computes quantitative data from the visualized network that enables us to state with certainty about the *guanxi* networking strategy of the person in concern.

3. Results

Based on our original management appraisal conducted by questionnaire we can summarize following main results. Most of the managers had positions as president or CEOs and worked in Japan by their own preference. They usually have stayed longer than a decade and are culturally well experienced, and even have gained university education in Japan. Most of them were 40 to 50 years old. Their number of employees varied widely. In 2011 half of the companies had less than 30 employees but this number increased in 2012 to 38. Correspondingly, the sales of the companies led by Chinese managers increased as well. Thus, those managers who replied appear to be successful leaders, surviving or expanding during the recent period of economic stress.

a) Chinese entrepreneurs who are educated in Japan are masters in acculturation able to adjust to the cultural environment. Most felt that they are conscious about learning cultural knowledge when interacting with Japanese but not all were confident of their knowledge about Japanese cultural, legal and economic systems. Chinese managers do enjoy interacting with people from the host culture and are confident that they can deal with cultural challenges effectively, yet not all of them have the skill to change their

verbal behavior in such interactions. Most of them try to apply their cultural knowledge in such interactions but they are also aware that values and religious beliefs make it difficult to adapt.

Adapting, they can become almost invisible foreigners. Most Chinese managers strongly agree that they are actively involved in the decision making process and confirmed that they were able to create synergy promoting market success. From an interview with an executive manager dispatched by a Chinese MNE we know that it can be difficult for some Chinese to adjust culturally. Here, the acculturation pattern is similar to Western expatriates.

b) Chinese manager do have strong preferences of human resource access and collaboration with customers and clients. Their preferences in the corporate environment focus strongly on human resource access, in the market environment on collaboration with customers and clients. There is no strong focus in the living environment. Locational preferences of Chinese managers favor the global city Tokyo because of its leading business environment, rich information and market opportunities. Interestingly, there is a locational preference for doing business in Tokyo although these managers are much focused on the domestic market and not making use of the strong global connectivity of this city.

c) Chinese managers indicate that they maintain relations with important people and were able to obtain valuable information. Most of them are eager to build strong relations within the Chinese business community. However, we found areas of weakness in their *guanxi* network. Thus, not all managers were confident of obtaining financing, market listing and governmental approval. For some managers it appears even difficult to obtain human and material resources such as talented people, office space etc. We ask the managers who gave them advice on how to be successful in the workplace and in the host country market. Most managers replied that they are asking friends and co-workers. A relationship built on mutual trust and co-location is very important for the business success in the Japanese market. We found that successful Chinese managers do have a strong *guanxi* not only with ethnical Chinese but also with local friends. We observed if trustful Japanese friends exist in the *guanxi* network able to advice about workplace and market problems it is likely that the Chinese manager will show top performance.

In addition to the questionnaire survey we conducted multiple-case study. The case studies showed us that each manager developed different kind of *guanxi* strategy to adjust to the changes in the global and local business environment. We found that guanxi network helps to network locally and globally. However, each manager has his own preferences and guanxi strategy. Most SME managing directors who avoid uncertainties are working in a niche market and usually aim to sustain their small business in Japan. Nevertheless we found that Chinese entrepreneurs are willing to make globalization efforts when their *guanxi* can help to minimize risk. We interviewed a manager who chose an accommodation strategy to localize his Chinese business in Japan (Adler and

Gundersen, 2008, p. 118). He emphasized that he pro-actively advocates the improvement of the Chinese-Japanese relations and therefore he also assists the networking of CCCJ.

3.1. Case A

As shown in Figure 2we observed the type of a *localizer* who has strong preferences for local information network and a livable local environment. This manager is building reciprocal relations with trusted local managers accumulating domestic market and IT knowledge. High in behavioral CQ, he consequently performed an extreme but very strategic step and changed his nationality. As a Japanese national he is better equipped to gain access to knowledge circles that would be usually reserved for ethnic Japanese. His *guanxi* strategy is to make his business look as naturalized as possible though he is well embedded in the CCCJ network that looks after the common interest of Chinese entrepreneurs and business people in Japan where he wishes to make contributions as well. We notice that *guanxi* makes difference and that manifold city life is not necessarily antipodal to localizing practices of Chinese managers. Almost all supporters contributing to his business success are based in Tokyo. Especially, clients and customers supporting his business success can be only found in the marketplace Tokyo. In the corporate environment his *guanxi* network is extending to Nanking and Peking for software development. He keeps connected to his family in China and the USA, and connected to friends of his former high school in Shanghai but these connections are weak linkages that are not necessary for his business success in Tokyo. The Vennmaker chart shows

**Figure 2: Case A - Network of a manager with localizing efforts**
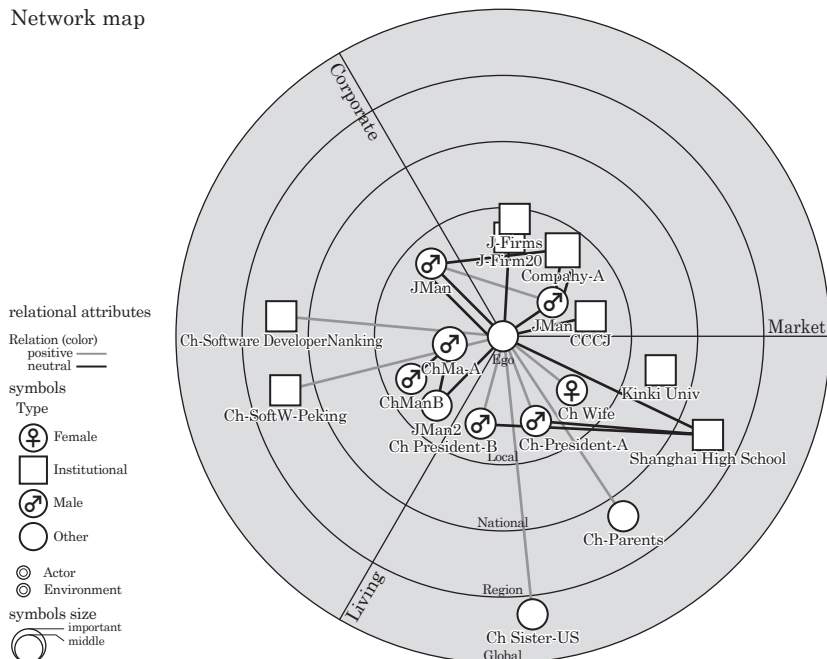
clearly that the corporate environment is only extended to back-up the business activities in the local market limited to the global city Tokyo.

Table 2 shows that Case A has higher network density and stronger ties than the other cases although since has got more supporters in the local business environment. As a localizer A was very successful achieving high network density using his high CQ for opening up to non-Chinese supporters by undertaking the outmost effort to localize. From this case we learnt that localizing efforts are an effective way to build networks beyond traditional *guanxi* networking.

3.2. Case B

In Figure 3 we can observe the network of an *embedder* who focues on the creation of a good atmosphere in his work place and livable living place in the China Town in Yokohama. His Chinese wife is the trusted accountant of his company and spans the boundary from the living to the corporate environment as a key supporter of his success in Japan. Within the team of his Tokyo based company a Japanese manager employed by him supports his business favorably. They have built a strong relationship with each other. His business provides the technical certification for radio devices to Japanese clients. He was previously employed by a German company that is a global leader in this business. These relationships are characterized by friendship and therefore are located in the living environment. On a regular basis he meets German friends and former colleagues of the German certification company. He extended his relationship to the competitor of his

Figure 3: Case B - Network of a manager with embedding efforts
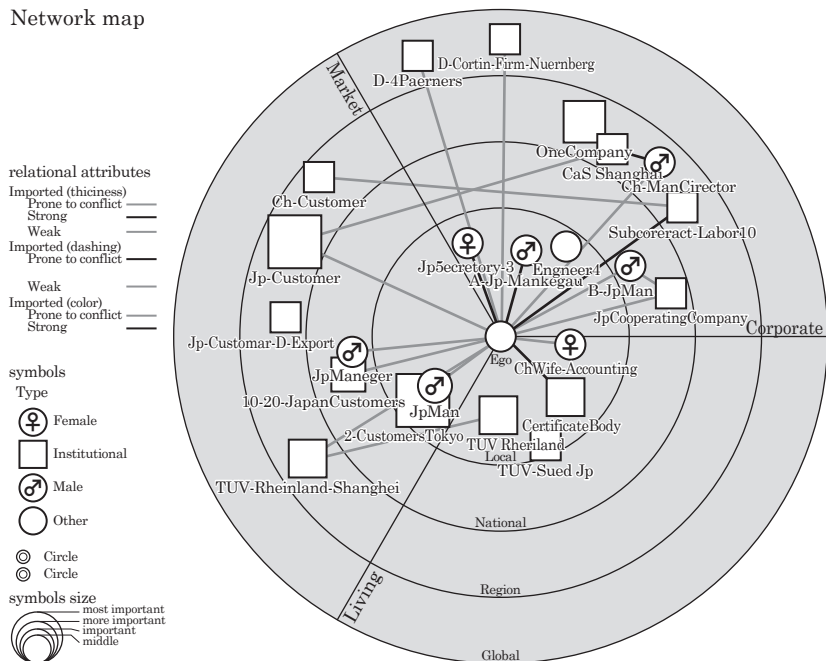
former employer who is also a global player expanding to China over the last decade.
He is very relaxed about competition and sees only four companies serving the market
with the similar service on an equal level. Since he use to study German language at an
elite university for international affairs and also for one year in Germany his German is
very fluent. Therefore his global network directly extends to certification companies in
Germany. He collaborates with these German companies serving the demands of Japanese
customers based in Japan. It appears that in particular he can suggest customers to the
German client but the knowledge transfer about technical certification skills and norms
from the West to the East is much more important to sustain his business in the future. We
can conclude that his business is about embedding global practices of technical certification
into the local market environment for Tokyo headquarters Japanese companies who wish
to offer their products in the global market.

Again we observed that *guanxi* is open to non-ethical but trusted people when profits of
a cross-border knowledge transfer can be projected. The administration of his business
is supported by four secretaries who move according to his orders. He has important
supporters, customers and clients, in the national corporate and market environment. He
still keeps good relations to his former employer and also to the few competitors who
share the huge market in Japan. The Vennmaker chart shows clearly that the Chinese
entrepreneur extents his knowledge network in the corporate environment to Germany in
purpose to serve a regional market with Japanese customers located in Japan and China.

To conclude, Case B has lower network density but relative strong support in the region.
Table 2 shows that there are only global linkages but the knowledge flows from these few
linkages are very important to embed his business in the local business environment. His
network is strong in institutional linkages and trust relations in the corporate environment.
He is very confident about his market position since he can rely on stable relations in the
market.

3.3 Case C

In Figure 4 we observe the type of a *global networker* with agile communication
facilitating the any cooperation possibilities in the value chain of her network. The
Nagoya based entrepreneur has a network extending globally. Therefore, she facilitates
information using *guanxi* not only locally but builds relations with Chinese actors and
clients in China and challenges with new business projects in overseas locations such as
USA and Australia. In the past she set-up a subsidiary in California, now this enterprise
is trusted to Taiwanese friends. Recently, she established a branch of her IT in Sydney.
Six friends former classmates of her have introduced her to local companies and also
helped to set-up to company. Also the person C, who used to have family ties with her,
was indirectly important for this decision but he relocated to another Australian city. Her
ambition is to build local network that sustain global IT networks of Japanese IT people.
Participating in our workshop with Chinese business people she communicated her very

important message to our students that they need to get the communication skills to conduct their business globally. Especially Japanese IT people and engineers are missing often the adequate skills to promote IT software development globally. Interestingly we observed that the family and friendship bounds of her *guanxi* network are crucial for her business success. Thus, in the Nagoya-based headquarters her younger sister heads the administration and her son is in charge of marketing. In China her elder sister looks after the two subsidiaries in the located in the Shanghai area. There are several driving forces that enable her to globalize her business. One aspect is that she sees that the domestic market is difficult to develop although or because she expanded her business to Tokyo and other major Japanese cities like Osaka. However, she ranks highest in her CQ and is highly motivated to challenge within other culture as well. To minimize risk she bases her business on family connections acting as a caring mother also for local her employees. In purpose to expand she seems to extent this family concept recruiting and relying on close friends when investing abroad. This is in the line of our expectations about a traditional *guanxi* behavior. From the Vennmaker chart we can learn that this Chinese manager uses her *guanxi* network to shift her IT business to new overseas market. Here, friendship relations or *guanxi* were previously helpful to set up a subsidiary the US and in Australia. We can see that these business activities challenged her to build up cultural intelligence with coverage of the Pacific-rim region.

As seen also Table 2, Case C has a relative low network density but with greatest extent

Figure 4: Case C - Network of a manager with global networking efforts

Network map
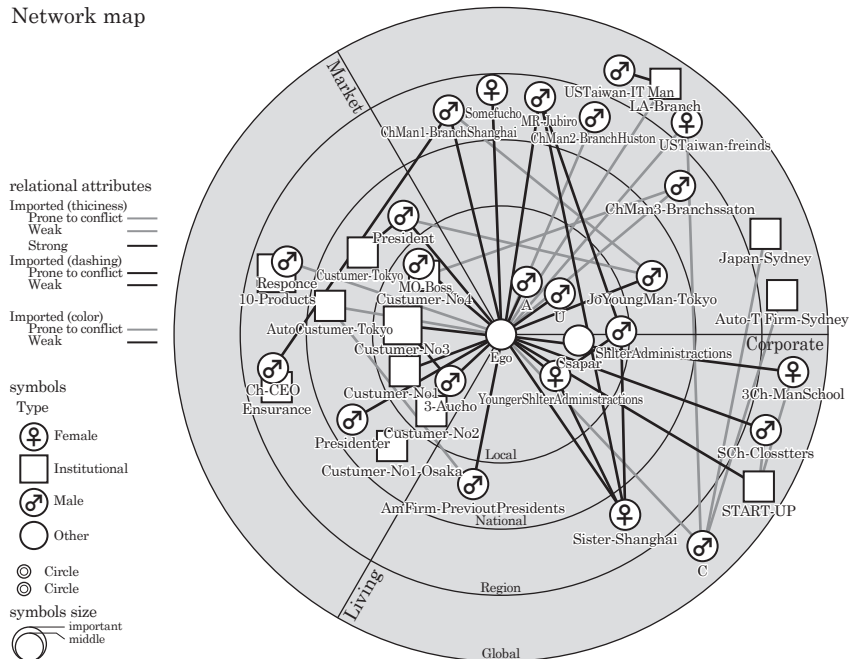
of a *guanxi* network. Her local business in Japan stretches from Nagoya to Tokyo and Osaka, trusted supporters who are also ethnic Chinese family members or friends help to promote her IT business in the region and globally. She has the largest number of global supporters. She appears to be a skillful network in the local as global market, corporate and living environment. To conclude, the IT entrepreneur tries to overcome impacts of periodically appearing bi-lateral conflicts affecting market relations by her overseas *guanxi* network with start-ups of new subsidiaries in overseas locations. This entrepreneur employs a strategy that compromises demands in Japan and elsewhere.

The alteri shows that in case of the localizer the ties are strongest. However, according Granovetter (1985) the networker's weak ties might be more inspiring for doing business globally. The embedder is using global weak ties to transfer knowledge into the local market.

Table 2: Comparison of density of supporters by distance and sector

	Case A	Case B	Case C
	Localizer	*Embedder*	*Networker*
Circle Local	12	9	11
Circle National	1	4	7
Circle Region	4	8	10
Circle Global	1	2	8
Sector Market	5	8	15
Sector Corporate	6	11	14
Sector Living	7	4	6
Total (without Ego)	18	23	36
Density (with Ego)	0.123	0.094	0.0301
Density (only Alteri)	0.04575163	0.0316	0.0301

4. Discussion

This research attempted to assess the performance of Chinese managers by contextual management appraisal investigating preferences, CQ and *guanxi* networking. We observed that guanxi is instrumental in the daily lives of the Chinese entrepreneurs as suggested by Gold et. al. (2002; cited by Gu et al. 2008, p.13). As we originally assumed the results showed some evidence that *guanxi* with high CQ and preferences for human relations in the corporate, market and living environment sustains managerial and firm performance.

As we intuited, the cases showed that the *guanxi* of the manager matters most for the Chinese entrepreneurs and managers' performance. From the questionnaire we learned that having a reliable host country advisor who is knowledgeable about the workplace and market is most important within the quanxi network of Chinese managers doing business in Japan. From the interviews we learned also the capitalizing on their *guanxi* in

the corporate, market and living environments is crucial to sustaining business. Both the embedder and networker type showed that global standards and knowledge are important to build a deeper core competency. In contrast, the localizer type limits himself through strong preference for collaborative development with the customer and clients in the local market environment. Nevertheless, his *guanxi* builds on a pro-active network strategy that aims bettering the intercultural understanding and mutual profits. The case study findings lend support to the assumption that networking with *guanxi* positively influences managerial performance at least in the intercultural workplace.

It is likely that cultural intelligence in Chinese managers influences their guanxi networking positively. One reason could be that social connections through *guanxi* generate social core benefits such as trust, information and control. These findings in our studies provide evidence that Chinese managers have different networking styles due to their different preferences. One possible explanation is that they as service providers with different preferences have learned to cope with the information asymmetry of their Japanese clients through their high CQ and *guanxi* in a way flexible. We observed in case B and C boundary spanning activities and expect that even localizing efforts as performed in case A will have a positive effect on the managerial and firm performance. These findings lead us to believe that cultural competence increases with high CQ and preferences for human relations in the workplace facilitating *guanxi*.

We found that cultural intelligence could help explain *guanxi* practices of Chinese expatriates in Japan. Chinese entrepreneurs educated in Japan are highly motivated and are good at sensing the cultural context correctly. They are patient and seek ways to overcome the silence created around them. We observed that Chinese entrepreneurs based in Japan applied their *guanxi* differently to cope with related problems in order to defend and build their business on a range extending from bi-literal to global networking. The real challenge for transforming *guanxi* is to learn how to trust strangers through business ethics and practices that ensure mutual profits. We suggest that Chinese managers in Japan should facilitate their *guanxi* taking leadership through a harmonization of Asian and global practices.

There are limitations to our research which stem from initial difficulties to access Chinese managers by questionnaire. In the research process we achieved much knowledge though a multiple case study approach. This knowledge and the hypothesis built in the evaluation model need to be tested further. Publishing our results with the annual journal of the CCCJ will help to direct the interest of many Chinese managers to our research agenda. The SIEM research group <www.siemrg.org> is determined to succeed with quantitative analysis facilitating the here proposed contextual management appraisal for future research.

Acknowledgment

References

Adler, N. J., & Gundersen, A. (2008). International dimensions of organizational behavior. Mason, Ohio: South-Western/Cengage Learning. Ang, S., Van Dyne, L., & Koh, C. (2006). "Personality Correlates of the Four-Factor Model of Cultural Intelligence", *Group and Organization Management, 31*(1), 100-123.

Ang, S., Van-Dyne, L., Koh, C., Ng, K. Y., Templer, K. J., Tay, C., & Chandrasekar, N. A. (2007). "Cultural Intelligence: Its Measurement and Effects on Cultural Judgment and Decision Making, Cultural Adaptation and Task Performance", *Management and Organization Review, 3*(3), 335-371.

Ang, Soon, Van Dyne, Linn, & Koh, Christine. (2006). "Personality Correlates of the Four-Factor Model of Cultural Intelligence", *Group and Organization Management, 31*(1), 100-123.

Ang, Soon, Van-Dyne, Linn, Koh, Christine, Ng, K. Yee, Templer, Klaus J., Tay, Cheryl, & Chandrasekar, N. Anand. (2007). "Cultural Intelligence: Its Measurement and Effects on Cultural Judgment and Decision Making, Cultural Adaptation and Task Performance", *Management and Organization Review, 3*(3), 335-371.

Baba, Masanobu (2011). "Japan-China Business –Rising Ethnic Chinese and Business Chance", *The Lecture Material for Japan-China Business Class,* Unpublished.

Berköz, L. (1998). "Locational preferences of producer service firms in Istanbul", *European Planning Studies,* 6(3), 333-349.

Bjorkman, I., & Kock, S. (1995). Social Relationships and Business Networks: the Case of Western Companies in China. *International Business Review,* 4(4), 519-535.

Boston, T. D., & Ross, C. L. (1996). "Location preferences of successful African American-owned businesses in Atlanta", *Review of Black Political Economy,* 24(2/3), 337-357.

Cohen, D., & Prusak, L. (2001). in *Good Company: How Social Capital Makes Organizations Work. Boston,* Massachusetts: Harvard Business School Press.

Drifte, R., & Jaussaud, J. (2010). "Chinese Businesses in Japan", In B. Andreosso-O&Callaghan & M. B. Zolin (Eds.), *Current Issues in Economic Integration' Can Asia Inspire the "West"?* (pp. 137-147): Ashgate Pub Co.

Earley, P. C. (2002). "Redefining interactions across cultures and organizations: Moving forward with cultural intelligence", *Research in Organizational Behavior, 24*, 271-299.

Earley, P. C., & Ang, S. (2003). Cultural intelligence Individual Interactiona across cultures: Stanford Business Books.

Earley, P. C., & Peterson, R. S. (2004). "The Elusive Cultural Chameleon: Cultural Intelligence as a New Approach to Intercultural Training for the Global Manager", *Academy of Management*

Learning & Education, 3(1), 100-115.

Edgington, D. W. (1995). "Locational Preferences of Japanese Real Estate Investors in North America", *Urban Geography,* July(01), 373-396.

Elenkov, D. S. & Pimentel, J. R. C. (2008). "Social intelligence, and cultural intelligence: An integrative perspective", In: Ang, S. & Van Dyne L. (eds.), *Handbook of Cultural Intelligence: Theory, Measurement, and Applications,* New York: M.E. Sharp.

Fong, E., & Luk, C.-m. (2007). *Chinese Ethnic Business,* New York: Routledge.

Gold, T. B., Guthrie, D., & Wank, D. L. (Eds.). (2002). Social Connections in China: Institutions, Culture, and the Changing Nature of Guanxi. New York: Cambridge University Press.

Granovetter, M. (1985). "Economic Action and Social Structure: The Problem of Embeddedness", *American Journal of Sociology,* 91, 481-510.

Gu, F. F., Hung, K., & Tse, D. K. (2008). "When Does Guanxi Matter? Issues of Capitalization and Its Dark Sides", *Journal of Marketing,* 72, 12-28.

Hamilton, G. G. (1996). *Asian business networks*. New York: Berlin: W. de Gruyter.

Harvey, M. G., Price, M. F., Speier, C., & Novicevic, M. M. (1999). "The role of inpatriates in a globalization strategy and challenges associated with the inpatriation process. HR", *Human Resource Planning,* 22(1), 38-50.

Imai, Lynn, & Gelfand, Michele J. (2010). "The culturally intelligent negotiator: The impact of cultural intelligence (CQ) on negotiation sequences and outcomes", *Organizational Behavior & Human Decision Processes, 112*(2), 83-98.

Ji, W. (2013). *Exploring Cross-Cultural Competence in East Asia:* Palgrave Macmillan.

Johnson, J. P., Lenartowicz, T., & Apud, S. (2006). "Cross cultural competence in international business: Toward a definition and a model", *Journal of International Business Studies,* 37, 525-543.

Kahn, J. A., & Henderson, D. A. (1992). "Location Preferences of Family Firms: Strategic Decision Making or 'Home Sweet Home'", *Family Business Review,* 5(3), 271-282.

Lam, S. S. K., & Yeung, J. C. K. (2010). "Staff localization and environmental uncertainty on firm performance in China", *Asia Pacific Journal of Management,* 27(4), 677-695.

Lee, L.-Y., & Sukoco, B. M. (2010). The effects of cultural intelligence on expatriate performance: the moderating effects of international experience. International Journal of Human Resource management, 21(7), 963-981.

Li, Ming, (2009), "An Examination of the Role of Experiential Learning in the Development of Cultural Intelligence in Global Leaders", William H. Mobley ed., *Advances in Global Leadership,* Emerald Group Publishing Limited: UK.

Meester, W. J. (2004). *Locational preferences of entrepreneurs stated preferences in the Netherlands and Germany,* Germany: Physica-Verlag.

Mori, Masaki, (2012), "Connecting Function of Chinese Business Network in Hong Kong -The Case of the Chinese General Chamber of Commerce", *The Ritsumeikan Business Review,* 50(6), 1-21.

Ng, K. Y., Van Dyne, L., & Ang, S. (2009). "From Experience to Experiential Learning: Cultural Intelligence as a Learning Capability for Global Leader Development", *Academy of Management Learning & Education,* 8(4), 511-526.

Park, Seung Ho and Yadong Luo (2001). "Guanxi and Organizational Dynamics: Organizational Networking in Chinese Firms," Strategic Management Journal, 22 (5), 455-77.

Peng, M. W., & Luo, Y. (2000). "Managerial ties and firm performance in a transition economy: the nature of a micro-macro link", *Academy of Management Journal,* 43(3), 486-501.

Plattner, M. (2012). "Internationalization of Business Networks: How Do Managers with Divergent Cultural Norms Contribute?" In R. D. Schlunze, N. Agola & W. Baber (Eds.), *Spaces of International Economy and Management Launching New Perspectives on Management and Geography,* Palgrave macmillan.

Redding, S. G. (1991). "Weak organizations and strong linkages' managerial ideology and Chinese family business networks", In G. G. Hamilton (Ed.), *Business Networks and Economic Development in East and South East Asia,* Hong Kong: Centre of Asian Studies, University of Hong Kong.

Schlunze, R.D. (2010), "Hybrid managers creating inter-cultural synergy", *Transcultural Management Review,* 7, Transcultural Management Society, 30-46.

Schlunze, R. D. (2012). "Hybrid" Managers Creating Cross-Cultural Synergy: A Systematic Interview Survey from Japan. In R. D. Schlunze, N. O. Agola & W. Baber (Eds.), Spaces of International Economy and Management (pp. 24-45): Palgrave Macmillan.

Schlunze, R. D., & Plattner, M. (2007). Evaluating International Managers' Practices and Locational Preferences in the Global City -An Analytical Framework. The Ritsumeikan Business Review(1), 63-89.

Schlunze, Rolf, William W. Baber & Weiwei Ji, (2014), "Preferences and Intercultural Networking for Globalizing Practices of Successful Leaders in the Intercultural Workplace", Alvstam, Claes G. ed., *Asian Inward and Outward FDI: New Challenges in the Global Economy,* Palgrave Macmillan: UK.

Scott, J. (1991). Social Network Analysis: A Handbook. London: Sage.

Thomas, D. C. (2006). "Domain and Development of Cultural Intelligence: The importance of mindfulness", *Group and Organization Management, 31*(1), 78-99.

Yang, M. M., (1994). *Gift, favors and banquets: The art of social relationships in China, Ithaca,* NY: Cornell University Press.

Yeung, H. W.-C. (1997). "Business Networks and Transnational Corporations: A Study of Hong Kong Firms in the ASEAN Region", *Economic Geography,* 73(1), 1-25.