Quality of *Guanxi* between Taiwanese expatriates and local employees in China and the Netherlands

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ABSTRACT

Because of globalization trends, many firms transform to multinational corporations, which often implement business strategy in the foreign subsidiaries. To successfully expend their business in host countries, it is essential to understand local culture and management relationship with local employees.

This study explains the influences of cultural differences on quality of *guanxi* in the Taiwanese multinational corporations, as well as emphasizes the relationship between Taiwanese expatriates and host employees in China and the Netherlands. The term *guanxi* is originated from Chinese "關係", which means social relationships and personal interactions in social networks.

An on-line survey has been employed and obtained 53 samples among Taiwanese, Chinese, and Dutch employees. This survey investigates how different cultures affect *guanxi* of employees. There are three dimensions of cultural differences (power distance, collectivism, time orientation) and five factors of *guanxi* (trust, favor, dependence, adaptation, feeling) in this survey. Through statistical analysis, there are two main findings.

1. The cultural differences are significantly positively affected the quality of *guanxi*. The favor has been impacted by power distance. The adaptation has been influence by collectivism and time orientation.

2. Comparisons the quality of *guanxi* among Taiwanese, Chinese, and Dutch employees, the trust, favor, and feeling between Taiwanese and Dutch employees is better than these factors between Taiwanese and Chinese employees.

Key words: *Guanxi*, Culture, Expatriate, Taiwanese, Chinese, Dutch

TABLE OF CONTENTS

LIST OF TABLE

LIST OF FIGURE

1 Introduction

Nowadays culture is a big issue in the globalize environment. In order to execute business strategies successfully, multinational corporations have to deal with cultural difference between home and host countries. However, Asian and European differ in culture systems. Specifically, relationship (*guanxi*) has been emphasized in the Chinese milieu. This study tries to find out the quality of *guanxi*, as the main factor plays in the Taiwanese multinational corporations, especially in their Chinese and Dutch subsidiaries.

This study is consisted of five chapters. The first chapter describes the background, objectives, and the research questions. The second chapter reviews the related literatures, such as culture dimensions and *guanxi*, and introduces the research model of this study. The third chapter describes the research method. The fourth chapter consists of the data analysis and results; the fifth chapter contains conclusions and future directions.

1.1 Background

Half a century ago, the economic development of Taiwan focused on export trade. This was the initial step of Taiwanese companies going internationally. With the trend of globalization, many Taiwanese firms have their corporate headquarters in their home country and operate in several host countries. The Taiwanese companies are gradually transforming to Multinational Corporations (MNCs). According to the United Nations Conference on Training and Development (UNCATD), outward foreign direct investment (FDI) of Taiwan is ranked at third among developing countries (UNCATD, 2004). In addition, the report on 'Motivation of investment of Taiwanese Multinational Corporation in 2008' states that 33% of all firms give as a motive for foreign investment to search for more matched market's development potential (DOIS, 2009). More than 50% of all corporations believe that utilizing resources of subsidiaries and local markets will enlarge their production scale and diversify their product offering. The supply chain link between headquarters and foreign subsidiaries can be divided into several functions, such as capital, purchase, services, sales and marketing. In order to implement MNCs' global strategies, control and co-ordinate with their subsidiaries, many companies assign expatriates overseas (Chi and Yeh, 2006). Therefore, expatriates play important roles in MNCs and local markets.

McKinsey & Company (2010) suggested that emerging counties would continue accounting for 80% of the world economic growth over the next decade. China will grow significantly faster than the global average. The purpose for Taiwanese MNCs entry to China is not only to obtain low cost advantages but also to gain potential market share in big scale. Since China's open door policy in 1978,

Taiwanese firms have made enormous investments in China. China is the largest recipient of foreign direct investment among all developing countries (Tsang, 1998).

Between 1991 and 2003, 44.5 percent of Taiwan's total foreign investments are placed in China (Mainland Affairs Council, 2003). According to the official statistics by Ministry of Economic Affairs of Taiwan, Taiwanese firms undertook 38,695 investment transactions in China during 1991 to 2010. In 2009, the amount of Taiwanese firms' investment in the Chinese market was the second largest with USD 656.3 million (DOIS, 2011). Furthermore, during the past decade China is Taiwan's largest trading partner, with the bilateral trade value reached to USD 647 billion. This is the highest percentage of the trade value among all countries trade with Taiwan. Thus, nowadays China is an essential developing market for a big portion of Taiwanese business firms.

In the next section we describe the developed Dutch market. According to the world trade report 2009 from WTO, the Netherlands take 4% of the trade volume in the world, specifically, fifth biggest exporter of goods and the amount of import is at the seventh place. Another report 'Winning in a polycentric world' shows that the Dutch economy ranked eighth in the World Globalization Index (Dutch Daily News, 2011). This index is composted of five categories: openness to trade; capital movements; exchange of technology and ideas; labor movements; and cultural integration. There are some economic activities between the Netherlands and Taiwan. Taiwan is the 18th largest trade partner of the Netherlands in import. In relation to export, Taiwan is at the 34th place of the Netherlands exporting list. On the other hand, the Netherlands are the second largest trading partner of Taiwan among the European Union (EU) members, the bilateral trade value is about USD 72 billion during 2000 and 2010 (Bureau of Foreign Trade, 2011). In 2010, the investment of the Dutch corporations in the Taiwanese market was ranked third and accounted for 11.2% of all investments in Taiwan (Chinataiwan, 2011). Furthermore, a Tax Treaty has been cosigned between the Netherlands and Taiwan in 2002 (Digitimes, 2011). This agreement also reduces the tax fee for Taiwanese companies, regarding the trade with other countries belongs to the EU. Therefore, while Taiwanese multinational corporations have planned to access the EU market, they would consider entering the Dutch market first.

However, when an Asian MNCs enters into a European country, internationalisation of business management acquires more knowledge of cultural patterns. The essence of culture is not what is visible on the surface. Culture is shared with groups of people and guides them to understand and interpret the world. If business people want to gain an understanding of and support their corporate goals, policies, products or services wherever they are doing business, they must understand what those and other aspects of management mean in different cultures (Trompenaars and Hampden-Turner,

1998). Furthermore, the culture difference may create ambiguities among the relationship. This difference may result in conflict and difficult in cooperation in the organization. Cultural issues and the risk of misunderstanding can affect relations between employees of the organization (Yin, 2008).

The Chinese word '*guanxi*' is translated as relationship or connection (Dunning and Kim, 2007; Yeung and Tung, 1996; Yin, 2008). In human relations, *guanxi* can refer either to the state of two or more parties being connected or the connected parties themselves. In addition, *guanxi* have several dimensions: existence or not, good or bad, close or distant, deep or shallow, in tension or in harmony (Chen and Chen, 2004). In Chinese economical environment, relationships are essential among business. The Chinese apply the word '*Guanxi*' to describe a special relationship, which are built into networks (Buttery and Wong, 1999). The network relationships underpin the way that the Chinese prefer to practice in doing business. Additionally, *guanxi* propels the personal and emotional interaction. For example, having a good intensive and emotional relationship with business partners enhances business opportunities. Thereby, *guanxi* is a driver to achieve a competitive advantage. *Guanxi* operates at the individual level and essential component of the social life (i.e. *guanxi*) are trust, honesty, reciprocity, respect and social status (Davies et al., 1995). Interpersonal loyalty is often more important than organizational affiliation or legal status (Dunning and Kim, 2007). Therefore, it is necessary to explore the interpersonal *guanxi* such as the relationship between expatriates and employees.

1.2 Objectives

The development of international business is a fact and almost all companies are facing new challenges as well as new opportunities (Morrison, 2009). However, Multinational corporations have to deal with the cultural difference issue while they enter into foreign countries. Because of the cultural difference, people prefer different value systems and management styles. The expatriates come from their home country embody their traditional value system and they prefer to use it in the host countries. Without respecting local culture can cause a culture conflict in the organization. Therefore, by developing a good relationship with local employees to recognize host culture seems the best way to overcome cultural conflicts. A good exchange relationship is a driver for successfully implementing strategies of companies.

Most business relationship studies have roots in American and European cultures (e.g. Anderson and Naus 1990; Berry and Parasuraman, 1991; Dwyer et al. 1987; Morgan and Hunt 1994). Researchers and entrepreneurs try to understand *guanxi* from the western point of view. However, due to the differences and similarities of culture, it is not advisable to transform Western theories and practices into an Asian context, vis-à-vis. On the other hand, there are some researchers who refer *guanxi* as a

typical value of Chinese and their studies focus on *guanxi* in China market (e.g. Luo, 1997; Wong, 1998; Pan and Wong, 2008; Varma, 2009). Nevertheless, there are not so many studies that advise MNCs to utilize *guanxi* in the Western countries, even less compare the influence of *guanxi* in Asian and Western culture.

Taiwanese multinational corporations entered both into the Chinese and the Dutch market. Although the cultures of these two countries are different, Taiwanese MNCs are not only following traditional Chinese culture, but also learning Western management style. Thereby, the management of relations may be evolved to crossvergence. The relationship (*guanxi*) between expatriates and local employees originated from Taiwanese MNCs may be adapted in accordance with local conditions.

In conclusion, the relationship between expatriates and local employees is important part to MNCs. However, many studies focus on applying *guanxi* in the Chinese market, the coverage of *guanxi* used by MNCs in the other host countries is neglected. My aim is to search Taiwanese MNCs' use of *guanxi* in host countries. Particularly in China and the Netherlands. Additionally, I will compare the relation between Taiwanese expatriates and local employees, as well as focus on the relationship between cultural difference and the quality of *guanxi*.

1.3 Research question

Guanxi is used to describe a special relationship, which connects people with others. The quality of *guanxi* can be built in harmony and can become better, closer, and deeper through interactive activities. Even though cultural difference, by inseparate interaction the expatriates and local employees can be developed as a good relationship such as a solid friendship. Nevertheless, *guanxi* has been emphasized in the Chinese culture. It is easy for Chinese employees to identify Taiwanese expatriate with *guanxi*. Thus, in view of the objective the result of research question is:

> To what extent the quality of *guanxi* between managers from Taiwan and China is stronger than the quality of *guanxi* between managers from Taiwan and the Netherlands?

1.4 Research strategy

The research strategy for finding an answer to the research question is using a deductive approach design. The literature review section identifies the concepts and constructs. After that I can create a clear research framework. Next, the methodology has to be applied to collect primary data in order to obtain the knowledge for answering the research question and meeting the research objective (Saunders et al., 2007). The findings are then analyzed and discussed.

2 Literature review

The purpose of this study is to explore the quality of *guanxi* between expatriates and local employees in the Taiwanese MNCs and to discover the impact of cultural difference. Hence, the chapter will introduce Multinational Corporation briefly. Next, national cultural studies will be discussed. Finally, literatures about *guanxi* will be elaborated.

2.1 Multinational corporations (MNCs)

2.1.1 Defining Multinational Corporation

A Multinational Corporation is comprised of a diversity of businesses that operate throughout the world, facing varying degrees of global competition (Roth, 1988). Multinational corporations understand and recognize that there are differences across national markets, and differentiation is required to be successful in these diverse markets (Som, 2009).

A multinational corporation (MNC) or enterprise (MNE) is an organization that extends employment contracts over national boundaries (Christos and Sugden, 2000). Their strategies are geared to be nationally responsive. MNCs have the willingness to invest in the growth of these markets while learning to be self-sufficient and independent by detaching form their parent company (Som, 2009).

2.1.2 Relationship between Headquarters and Expatriates

The term expatriate refers to 'an employee who is sent by his or her company in the home country to manage operations in a different country' (Noe et al., 2006). Many companies send expatriates to conduct overseas assignments in order to implement their global strategies and to control as well as co-ordinate their subsidiaries in the host countries. In the time of further globalization, expatriates are believed to continue to play a significant role in multinational organizations (Stahl et al., 2002). These expatriates have carried foreign experience that enriches both the individuals and the organization. Therefore, it is important to develop and retain expatriates who possess global tactical knowledge and experience in international businesses.

However, moving to a foreign country often involves changes in job that the individual performed and requires conforming to a corporate culture with new responsibilities. Organizations have used several methods to help expatriates acquire global knowledge and experiences (Chi and Yeh, 2006). Organizations need to consider not only the expatriate's capabilities to perform his/her tasks, but they also need to assess his/her knowledge of the host country and their language proficiency. Foreign managers have been advised to adapt to the host country's culture (Dorfman et al., 1997). McEvoy and Parker (1995) have argued that ability of cross-cultural adjustment is one of the most critical

factors determining expatriate success. In order to make expatriate assignment successful, the expatriates have to adapt to the host countries' culture. Thus, an expatriate's willingness to communicate and to establish relationships with the host nationals should be taken into account (Chi and Yeh, 2006).

2.2 National Culture

2.2.1 Three culture studies

The nature of relationships depends on the lifelong experience of the agents involved in building relationships (Buttery and Wong, 1999). The life long experience is one aspect of culture. Culture is thereby an essential driver for relationships. The route to developing relationships can be very different in different cultures and belief systems (Dunning and Kim, 2007). Three milestone studies on national cultures have been conducted by Geert Hofstede, Fons Trompenaars and the GLOBE study (Som, 2009).

The culture dimensions of Hofstede

Hofstede has been doing research at IBM. He identified five dimensions of national culture. A dimension is an aspect of a culture that can be measured relative to other cultures. The five dimensions are presented as follows: (1) Power distance is the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power be distributed unequally (Hofstede, 1994). (2) Individualism is on the one side versus its opposite collectivism. Collectivism is the degree which individuals are integrated into groups (Hofstede, 1994). According to Hofstede (2001), collectivistic societies are characterized by a powerful sense of group membership that is close and committed member relationship. (3) Femininity, which is opposite to Masculinity, refers to the distribution of roles between the genders. This is another fundamental issue for any society, which ranges of solutions are found (Hofstede, 1994). (4) Uncertainty avoidance deals with a society's tolerance for uncertainty and ambiguity; it ultimately refers to a man's search for truth. This society tries to minimize either uncomfortable or unstructured situations through strict laws and security measures. (5) Long term orientation; Values associated with long-term orientation are thrift and perseverance, values associated with short-term orientation are respect for tradition, fulfilling social obligations, and protecting one's 'face' (Hofstede, 1994). Wong (1997) demonstrates how important the long term is to the Chinese especially as the respondents reflect the minimum effort required to build the relationship.

The international businesses have to face difference national cultures. The table shows different features at work place by Hofstede 's culture dimensions.

Table 2.1: Differences at work place according to national culture dimensions

	Large power distance societies	Small power distance societies
Power distance	✓ Hierarchy means existential inequality ✓ Subordinates expect to be told what do ✓ Ideal boss is benevolent autocrat (good father)	✓ Hierarchy means an inequality of roles, established for convenience ✓ Subordinates expect to be consulted ✓ Ideal boss is resourceful democrat
	Collectivist societies	Individualist societies
Individualist vs. Collectivist	✓ Value standards differ for in-group and out-groups: particularism ✓ Other people are seen as members of their group ✓ Relationship prevails over task ✓ Moral model of employer-employee relationship	✓ Same value standards apply to all: universalism ✓ Other people seen as potential resources ✓ Task prevails over relationship ✓ Calculative model of employer-employee relationship
	Masculine societies	Feminine societies
Femininity vs. Masculinity	✓ Oversell yourself ✓ Stress on careers ✓ Decisiveness	✓ Assertiveness ridiculed ✓ Undersell yourself ✓ Stress on life quality ✓ Intuition
	Weak uncertainty avoidance societies	Strong uncertainty avoidance societies
Uncertainty avoidance	✓ Dislike of rules – written or unwritten ✓ Less formalization and standardization	✓ Emotional need for rules –written or unwritten ✓ More formalization and standardization

Source: Hofstede G. (1994), 'The Business of International Business is Culture'

The culture dimensions of Trompenaars and Hampden-Turner

Trompenaars (1994) states five relationship orientations, which are similar to Hofstede's dimensions (Som, 2009). The orientations address how people deal with one another. Later, Trompenaars and Hampden-Turner point out the other two. Thus, there are 7 major differences between national cultures.

(1) Achievement versus Ascription (Status earned through success and track record versus status ascribed to person's potential): The aspects of ascribed status are family, age, gender, and education. It is a general expectation and may appear as a fast track or management that recruits to the top of the organization (Trompenaars and Hampden-Turner, 1997). (2) Specificity versus Diffusion (Preference for precise, singular 'hard' standards and preference for pervasive, patterned 'soft' process): Hard cultures that emphasizes on things, facts, statistics, analysis while soft cultures that focuses on relations, configurations, connectedness, and synthesis (Trompenaars and Hampden-Turner, 2010). On the other hand, diffusion cultures tend to have lower employee mobility, because of the importance of loyalty and the relationships in an organization (Chen, 2006). (3) Individualism versus Communitarianism (Self-interest and personal fulfillment versus group interest and social concern): Trompenaars and Hampden-Turner (2010) point out that in Western cultures, the most important for

fulfillment of life is the advancement of individuals. On the contrary, in the Eastern, it seems the family and the community as the important drive for the self-advancement and primary responsibility for success is group memberships. (4) Universalism versus Particularism (Rule making versus exception finding): They identify Universalist cultures are as being based on rules; in contrast, particularist cultures are based on relationships. For example, Europeans cultures see morality as a matter of standard laws and rules, whereas Asian cultures see morality as variable, depending on particular loyalties and circumstances (Trompenaars and Hampden-Turner, 2010). (5) Neutral versus Affective (Emotions inhibited versus emotions expressed): The authors research the degree of expressing emotion that is acceptable in a society and the differences in communication within organizations (Chen, 2006). (6) Sequential versus Synchronous (Time is conceived as of a 'race' with passing increments versus time is conceived of as a 'dance' with circular iteration): 'Time-as-a-dance' concentrates on timing, or synchronization, so that one moves in time with other people or process (Trompenaars and Hampden-Turner, 2010). In contrast, 'time-as-a race' cultures see time as moneymaking possibility. (7) Inner-Directed versus Outer-directed (Control and effective direction comes from within versus control and effective direction comes from outside): Thinking is the most powerful tool and considered ideas and intuitive approaches are the best ways to make sense of the world and to make decisions (changing minds.org, 2011). Inner-directed is about inverted thinking and personal judgment. On the other hand, outer-directed persons seek data in the outer world.

The culture dimensions of GLOBE model

The Global Leadership and Organizational Behavior Effectiveness (GLOBE) is a study outlining a cultural model. This study is one of the most recent studies (Chhokar et al., 2007) on organizational values and cultures (Pramila, 2009). There are nine cultural dimensions:

In this section, 9 dimensions are presented. (1) Power distance has been defined the degree to which members of an organization or society expect and agree that power should be shared unequally. (2) Assertiveness is a set of social skills or styles of responding amenably to training or as a facet of personality (House et al., 2004). (3) Gender Egalitarianism has been defined as the level at which a society values gender equality. In addition, gender role differences play an inferior role. (4) Humane Orientation consists of ideas, values and prescriptions for behavior associated with the dimension of culture at which a society values and rewards altruism, caring, fairness, friendliness, generosity, and kindness. (5) Performance Orientation is the level at which a society values and rewards individual performance and excellence. (6) Institutional Collectivism is the level at which a society values and rewards collective action and resource distribution (House et al., 2004). (7) In-Group Collectivism is the level at which a society values cohesiveness, loyalty, and pride, in their families and organizations

(House et al., 2004). (8) Uncertainty Avoidance is the extent to which members of collectives seek orderliness, consistency, structure, formalized procedures, and laws to cover situations in their daily lives. (9) Future Orientation has been identified future orientation as the extent to which members of a society or an organization believe that their current actions will influence their future (House et al., 2004). Future oriented persons focus on investment in their future, believe that they will have a future that matters, believe in planning for developing their future, and look far into the future for assessing the effects of their current actions.

For a comparison of the different cultural models, Chen (2006) points out four different dimensions: differentiation between social groups; individual's relationship to social groups; preserve the social fabric; time orientation. Meanwhile, she compares Hofestede and Trompenaar's culture dimensions. Other studies (e.g. Hofestede, 2006, 2010; Javidan, 2006; Shi and Wang, 2011) make comparison of Hofestede' culture dimensions with those of GLOBE. Therefore, I emphasis on compare among those three (Hofestede, Trompenaar and Hampden-Turner, and GLOBE) culture studies through four dimensions developed by Chen (2006) (see table 2).

Table 2.2: The comparison of culture dimensions

	Hofstede	Trompenaar and Hampden-Turner	GLOBE
Differentiation between social groups	✓ Power Distance ✓ Masculinity vs. Femininity	✓ Achievement vs. Ascription ✓ Specific vs. Diffuse	✓ Power Distance ✓ Assertiveness ✓ Gender Egalitarianism ✓ Humane Orientation ✓ Performance Orientation
Individual's relationship to social groups	Individualism vs. Collectivism	Individualism vs. Communitarianism	✓ Institution Collectivism ✓ In-Group Collectivism
Preserve/ rule the social fabric	Uncertainty Avoidance	✓ Universalism vs. Particularism ✓ Neutral vs. Emotional ✓ Inner-directed vs. Outer-directed	Uncertainty Avoidance
Time orientation	Long-Term Orientation	Sequential vs. Synchronic	Future Orientation

Source: Chen (2006) and Shi and Wang (2011)

2.2.2 National cultures

Chinese Culture

The core Chinese culture is based on the teachings and philosophy of Confucius, who is the most influential Chinese philosopher during 500 B.C. Confucianism has guided Chinese thought and behavior. His basic tenets highlight the establishments and adherence to social hierarchy and status (Tan, 1986). The Confucian value systems emphasize values like conformity, collectivism, large power distance, harmonious interpersonal relationships, and interpersonal trust (Chew and Lim, 1995). Those values have a messily impacted on the Chinese value system. Thereby, it could be argued that they are likely to have a strong influence on workplace interactions (Varma et al., 2009).

Taiwanese culture

If people of the same culture, race, religion and ancestry are living in two separate regions, then each group of settlers will adapt and enact to the new environment. Over time, a divergent concept will emerge between both regions (Yu and Kwan, 2008). Although Taiwan people are racially Chinese, they deliberately separate themselves from being Chinese by their own history, socio-cultural and political developments (Yu and Kwan, 2008). Hence, more and more Taiwan people identify themselves as Taiwanese instead of Chinese (Baum and Sherry, 1999; Hoh, 1999; Ho and Liu, 2002). Taiwan has developed into a society based on its own environment and culture.

Furthermore, as a result of urbanization and westernization, Hong Kong, Singapore, Taiwan, and overseas Chinese communities throughout the world are changing from Gemeinschaft to Gesellschaft societies (Tönnies, 1940). It brings personality structure and social behavior would be changing from mechanic to organic. Although *guanxi* is a specific character of the Chinese society, in some places of East Asia this culture is surely being modified (Hwang, 1987). For example, harmony is a central theme embedded in Taiwanese organizations, which encourages co-operative spirit and group rewards (Chen and Easterby-Smith, 2008). Meanwhile, competitions and individual performance have been stressed by the companies, either.

Regarding to Dutch Formosa, the period of colonial Dutch government on Taiwan from 1624 to 1662. Under the Dutch, Taiwan underwent a transformation because of changes introduced by the Dutch East India Company (VOC)(Chiu, 2008). During that time, Dutch influence was significant, they saw economic development in Taiwan and set up a tax system, establishing schools and churches in many villages (Natalie, 2000). Dutch looked on Taiwan as a base of transit trade, where to operate business activities between the East and the West. Hence, Taiwanese culture not only based on Chinese culture but also blends Western/European culture.

As a result, westernization continues to shape the management style in Taiwanese MNCs. The current business environment will influence Taiwanese internationalization in the global market (Chen and

Easterby-Smith, 2008). Taiwanese culture seems as a westernized Chinese culture. Therefore, Taiwanese MNCs try to balance the traditional Chinese management style and western management style.

Dutch Culture

Vossestein (1997) suggests that egalitarianism lies at the heart of the Dutch culture. Their belief is that everyone is equally important and has the same rights and opportunities in life. Ybema and Byun (2009) also portray egalitarianism and a consensus-orientation as typically Dutch. The common sense definition of consensus is the extent to which individuals in a group agree on a certain issue (Noorderhaven et al., 2007). Complete consensus on an issue exists in a group when there is an infinite series of reciprocating understandings between the members of the group concerning the issue (Scheff, 1967, p.37). Additionally, in Becker's words, the Dutch culture as 'talking to each other and looking for common solutions is ingrained in their everyday life style' (Becker, 2001, p.471). In particular, the Dutch communication practices excel in certain directness, and constructive criticism is valued in Dutch society (Byun and Ybema, 2005). Some say polder model means no more than a strong desire for consensus (The Economist, 2002). Van Dyk (2006) refers 'polder model' as a symbolic consensus about the necessity and the existence of consensual solutions. As a result, Dutch organizations are characterized by a continuous process of negotiation (Van Dijk and Punch, 1993). Moreover, the consensus-inclination of the Dutch 'polder model' also works within organizations (Noorderhaven et al., 2007). Polder model seems as the typically management style in the Dutch companies. However, the discretion is left to the individual and value is placed on private life, rather than demanding full dedication to the group (Vossestein, 1997).

2.2.3   Cultural differences

The Oxford dictionaries define the word culture as the ideas, customs, and social behavior of particular people or society (Oxford Dictionaries, 2011). Terpstra and David (1991) defined culture as interrelate set of learned, shared, compelling, and symbols whose meanings provide a set of orientations for members of society. Normally speaking, Asian cultures are different from European culture. According to Hofstede's study, the Netherlands, China and Taiwan differ on scores on the culture dimensions.
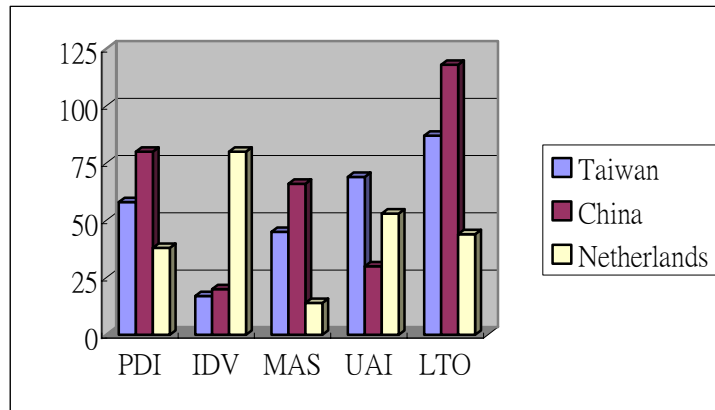
Figure 2.1: The Five Dimensions Model of Professor Geert Hofstede

Source: http://www.geert-hofstede.com/

First of all, the Dutch culture is characterized by individualism, whereas the Chinese and Taiwanese cultures tend to be more collectivistical oriented. Specifically, the Individuality ranking for the Netherlands is at 80, which is the fourth highest worldwide individuality ranking. On the other hand, the China ranks lower than the average of Asian country. The Far East Asian countries have an average score of 24 including China, Hong Kong, Japan, South Korea, and Taiwan. A high Individualism score indicates that a society exemplifies that consist of individualistic attitudes and relatively loose bonds with others. The populace is more self-reliant and looks out for themselves and their close family members. The lower individualism may be attributing to the high level of emphasis on a collectivist society by the Communist rule. The society promotes strong relationships where everyone takes responsibility for fellow members of their group (Geert Hofstede™ Cultural Dimensions, 2011).

The other dimension has to be noted is power distance. China has a score of 80 in this index, which is significantly higher than the world average score of 60. This is an indication for a high level of inequality of power and wealth within the society (Geert Hofstede™ Cultural Dimensions, 2011). It means people in this society are respectful of authority and accept inequality.

Considering the long-term orientation, China has highest-ranking score of 118 (rank 1). Whereas the Dutch has shown the score of 44 (rank 10) is lower than the average among the researched countries. A long term orientation is mostly found is East Asian countries, particularly in China, Hong Kong, Taiwan, Japan, and South Korea (Hofstede, 1994). This dimension indicates a society's time perspective and an attitude of persevering that is overcoming obstacles with time, if not with will and strength (Geert Hofstede™ Cultural Dimensions, 2011).

Table 2.3: Hofstede's culture dimensions scores in five dimensions

	PDI	IDV	MAS	UAI	LTO
China	80 (H)	20	66	30	118 (H)
the Netherlands	38	80 (H)	14	53	44
Taiwan	58	17	45	69	87

Source: http://www.geert-hofstede.com/

In this section, I discuss about cultural difference focus on business environment from Chinese versus Western to European, and than narrow down to the Dutch cultures. Because Chinese and Western cultural difference and business practices are opposites, doing business in the environment is difficult. Luo (1997) states that the Chinese firms build the relationship in the society first, if they are successful, transactions will follow. Whereas, Western businesses build transactions first and a relationship will follow. Westerners often regard relationship (i.e. *guanxi*), which refers to personal connections with the appropriate authorities or individuals, as a sordid form of nepotism (Yeng and Tung, 1996). It may be viewed as an inferior construct and worthlessness to mention. However, Chinese consider *guanxi* as a personal asset, they usually talk publicly about their connections.

Moreover, in the Chinese and European business environment, especially discussing the relationship, trust is the most common form. In Chinese culture, trust is at the personal level as 'in-group' (Fukuyama, 1995). Yin (2008) notifies Chinese trust is interpersonal. On the other hand, trust in Western culture is 'system trust' (Yin, 2008); in particular, trust in the European business culture is inter-organizational.

Furthermore, Yang et al. (2008) suggests that relational orientation among Dutch and Chinese employees are different. Due to the individualistic Dutch culture, their value tends to be more reciprocity orientation. The reciprocity orientation guides an individual evaluate the benefits and costs while interacting with others, and enter a relationship with a specific purpose, such as exchanging goods, services, or favors (Clark and Mills, 1979; Perugini and Gallucci, 2001). In contrast, the Chinese culture can be characterized as collectivistic one. The Chinese culture promotes a sharing orientation with a strong focus on the group/ community and a sharing concern. In particular, the sharing community is the friends in their workplace friends (Yang et al., 2008). Therefore, having the collectivistic orientation are more likely to develop friendship with their colleagues and help each other accomplish their tasks.

Consequently, in order to advance the competitive capability in the global market, Taiwanese MNCs may change their traditional management practices. After Western management practices were brought into Taiwan, their management may have been altered toward Western style (Wu, 2004). Due to the cultural difference, while Taiwanese managers go abroad, they have to adopt the new

Western-style management, to operate on the basis of traditional Chinese management values (Chen and Easterby-Smith, 2008), or to cross verge both styles.

2.3 *Guanxi*

2.3.1   Defining '*Guanxi*'

'*Guanxi*' (a type of social-networking behavior) is a term that first appeared in the sociology literature in the late 1970s by Jacobs (1979) (Taormina and Gao, 2010). And then *guanxi* have been employed in several psychological articles and some business literature. Jacobs (1979) proposes that everyone has social relationships *(kuan-hsi*; *guanxi*) of relatives and friends, and others forms of *guanxi* are locality, kinship, co-worker, classmate, surname, teacher-student, economic, public, and friendship.

Some researchers state that *guanxi* refers to personal connections between two or more people as a particular type of personal relationship. *Guanxi* can be differentiated into three types: family ties (kinship), familiar persons (e.g. former classmates and colleagues), and strangers (with or without common demographic attributes) (Jacobs, 1979). *Guanxi* has typically used terms such as 'personal relationship' (Xin and Pearch, 1996) or 'personal connections' (Zhang and Li, 2003). Additionally, Hwang (1987) and Yang (1994) view *guanxi* in its larger sociological framework.

Other scholars classify *guanxi* according to the nature and purpose of interactions and classify *guanxi* into three categories: socio-effective, instrumental, and mixed (Hwang, 1987). *Guanxi* can be defined as people are linked together as by a gateway in a closed network of relationships (Taormina and Gao, 2010). This means that they depend on their own network of connections in order to secure favors in personal relations (Luo, 1997) and to fulfill their own personal objectives (Wong et al., 2003).

Taormina and Gao (2010) combine the two points and define *guanxi* as a person's network of social connections composed of family, close friends, and people who are interpersonally connected to one's family and friends, as well as individuals linked by traditional connections (such as classmates, teachers, and students).

Luo (1997) offered a comprehensive treatment of *guanxi*, according to his research, there are several important attributes of it. First, *guanxi* is essentially a utilitarian concept. *Guanxi* bonds two persons through the exchange of favors rather than through sentiment. Second, *guanxi* is reciprocal. An individual's reputation is tied up with reciprocal obligations. Third, *guanxi* is transferable. *Guanxi* is transferable through a third party as a referral. Forth, *guanxi* is a highly personal concept. *Guanxi* is established between individuals. Fifth, *guanxi* is long-term oriented. *Guanxi* is reinforced through long-term cultivation. Sixth, *guanxi* is an intangible asset. *Guanxi* is maintained by an unspoken

commitment.

Discussing *guanxi* in the business management field, Chen (1995) suggests that *guanxi* plays an extremely important role in the Chinese business world. In his view, *guanxi* refers to two persons have special relationships with each other. *Guanxi* binds people through the exchange of favors rather than through expressions of sympathy and other feelings of friendship. The relationship tends to be more utilitarian than emotional (Chen, 1995). Building *guanxi* means the efforts to establish and build up a relationship with others where there were no pre-existing relations between them, or where an existing relationship is not close enough to be useful. Furthermore, individuals or social organizations have special *guanxi* with each other and give each other preferential treatment without following market rationality. Individuals and their work unit relationship normally cultivate and maintain a number of *guanxi* to compensate for their own inherent deficiencies and then gradually establish their networks of connection (Chen, 1995).

In addition, Yin (2008) suggests that *guanxi* is more like a close association or a personal network of business environment. Establishing a good *guanxi* can bring benefits to the corporation. It also makes the company's internal process operate more efficiently. Developing *guanxi* as a key successful strategy for firms, a manager needs to build up the appropriate *guanxi* network. Because of a higher *guanxi*, the risks that a company encounters when developing will be reduced.

2.3.2   Quality of *guanxi*

In the early studies, Western researchers have discussed the concept of relationship quality. This idea implies to improve the relationships with customers, and increasing their satisfaction and loyalty. However, some authors use '*Guanxi*' to describe relationship especially in the context of the Chinese culture. Researchers utilize several elements to measure the concept of quality of *guanxi*.

Relationship quality

The concept of relationship quality is based on the theory and research in the field of relationship marketing in which the ultimate goal is to strengthen already strong relationships and to convert indifferent customers into loyal ones (Berry and Parasuraman, 1991). Crosby et al., (1990) state that high relationship quality means that the customer is able to rely on the salesperson's integrity and has confidence in the salesperson's future performance because the level of past performance has been consistently satisfactory.

A number of authors (e.g. Dwyer et al., 1987; Moorman et al. 1992) empirically find that relationship quality is comprised of trust, commitment and satisfaction, which are most frequently studied as

concepts in relationship marking research (e.g. Anderson and Narus 1990; Dwyer et al. 1987; Morgan and Hunt 1994).

Quality of Guanxi

Managers are expected to develop very different relationships with their employees and the quality of these relationships is theorized to affect the success of the leader (Boyd and Taylor, 1998; Delugua, 1998; Gerstner and Day, 1997; Howell and Hall-Merenda, 1999). Leaders have both in-group and out-group relationships with their employees. Regarding the in-group relationship, high quality relationship is characterized by high levels of information communication, mutual support, informal influence, and trust. Whereas out-group relationship, low quality ones has formal supervision, little support, and mistrust (Fairhurst, 1993; Green and Fairhurst, 1986; Krone, 1992; Lee and Jablin, 1995; Waldron, 1991).

Chen and Chen (2004) state that in relation to other general terms such as good/bad and deep/shallow, the quality of *guanxi* is a neutral term describing the subjective judgment made by the *guanxi* parties regarding the current state of their *guanxi*. They suggest that quality of *guanxi* should be assessed by the distance between where the *guanxi* partner is located in the psychological *guanxi* net space and the center in which the self is located. Specifically, while the *guanxi* party is located in the inner circle, the psychological distance is smaller, and the *guanxi* quality is better. Figure 2 describes a *guanxi* net, it shows many *guanxi* among in relation circles. The radiuses of these circles illustrate the distance of *guanxi*, and explain the connections of each *guanxi* with center. For example, the relationship between central person (X) and C (circle 1) is batter than X and P (circle 2), which is better than X and Z (circle 3).
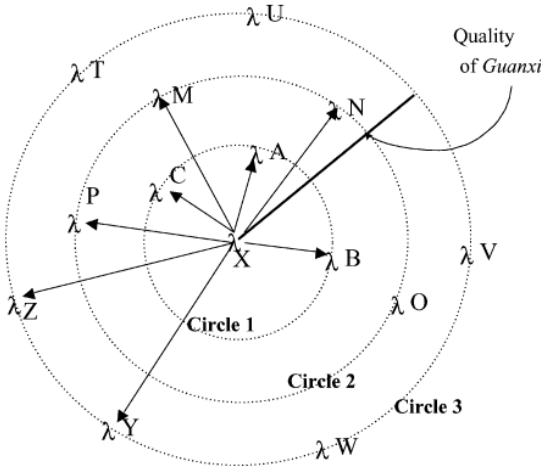

Figure 2.2: Person X's *guanxi* net
Source: Chen and Chen (2006), p.312

2.3.3   Elements of quality of *guanxi*

Wong (1998) identifies trust, adaptation, favor and dependence to be independent variables that affect overall relationship quality. Buttery and Wong (1999) also suggest that *guanxi* is a quality built on dependency, adaptation, trust and favor. In addition, Varma et al., (2009) state that *guanxi* includes four main elements that are trust, favor, dependence, and adaptation. Those four elements are leading to in-group-based decisions. In addition, Chen and Chen (2004) introduce trust and feeling (*qing*) is elements for a quality of *guanxi*. Even though Kipnis (1997) states that affect (*ganqing*) as the most important factor of *guanxi*.

Trust

Some authors state that trust is related to the importance of confidence. For example, the classic views that trust is 'a generalized expectancy held by an individual that the word of another … can be relied on' (Rotter, 1967). Moorman et al., (1993) also draw that trust is defined as a willingness to rely on an exchange partner in whom one has confidence. Other definitions highlight the integrity aspect (e.g., Dwyer et al., 1987; Morgan and Hunt, 1994; Sullivan and Peterson, 1982). As Morgan and Hunt (1994) state that a trustworthy party is reliable and has high integrity. This trustworthy party embodies other qualities like being consistent, competent, honest, fair, responsible, helpful and benevolent.

Also, Chen and Chen (2004) argued that trust can be explained by the Chinese concept of *xing*, which refers to the trustworthiness of the other *guanxi* party. Trustworthiness of the person is shown sincerity, the higher the level of trust between two individuals, the better the *guanxi* quality will be.

Favor

Wong (1998) explains the Chinese word for favor is *renqing*. In relationships social exchanges tend to follow the norm of reciprocity. Reciprocity means the rule of a favor exchange for another favor. According to Chen (1995), *renqing* is a kind of favor of humanized obligation, which implies a continued favor exchange. That involves a sentimental touch. Without self-interest, people help friends, who should be obliged to pay back favors. The anticipation of repayment is the main motivation for Chinese people to offer *renqing* to one another (Hwang, 1987). They expect the repayment value of favor should be greater than the value of the original gratitude. Bond and Hwang (1986) state that when a resource provider is asked to distribute the resource under his or her control in such a way as to benefit any other in the social network, he or she has to take the rule of favor into account.

Wong (1998) stresses that favor is a blend of social costs, quality and relationships. The favor concept

is subject to different interpretations. He suggests that favor has a negative effect on the relationship quality.

However, both Chen and Chen (2004) and Taormina and Gao (2010) state that giving favors are a sort of *guanxi* behaviors. In particularly the people in one's own social network is in need. Therefore, in this study we argue that doing favors for one's associates is positive related to quality of *guanxi*.

Dependence

Wong (1998) argues that no organization is able to generate internally all the resources and functions it requires. Managers must find the best ways to compete for resources. Firms in a business relationship are expected to adapt to each other according to the degree of their mutual dependence (Wong, 1998).

According to Hofstede (2007), 'dependence on others' is the interpersonal element found in Asian research. Hofstede identify new concept of 'dependence on others' is the main personality factor, also an extension of his original culture model. Corresponding questions in the survey of Hofstede might cover, the need for guidance from parents and other authority persons, and relationships with siblings and other relevant in-group members (Hofstede, 2007).

Adaptation

According to Hallen et al. (1991), adaptation implies considerable investments by one or both parties. In the development of a close working relationship, each party may obtain benefits in the form of cost reduction or increase in revenue. An example of the adaptation is that firms offer the customization of products. The extent of adaptation ranges from small-scale variations to the creation of an entirely new product for a single customer (von Hippel, 1978). Investment in adaptation is often difficult to transfer to other business relationships. Because the transaction cost of the adaptation may be increased. Adaptations may help to improve the long-term competitiveness (Wong, 1998), so that adaptation is a positive component of quality of *guanxi*.

Feeling

Feeling (*qing*) is composed of obligation and affection. It can be refers to different meanings, for instance the compound of *ganqing* emphasizes the affective attachment between two people (Chen and Chen, 2004). It reflects how well a given *guanxi* satisfies the mutual affective and instrumental needs of the parties. *Qing* can be referring to emotional responses, especially influences by other people. *Ganqing* (affect) refers to human feelings and is related to enduring and emotional commitments (Yang, 1994). For example, *ganqing* is an emotional attachment that is more important in the long-term relations within the *guanxi* network. *Ganqing* (emotions or affect) is one of the

necessary components of *guanxi* (Lovett et al., 1999; Park and Luo, 2001). Kipnis (1997) stresses *ganqing* is the most important factor of *guanxi*. *Ganqing* commitment has a sustainable competitive advantage over outsider competitors (Wang, 2007). In traditional rural communities, *qing* is built up through the exchange of gifts for events such as marriages, birthdays, and funerals (Hwang, 1987; Yang, 1994). While one person present to another as a gift in the social exchange process, they expect to obtain positive emotional feeling and to develop personal relationship.

Consequently, the five operationalization of the quality of *guanxi* concepts are trust; favor; dependence; adaptation, and feeling.

Table 2.4: Studies employing *guanxi*

Researchers	*Guanxi* measures
Xin & Pearce (1996)	*Guanxi*: Instrumental-personal ties
Kipnis (1997)	*Guanxi*: *Ganqing* (affect) Reciprocal favor Mianzi (face)
Wong (1998)	Overall relationship quality: Trust Adaptation Favor Dependence
Buttery & Wong (1999)	*Guanxi* quality: Trust Adaptation Favor Dependence
Law et al., (2000)	*Guanxi*: Interpersonal connection
Park & Luo (2001)	*Guanxi*: Reciprocity of favor Face preserving Affect
Chen & Chen (2004)	Quality of *Guanxi* Trust Feeling (*qing*)
Taormina (2004)	Organizational socialization: Chao et al.'s (1994) six-part content areas of socialization (CAS) Taormina's (1994) four-part organizational socialization inventory (OSI)
Lee & Dawes (2005)	*Guanxi*: Face preserving Reciprocal favor Affect
Chen & Tjosvold (2007)	*Guanxi*: Personal relationship
Chen et al., (2008)	*Guanxi*: Personal connection

Varma et al., (2009)	*Guanxi*: Trust Adaptation Favor Dependence
Taormina & Gao (2010)	*Guanxi* behavior: Seeking family assistance Helping friends Doing favors for associates

2.4 Research framework

Buttery and Wong (1999) state relationships are often built on a cultural platform, which means the route to developing a good relationship can be very different between Western and Eastern cultures. Varma et al., (2009) state *guanxi* relationships are attached culturally to an individual's social class, seniority, age, and social status, both within his or her family, and in society. In the first part, I mention about the culture concepts applied in this research; next, I discuss the culture difference impact on quality of quanxi, and than I will get a clear research framework.

After reviewing and comparing three cultural models: Hofstede, Hromprenaar and hampden-Turner, and GLOBE, the concepts can be separated into four aspect including differentiation between social groups, individual's relationship to social groups, preserve the social fabric, and time orientation as Chen (2006) pointed out. This study emphasizes on *guanxi*, which is a person's network of social connections (Taormina and Gao, 2010). Therefore, this study takes first two dimensions (i.e. differentiation between social groups and individual's relationship to social groups) as our research concepts of culture difference. Regarding the differentiation between social groups' aspects, they are involved in power distance (Hofstede, GLOBE) and achievement (Trompenaar and Hampden-Turner). In addition, the individual's relationship to social groups' aspects, the similar concepts among those three models are individualism/ collectivism, and in-group collectivism. Besides, according to Hofstede's culture dimension, China has significantly high score of power distance index. Regarding individualism score, the Netherlands is ranked at top five; in contrast, China has the lowest score than other Asian countries. Furthermore, China has the highest score of long-term orientation index, and this dimension as the character of Asian countries (Hofstede, 1994). The Netherlands has a relative low score at the opposite side. For those reasons, power distance, individualism and long-term orientation dimensions can be able to be distinguished between Chinese and Dutch cultures.

As a result, after comparing culture studies and regarding the Hofstede' culture index scores, this study takes three mostly different dimensions: power distance, collectivism, and time orientation as operationalization of the cultural difference concept.

House et al., (2004) define power distance is the degree which members of an organization or society expect and agree that power should be shared unequally. Power distance illustrates the importance of an individual's place in the hierarchy of social relationship in Chinese social system. These relationships are based on complementary obligations and mutual trust (Duning and Kim, 2007). However, the relationships and effect are usually unequal. In a social hierarchy, *guanxi* links two persons, often of unequal ranks, in a way that the weaker partner can call for special favors for which he does not have to equally reciprocate (Alston, 1989). In return, the former gains face and good reputations (Yeung and Tung, 1996). Thus, Duning and Kim (2007) propose that power distance leads to a strong perception of *guanxi*.

Moreover, numerous researchers have noted that Chinese society is marked by a strong sense of collectivism (Hofstede, 2001; Triandis, 1995). Varma et al., (2009) point out there is a positive relationship between collectivistic orientation and *guanxi*. People with collectivistic orientation have obviously shown a close group and committed member relationships. Typical in-group relationship is at high levels of trust and informal influence within interpersonal interaction that affects high quality relationship. In addition, in communitarianism orientation, individual advancement is dependent on the group interest and social concern (Trompenaars and hampden-Turner, 2010). This view of an interdependent self and sense of communitarians is in sharp contrast to the Western view of an independent self (Yeung and Tung, 1996).

Varma et al., (2009) found out that relationship quality is related to perceived cultural similarity. Although Taiwanese have modified some of the traditional Chinese culture, Taiwanese and Chinese use the same language, similar written words, and several customs. It cannot be denied that Taiwanese and Chinese have similar culture, which is easing their culture adaptation and influencing their quality of *guanxi*.

Furthermore, long-term orientation is one of the traits of *guanxi* (Duning and Kim, 2007). *Guanxi* strengthens through continuous, long-term interpersonal interaction. Every *guanxi* is regarded as a stock of relational capital. According to Dunning (2004), relational assets are defined as the stock of a firm's willingness and capability to access, to create, to shape economically, and to coordinate the resources and capabilities necessary to beneficial relationships, and to sustain and upgrade the quality of relationship. Specifically, long-term orientation is mostly found is Asian culture especially in China. Chinese are willing to harmonize with people in their *guanxi* net and to endure the advance of the quality of *guanxi*.

Consequently, Chinese culture with high power distance orientation, people prefer doing favors for others. Additionally, collectivism is deeply embedded in Chinese society. Due to similar culture of

Taiwanese expatriates and Chinese colleagues, they are easy to be 'in-group'. In-group relations affect good relationship. Moreover, because of long-term orientation, Taiwanese and Chinese are likely to maintain *guanxi* as relational assets. Hence, this study suggests that while the cultural difference is smaller, the quality of *guanxi* will be stronger, such as the relationship between Taiwanese and Chinese. In contrast, while the cultural difference is larger, the quality of *guanxi* will be weaker, such as the relationship between Taiwanese and Dutch.

To extent the cultural difference between Chinese and Dutch have an impacted on quality of *guanxi* between Taiwanese managers abroad and local (Chinese/Dutch) managers/ employees. The concepts of variables and the research questions are reflected visually in the research framework mentioned below:

```
┌─────────────────────────┐                    ┌─────────────────────────┐
│   Cultural Difference   │                    │   Quality of Guanxi     │
│                         │                    │         Trust           │
│     Power distance      │ ────────────────▶  │         Favor           │
│      Collectivism       │                    │       Dependence        │
│  Long term orientation  │                    │       Adaptation        │
│                         │                    │         Feeling         │
└─────────────────────────┘                    └─────────────────────────┘
```
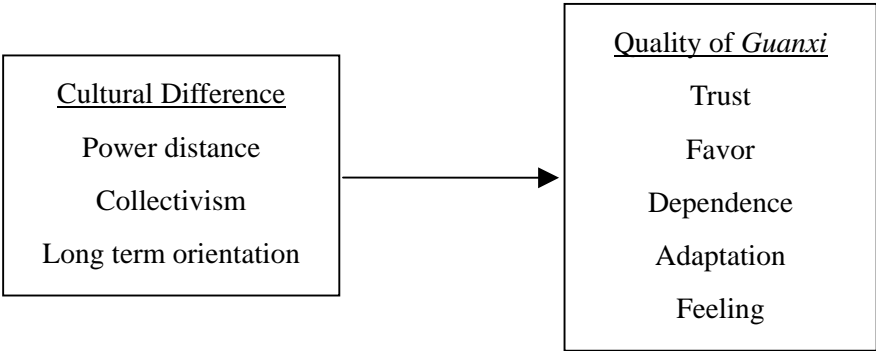
Figure 2.3: The research framework

3 Methodology

Many of previous studies apply questionnaire technique to measure the quality of *guanxi* (e.g. Chen & Tjosvold, 2007; Law et al., 2000; Varma et al., 2009). This research applies questionnaire technique for data collection, too.

First of all, I have checked the list of Taiwanese companies in the Netherlands from the Netherlands Foreign Investment Agency (NFIA-Taiwan). In order to collect local samples, I contact with local subsidiaries directly. Additionally, I have enquired assistance of the Taiwan Business Association in the Netherlands. In the beginning, the e-mails have been sent to Taiwanese MNCs' subsidiaries in the Netherlands and China. While some the Taiwanese expatriates were willing to accept the survey, I submit the questionnaire to him and ask him/her to circulate the questionnaires to his/her local colleagues.

3.1 Sample selection

In accordance with the purpose of this study, targets of the sample are expatriates of Taiwanese MNCs from subsidiaries (i.e. China and the Netherlands). To recognize to what extent the quality of *guanxi* stands between expatriates and local employees will be different. Not only the Taiwanese expatriates but also local employees are invited to participate in this survey.

> Sample 1: Taiwanese expatriate in Taiwanese MNCs in Chinese and Dutch subsidiaries.
> Sample 2: Chinese employees in Taiwanese MNCs in China.
> Sample 3: Dutch employees in Taiwanese MNCs in the Netherlands.

3.2 Data collection

Bhattacherjee (2001) claims that web surveys have several advantages over traditional paper-based mail-in surveys: (1) the sample is not restricted to a geographical location (2) lower costs, and (3) faster responses. This study has to collect the samples from China and the Netherlands. In order to eliminate the geographical location limitation, a web survey questionnaire is appropriate to gather data for this study. Therefore, we have submitted the on-line link of questionnaire to participators. The web survey questionnaire was designed with Google document's form.

However, there is an Internet censorship in the China. The Chinese government sets Great Firewall with wide variety limitations and restrictions. Some of the Internet services or websites have been blocked, for example, Google. Considering I created on-line questionnaire with Google form, it could be not easy to catch our target participators in China. I sent the questionnaire as an e-mail attachment to participators instead of submitted the on-line questionnaire.

Whereas the data was gathered in two locations where different languages were used, a bilingual questionnaire was constructed (i.e. English and Simple Chinese). Therefore, questionnaire items were translated from English to Simplified Chinese and reverse translated. The translation and back-translation were undertaken by bilingual researchers, who have been studied in both Chinese and English, with sufficient educated in both languages as recommended by Bracken and Barona (1991). To ensure that the terms used in the English version of the questionnaire has equivalent terms in Chinese, the survey was first translated into Chinese, and then reverted into English, by two different individuals (Varma et al., 2009). The back-translated questions were tested by a third party and considered to be equivalent to the original English version. Considering Dutch employee who works in the foreign companies usually have been required with basic capability of English, thereby we did not translate the questionnaire into Dutch version.

3.3 Measures

The questionnaire survey was designed to identify quality of relationship. It consisted of questions addressing the factors of *guanxi* quality, and the three main characteristics of culture.

The measure of culture difference including three dimensions: power distance, collectivism and long-term orientation, which are adopted from several researches with 8 items (see table 3.1). These items with respect to cultural dimensions were modified from Dunning and Kim (2007), Lee and Dawes (2005), Stull et al., (1995) and Varma et al., (2009).

Table 3.1: Measurement items of cultural difference

Construct	Measurement Items
Power distance	It is natural that there exists inequality (in terms of education, income, status) among people.
	It is important for leaders to make all decisions.
	I am expected to obey my leaders without question.
Collectivism	It is fair that group welfare is more important than individual rewards.
	When working on a project, I would rather work as a group member than as an individual.
	I feel great loyalty toward this organization.
Long-term Orientation	I expect my colleagues to be working with me for a long time.
	Maintaining a long-term relationship with my colleagues is beneficial for me.

Additionally, quality of *guanxi* is including four main elements that are trust, favor, dependence, and adaptation (Wong, 1998; Buttery and Wong, 1999; Varma et al., 2009) and feeling (Chen and Chen, 2004; Lee and Dawes, 2005). Measures of *guanxi* quality had been adapted and modified from Chen and Tjosvold (2007), Taormina and Gao (2010) and Wong (1997) with 15 items (see table 3.2). For local participants (Chinese and Dutch), they were required to think of the description of a Taiwanese

expatriate, and responded to questions on measures of quality of *guanxi* between them. On the other hand, the Taiwanese employees were required to respond to the relationship between them and local employees. The respondents were asked to rank their opinions of the items on a seven - point Liker scale which ranged from 1 = 'strongly disagree' to 7 = 'strongly agree'.

Table 3.2: Measurement items of quality of *guanxi*

Concept	Item
Trust	The Taiwanese colleague has given us confidence.
	The Taiwanese colleague is trustworthy
	When making decisions, the Taiwanese colleague considers our welfare and its own.
Favor	Favors I did for the Taiwanese colleague have built good relationships with him/her.
	I think it is important to return a favor to the Taiwanese colleague.
	The Taiwanese colleague will do me a favor if I did one for him/her before.
Dependence	My Taiwanese colleague is dependent on local employees.
	The Taiwanese expatriate's objectives are compatible with our local goals.
	It is easy for me to understand the Taiwanese colleague's approach to doing business.
Adaptation	I make the change to adapt to my Taiwanese colleague regarding management style.
	I make the change for my Taiwanese colleague regarding technical features.
	I provide overseas market research trips to the Taiwanese colleague.
Feeling	The Taiwanese colleague sends greeting cards to me on special occasions such as birthday, marriage, and so forth.
	During Holidays or after office hours, I would call the Taiwanese colleague to visit him/her.
	My Taiwanese colleague's is my good friend, and we care about each other wholeheartedly.

Moreover, the participants were given a questionnaire that provided with basic demographic information including the gender, age, work experiences, educational background, nationality, name of company, and working department.

3.4 Data Analysis

This study used SPSS statistics 17.0 to carry out data analyses. The descriptive statistics are presented in this section.

The descriptive statistics analyze the characteristics of the sample data. Table 3.3 shows the descriptive statistics of demographic variables. The responses rate of Taiwanese MNCs in the Netherlands was 21 %, while in China was 34 %. Our data consist of 53 respondents from 23 companies with three different nationalities (Chinese, Dutch, Taiwanese). Of these, 20 were Taiwanese, either working in China (n= 11) or in the Netherlands for the Taiwanese MNCs (n= 9). 23 respondents were Chinese and 10 respondents were Dutch. The respondents were composed of slightly more males (54.7 %) than females (45.3 %). Major part of the sample data was between 31-40 years old, which account for 47.2%. The sample data showed respondents were well educated, 64.2 %

of them have Bachelor degree, and 22.6 % of them have Master's degrees. Most employees have an average work experience of less than 10 years. Approximately 50 % of respondents have worked in the current company for less than 5 years.

Table 3.3: Descriptive statistics of sample data

Item name	Content	Frequency	Percentage (%)
Gender	Male	29	54.7 %
	Female	24	45.3 %
Age	< 30	17	32.1 %
	31-40	25	47.2%
	41-50	7	13.2%
	51-60	1	1.9 %
	> 60	3	5.7 %
Nationality	Chinese	23	43.4 %
	Dutch	10	18.9 %
	Taiwanese	20	37.7 %
Education background	Senior high school	7	13.2 %
	College / Bachelor	34	64.2 %
	Master / Doctor	12	22.6 %
Years of work experience	< 5	19	35.8 %
	6-10	16	30.2 %
	11-15	10	18.9 %
	16-20	4	7.5 %
	> 20	4	7.5 %
Years of working in the current company	< 5	27	50.9 %
	6-10	17	32.1 %
	11-15	6	11.3 %
	16-20	2	3.8 %
	> 20	1	1.9 %

Furthermore, regarding to culture construct in this study, the means and standard deviation of variables were showed in table 3.4. The Chinese had the highest mean on power distance and long-term orientation variables. The Dutch had the lowest score on collectivism; instead, they were tended to the individualism. The results were as the same as the study of Hofstede's national culture dimensions scores.

Table 3.4: Mean, standard deviation of culture constructs

	Chinese		Dutch		Taiwanese	
	M	S.D.	M	S.D.	M	S.D.
PDI	5.1304 (H)	.95737	3.7917	1.15384	4.6140	1.63399
COL	5.3696	1.38349	4.8750 (L)	.99103	5.2368	1.21756
LTO	5.3913 (H)	1.19617	5.0000	.96362	5.3684	1.26757

4 Result

Firstly, descriptive statistics include mean, standard deviation, and correlations of variables used in this study were presented. Next, reliability and validity of measures were assessed. Additionally, classify analysis was presented. Moreover, t-test and one-way analysis of variance (ANOVA) were performed for the research question. Finally, this study employed regression analysis and general linear model.

4.1 Inter correlations

The correlation matrix in Table 4.1 showed that demographic variables were related to the culture and *guanxi* constructs. The gender variable was significantly related to the *guanxi*. Specifically, men have higher quality of *guanxi*. It could be there were more male expatriates, and the respondents were more males than females. The nationality variable was significantly related to the variables of *guanxi* construct including trust, favor, and feeling. This is in accordance with the assumption of our research model, which implied different nationalities would impact the quality of *guanxi*. Besides, the education background was significantly and negatively related to the power distance. It indicated that people with higher education inclined to lower power distance. Additionally, working in the current company periods had negative correlations with favor and dependence variables. While employees who were working in the current company for a short time, preferred to do a favor for their colleagues. The shorter experienced employees also implied employees relied on their colleagues.

With regard to the culture and *guanxi* variables, power distance and favor have a negative relation. Nevertheless, power distance was positively related to the adaptation. It means that in the large power distance culture, employees tended to do less favor for their colleagues, but they used to do change their own behaviors for fitting leaders expect. In addition, collectivism and long-term orientation had positive and significant correlations with dependence and adaptation. The collectivism means employees would like to be in-group members in the organization, they tended to dependent with colleagues and adapt themselves. For maintaining long-term relationships employees tended to be more dependent and adjusted, either.

Table 4.1: Correlation Matrix

Variables	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. Gender			1														
2. Age			-.203	1													
3. Nationality			-.027	.145	1												
4. Education background			.047	.091	.223	1											
5. Works experience			-.217	.787**	-.075	-.106	1										
6. Working in the current company			-.067	.501**	-.175	-.091	.644**	1									
7. PDI	4.64	1.35	-.171	-.004	-.199	-.377**	.188	.250	1								
8. COL	5.20	1.26	-.053	.004	-.091	-.256	.029	-.125	.377**	1							
9. LTO	5.36	1.16	-.020	-.240	.011	-.245	-.080	-.149	.173	.433**	1						
10. TRU	4.43	1.40	-.176	.088	.409**	.196	-.150	-.140	-.070	.134	.094	1					
11. FAV	4.67	1.46	-.211	.011	.521**	.102	-.100	-.329*	-.303*	.002	.034	.560**	1				
12. DEP	4.72	1.40	-.143	-.137	.268	.044	-.116	-.321*	.016	.331*	.311*	.556**	.459**	1			
13. ADP	4.67	1.08	-.230	-.203	.013	-.170	-.025	-.118	.327*	.534**	.471**	.079	.085	.345*	1		
14. FEL	3.45	1.53	-.197	.074	.630**	.047	.010	-.136	.111	.103	.225	.369**	.309*	.276*	.293*	1	
15. *Guanxi*	4.42	0.93	-.279*	-.037	.536**	.075	-.117	-.292*	.023	.318*	.322*	.789**	.700**	.758**	.510**	.650**	1

* $p < 0.05$; ** $p < 0.01$ (2-tailed)

4.2 Reliability and Validity analysis

In order to evaluate the reliability of constructs, Nunnally (1978) suggests that a value of more than or equal to 0.7 is an acceptable range. The alpha values of long-term orientation, trust, favor, and adaptation were higher than 0.8, and others were above the 0.7 thresholds suggested by Nunnally (1978). Thus, all measures in this study were sufficiently reliable. Each variable's factor loading, percentage of variance and Cronbach's Alpha (α) coefficient were shown in Table 4.2 and Table 4.3 respectively.

Regarding factor analysis, principal component analysis has been used in this study. Subhash (1996) suggests that prior to the factor analysis, verifying the adequacy of the data is important. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is a popular method for evaluating the extent to which the indicators of construct belong together (Kaiser, 1970). The KMO value is from 0 to 1; however, it could be influenced by sample size. Though the size of the sample in this study is small, the KMO measure of the culture construct was 0.69, which exceeds the recommended value of 0.6 by Kaiser (1970). According to Hair (1992), a factor loading of more than 0.6 is suitable. The factor loadings of 8 items of culture construct were all above 0.7. One item of collectivism (COL3) was deleted because of loading to another factor (long-term orientation).

Table 4.2: Factor analysis of culture constructs

Factor	Variables	Factor Loading	% of Variance	Cronbach's Alpha
Power distance	PDI 1	0.754	24.842	0.734
	PDI 2	0.856		
	PDI 3	0.751		
Collectivism	COL 1	0.811	23.045	0.770
	COL 2	0.880		
Long-term Orientation	LTO 1	0.819	23.986	0.838
	LTO 2	0.791		

Extraction method: principal component analysis; rotation method: Varimax with Kaiser normalization. Rotation converged in 5 iterations.

Table 4.3 showed the factor loadings and percentage of variance of the *guanxi* constructs. The KMO measure of this group was 0.710. There were 15 proposed items of the *guanxi*'s variables, which were implemented into the factor analysis. As a result, five factors were produced. The five factors were found to explain 78.44 % of the variance. The factor loadings of each item were all above 0.7. Three items (FAV1, DEP1, FEL3) were deleted because of loading to another factor (trust).

Table 4.3: Factor analysis of *guanxi* constructs

Factor	Variables	Factor Loading	% of Variance	Cronbach's Alpha
Trust	TRU 1	0.773	25.843	0.859
	TRU 2	0.768		
	TRU 3	0.717		
Favor	FAV 2	0.854	14.160	0.855
	FAV 3	0.770		
Dependence	DEP 2	0.676	11.881	0.717
	DEP 3	0.792		
Adaptation	ADP 1	0.750	15.071	0.804
	ADP 2	0.907		
	ADP 3	0.816		
Feeling	FEL 1	0.792	11.481	0.706
	FEL 2	0.784		

Extraction method: principal component analysis; rotation method: Varimax with Kaiser normalization. Rotation converged in 11 iterations.

4.3 Classify analysis

I used the classify analysis to differ the cultural difference, first of all, I separated all samples into 4 groups: Chinese, Dutch, Taiwanese in China, and Taiwanese in the Netherlands.

The result showed that the Taiwanese in the China were included in the same cluster with Chinese employees. Nevertheless, Taiwanese in the Netherlands and Dutch were involved in the same cluster. Hence, I could divide the samples into two groups as the subsidiaries' location: (1) Chinese and Taiwanese in the China, (2) Dutch and Taiwanese in the Netherlands (see Table 4.4).

Table 4.4: Results of cluster analysis for cultural difference

	Cluster 1: China subsidiary		Cluster 2: Dutch subsidiary	
	Chinese (N=23) Taiwanese in CN (N=11)		Dutch (N=10) Taiwanese in NL (N=9)	
	Mean	Std. Deviation	Mean	Std. Deviation
PDI	5.3235	.92290	3.4211	1.13769
COL	5.5735	1.24397	4.5263	.99266
LTO	5.5735	1.14899	4.9737	1.09891

Furthermore, I averaged the *guanxi* constructs and the classify analysis was used to separate the *guanxi* groups. The nationality concept had significantly correlation with *guanxi*. Table 4.5 also showed that the three *guanxi* clusters were divided by nationalities.

Table 4.5: Results of cluster analysis for *guanxi*

	Cluster 1		Cluster 2		Cluster 3	
	Chinese (N=23)		Dutch (N=10)		Taiwanese (N=20)	
	Mean	S.D.	Mean	S.D.	Mean	S.D.
Guanxi	3.8732	.88294	4.9625	.77962	4.5750	.92551

4.4 Comparison of Means

4.4.1 Independent sample t- test

This study employed the independent samples t-test to compare means of two independent groups by nationality variable and subsidiaries' locations. This study tested whether the mean for quality of the *guanxi* variables were significantly different from each other for the Chinese and Dutch population (see table 4.6). The results indicated that there was a statistically significant difference between the mean of favor for Chinese and Dutch employees (t = -3.615, p = 0 .001). In other words, Dutch employees have a statistically significantly higher mean score for favor (5.45) than Chinese employees do (3.72). Since favor had a significant difference on local employees, the other variables of *guanxi* construct did not have a statistically significant difference between them. I will discuss this finding further in the section below on implications.

Table 4.6: Result of Chinese vs. Dutch t-test

	Chinese		Dutch		F	t-test
	Mean	S.D.	Mean	S.D.		
TRU	3.7681	1.52234	4.8000	1.07955	2.628	-1.935
FAV	3.7174	1.46804	5.4500	.49721	9.171	-3.615**
DEP	4.3043	1.38776	4.8500	1.17696	0.101	-1.083
ADP	4.7246	1.18344	4.3667	.42889	3.288	0.923
FEL	2.4783	1.21054	3.4000	1.10050	0.393	-2.063

* p< 0.05; ** p< 0.01.

This study also tested whether the mean of variables had been the difference form Chinese and Taiwanese employees. Table 4.7 showed that there were statistically significant differences between the mean among *guanxi* variables for Chinese and Taiwanese employees, except for adaptation. Taiwanese employees had a statistically significantly higher mean score on trust (5.02), favor (5.37), and feeling (4.60) than the means for Chinese were 3.77, 3.72, and 2.48 respectively. However, Chinese scored the highest mean on adaptation. I will discuss the implications in the next section.

Table 4.7: Result of Chinese vs. Taiwanese t-test

	Chinese		Taiwanese		F	t-test
	Mean	S.D.	Mean	S.D.		
TRU	3.7681	1.52234	5.0167	1.06774	2.575	-3.068**
FAV	3.7174	1.46804	5.3735	1.14564	3.189	-4.081**
DEP	4.3043	1.38776	5.1250	1.43155	0.166	-1.906
ADP	4.7246	1.18344	4.7667	1.18519	0.837	-0.116
FEL	2.4783	1.21054	4.6000	1.25237	0.035	-5.642**

* p< 0.05; ** p< 0.01.

Next, this study tested whether the means of variables of Dutch employees were different from Taiwanese expatriates. Results indicated that there was no statistically significant difference between the mean of the *guanxi* variables for Dutch and Taiwanese employees.

Table 4.8: Result of Dutch vs. Taiwanese t-test

	Dutch		Taiwanese		F	t-test
	Mean	S.D.	Mean	S.D.		
TRU	4.8000	1.07955	5.0167	1.06774	0.422	-0.522
FAV	5.4500	.49721	5.3735	1.14564	1.502	0.197
DEP	4.8500	1.17696	5.1250	1.43155	0.498	-0.524
ADP	4.3667	.42889	4.7667	1.18519	14.866	-1.027
FEL	3.4000	1.10050	4.6000	1.25237	0.567	-2.570

* $p < 0.05$; ** $p < 0.01$.

In addition, this study compared the mean of variables for the Taiwanese MNCs' employees in the two locations. One group was Chinese and Taiwanese employees in China; and the other group was Dutch and Taiwanese employees in the Netherlands. Interestingly, there was a statistically significant difference between the mean of favor (t =-3.788, p=0.000) and adaptation (t=2.656, p=0.01) for employees in China and employees in the Netherlands. Employees in the Netherlands have the highest mean score on favor (5.58), and it was a statistically significantly higher mean score than employees in the China (4.16). Nevertheless, employees in China have a statistically significantly higher mean score on adaptation (4.95) than employees in the Netherlands (4.18).

Table 4.9: Result of subsidiaries in China vs. in the Netherlands t-test

	China		The Netherlands		F	t-test
	Mean	S.D.	Mean	S.D.		
TRU	4.1863	1.55364	4.8772	0.99511	5.834	-1.761
FAV	4.1618	1.58459	5.5789	0.47910	16.687	-3.788**
DEP	4.6765	1.52197	4.7895	1.17042	0.784	-0.280
ADP	4.9510	1.16380	4.1754	0.67922	2.679	2.656**
FEL	3.3235	171395	3.6842	1.12065	6.430	-0.822

* $p < 0.05$; ** $p < 0.01$.

4.4.2 One-way ANOVA

A one-way analysis of variance (ANOVA) is used when the study has to test for differences in the means of the dependent variable broken down by the levels of the categorical independent variable (UCLA academic technology service, 2011). To compare the quality of *guanxi* variables among the three groups of nationalities, this study used one-way analysis of variance (ANOVA). Results indicated that nationality was significantly related to trust [$F_{(2,50)}$ = 5.51, p=0.007<0.05], favor [$F_{(2,50)}$ =12.37, p=0.000<0.01], and feeling [$F_{(2,50)}$ = 16.52, p=0.000<0.01] (see Table 4.10).

Table 4.10: Result of ANOVA

	Chinese (n=23)		Dutch (n=10)		Taiwanese (n=20)		F	Post hoc tests
	M	S.D.	M	S.D.	M	S.D.		
Trust	3.7681	1.52234	4.6667	1.12687	5.0526	1.08448	F = 5.511**	T>C
Favor	3.7174	1.46804	5.4375	.49552	5.3421	1.16729	F=12.369**	D>C T>C
Dependence	4.3043	1.38776	4.7500	1.25357	5.2105	1.41731	F=1.978	
Adaptation	4.7246	1.18344	4.3333	.47140	4.7544	1.21636	F=0.497	
Feeling	2.4783	1.21054	3.5000	1.19523	4.5789	1.28304	F=16.518**	T>C

*p< 0.05; ** p< 0.01. Nationality was coded such that C= Chinese, D=Dutch, T=Taiwanese.

Next, post hoc multiple comparisons were conducted by Scheffe test. As the sample sizes in this study were unequal, Scheffe' test is usually used for the one-way ANOVA. As the result, the Taiwanese group was significantly different both from the Chinese and the Dutch group. Specifically, regarding trust, favor and feeling concepts, Taiwanese employees scored significantly higher than Chinese employees. For the favor concept, both Dutch and Taiwanese employees scored significantly higher than Chinese. Moreover, either Dutch or Taiwanese employees recorded the highest mean on the favor variable. Nevertheless, there were no significant differences between Dutch and Taiwanese employees. I discuss the implications and limitation of our study below.

Table 4.11: Result of post hoc multiple comparisons – Scheffe test

Dependent Variable	(I) Nationality	(J) Nationality	Mean Difference (I-J)	Sig.
Trust	Taiwanese	Chinese	1.24855*	.010
		Dutch	.21667	.910
Favor	Taiwanese	Chinese	1.65761**	.000
		Dutch	-.07500	.988
Dependence	Taiwanese	Chinese	.82065	.157
		Dutch	.27500	.875
Adaptation	Taiwanese	Chinese	.04203	.992
		Dutch	.4000	.640
Feeling	Taiwanese	Chinese	2.12174**	.000
		Dutch	1.2000	.045

*p< 0.05; ** p< 0.01. Nationality was coded such that C= Chinese, D=Dutch, T=Taiwanese.

4.4.3 Regression Analysis

In the ANOVA results, I found that *guanxi* is the significantly different between employees in the Taiwanese MNCs'. Furthermore, this study employed regression analysis and general liner model to test the relationship between cultural difference and *guanxi* in two groups, one was between Taiwanese and Chinese employees, and the other was between Taiwanese and Dutch employees.

Liner regression

The regressions were run to assess the relation between cultural difference and *guanxi*. I calculated the average of the three culture variables, and the five *guanxi* variables. Table 4.12 showed that the cultural difference is significantly positively affected quality of *guanxi*, and a total of 28.7 % of the variance was explained.

Table 4.12: Result of regression

	Dependent Variable: *guanxi*	
	β	Δ **R**^{2}
(Constant)	2.975**	
Cultural differences	0.95*	
Total R^2		.287
Final F		4.579*
(df)		(1, 51)

* p<0.05, ** p<0.01

Furthermore, the quality of *guanxi* between Taiwanese and Chinese employees is significantly positively affected by all three cultures aspect and the quality of *guanxi* between Taiwanese and Dutch employees is insignificantly negatively affected by the difference in power distance and the difference in collectivism (see table 4.13).

Table 4.13 Result of regression for subsidiaries in China vs. the Netherlands

	Taiwanese and Chinese		Taiwanese and Dutch	
	β	Δ **R**^{2}	*β*	Δ **R**^{2}
PDI	.336*	.113	-.230	.053
COL	.547**	.229	-.106	.011
LTO	.397*	.158	.357	.127.

Dependent Variable: *guanxi*; * p<0.05, ** p<0.01

Multiple regression analysis

Due to this study have more than one predictor variable in the equation I used multiple regression analysis to evaluate the influence of the cultural difference including power distance, collectivism, and time orientation. For the Taiwanese and Chinese group scale, a total of 35.6 % of the variance was explained. Those three culture variables were positively influenced with *guanxi*. In addition, the collectivism had the highest impaction. The higher collectivism would affect higher *guanxi* for the Taiwanese and Chinese employees. The overall model is statistically significant (F=5.532, P <0.01).

On the other hand, in the Taiwanese and Dutch groups, power distance and collectivism variables were negative related to *guanxi*, and the total of 16.8 % of the variance was explained. However there was no statistically significant supported in this group. The few samples of this group might be the

reason for the non-significance. I will discuss the implication in the next section.

Table 4.14 Result of multiple regression Taiwanese and Chinese vs. Taiwanese and Dutch

	Taiwanese and Chinese employees		Taiwanese and Dutch employees	
	β	ΔR^2	β	ΔR^2
PDI	.188		-.135	
COL	.420*		-.161	
LTO	.160		.338	
Total R^2		.356		.168
Final F		5.532**		1.013
(df)		(3, 30)		(3, 15)

Dependent Variable: *guanxi*; * p<0.05, ** p<0.01

4.4.4   General Liner Model (GLM)

This study has five *guanxi* variables that were to be predicted from three culture predictor variables. In this section, I employed the general liner model to evaluate the relationship between cultural difference constructs and quality of *guanxi* concepts.

The result of R^2 value showed that the variance was account with 3.7%, 10.9 %, 15.9%, 37.3%, and 5.6% explained by trust, favor, dependence, adaptation, and feeling separately. For favor concept, it was significantly and negatively impacted by power distance. The higher power distance causes the fewer employees like to give favors. Moreover, the adaptation has the largest effect; particularly, collectivism and long-term orientation were positive and significantly related to adoption. The higher the collectivism and the long-term orientation cause the more employees like to adapt.

Table 4.15 Result of parameter estimates

Dependent variable	Parameter	β	t	F	ΔR^2
TRU	Corrected Model			.623	.037
	INTERCEPT	3.842	3.473**	12.060**	
	PDI	-.145	-.931	.867	
	COL	.186	1.014	1.028	
	LTO	.056	.296	.088	
FAV	Corrected Model			2.006	.109
	INTERCEPT	5.436	4.876**	23.773**	
	PDI	-.383	-2.438**	5.943**	
	COL	.136	.733**	.537	
	LTO	.057	.304	.092	
DEP	Corrected Model			3.080*	.159
	INTERCEPT	2.317	2.243*	5.032*	
	PDI	-.133	-.912	.831	
	COL	.322	1.876	3.521	
	LTO	.251	1.430	2.046	
ADP	Corrected Model			9.736**	.373
	INTERCEPT	1.111	1.614	2.606	
	PDI	.113	1.165	1.357	

	COL	.303	2.649**	7.017**	
	LTO	.273	2.341*	5.479*	
FEL	Corrected Model			.973	.056
	INTERCEPT	1.616	1.350	1.823	
	PDI	.092	.545	.296	
	COL	-.029	-.144	.021	
	LTO	.291	1.434	2.057	

In order to diver the relationship between Taiwanese and Chinese and the relationship between Taiwanese and Dutch, those two groups have been taken to the compare the main effect based on the cultural difference. Overall, the *guanxi* have statistically significant difference between these two different cultures. In addition, there were significantly and negatively relationship between cultural difference and trust, favor, and feeling concepts. The result indicated that the cultural differences between Taiwanese and Dutch employees have a stronger influence on the quality of *guanxi*. Oppositely, the cultural differences between Taiwanese and Chinese have a smaller effect on the quality of *guanxi*.

Table 4.16Result of cultural differences influence *guanxi* by pair wise comparisons

Dependent Variable	**(I) Culture**	**(J) Culture**	**Mean Difference (I-J)**	**Sig.**
Guanxi	Taiwanese - Chinese	Taiwanese-Dutch	-.900**	.009
Trust	Taiwanese - Chinese	Taiwanese-Dutch	-1.268*	.024
Favor	Taiwanese - Chinese	Taiwanese-Dutch	-1.705**	.002
Dependence	Taiwanese - Chinese	Taiwanese-Dutch	-.686	.199
Adaptation	Taiwanese - Chinese	Taiwanese-Dutch	.157	.662
Feeling	Taiwanese - Chinese	Taiwanese-Dutch	-1.342*	.027

a. Covariates appearing in the model are evaluated at the following values: **pdi = 4.6415, col = 5.1981, lto = 5.3585.**

b. Based on estimated marginal means.

5 Discussion

This chapter will discuss the results of the research findings and make the conclusions of this study. The first section is the summary of the findings, implications of the results, limitations and suggestion for future research. The next section is the conclusions of this study.

5.1 Discussion

5.1.1 Summary of the findings

The present studies emphasized on Chinese employing *guanxi* in the Chinese market, particularly the relationships with foreign managers. However, *guanxi* has never applied in the host country. This study was interested in studying the impact of cultural differences between employees in MNCs, and the quality of *guanxi* in the overseas subsidiaries, specifically, comparing the Chinese and Dutch employees in the Taiwanese MNCs.

This study found that to some extent the cultural difference was related to the quality of *guanxi*. Collectivism was the most important cultural concept, which impacted *guanxi*. Favor is the essential factor among *guanxi* constructs. In addition, Taiwanese employees have higher quality of *guanxi* then local employees.

Favor of the quality of guanxi

This study found that favor played an important role in the quality of *guanxi*. Both Dutch and Taiwanese employees recorded the highest mean on favor factor among the five factors of *guanxi*. Moreover, both groups scored higher on favor than the Chinese group did. The motivation for giving favors as exchange something with others for mutual benefit is anticipation of repayment. Because affective responses are based on cognition (Fishbein and Ajzen, 1975), employees would be recognized of reciprocity from favor and then influences their affective responses. The affecting component includes emotions, feelings, and drives (Edward, 1990), as the other concepts of *guanxi* involved in trust, dependence, feeling and adaptation.

Difference between Chinese and Dutch employees

Chinese and Dutch employees particularly differed in the concept of favor. Specifically, Dutch employees would be more willing to do a favor or return a favor for their Taiwanese expatriates than Chinese employees. In addition, this study was comparing the employees' intentions in the different subsidiaries. The subsidiary in the Netherlands, either Dutch or Taiwanese employees were more likely to do a favor for their colleagues. Since *guanxi* is an interpersonal affect and it is essential in the

social network, Taiwanese expatriates would do a favor and expected to build a good relationship with local employees. The Dutch employees might be taking cognizance of reciprocity as a kind of Taiwanese culture. They also expect repayment value of favor from Taiwanese. While working in the Taiwanese company, Dutch employees might be considering that doing or returning favors to Taiwanese expatriates is important.

Difference between Chinese and Taiwanese employees

Although the Taiwanese culture seems to be based on the traditional Chinese culture, Taiwanese and Chinese employees have very different attitudes toward quality of *guanxi*. Chinese employees have less trust, favor and feeling for Taiwanese expatriates. Perhaps it would be related to the MNCs strategy. In order to go deeper into Chinese community, the company would hire not only Taiwanese but also Chinese managers. According to Varma (2009), Chinese employees are likely to support Asian expatriates more than Western expatriates, because of the cultural similarities. Interestingly, Taiwanese culture was similar to traditional Chinese culture, but the results of this study showed the Chinese did not have greatly *guanxi* with Taiwanese employees. Because of the collectivist characteristic in the China, supporting employees with the same background would help take priority over other foreign expatriates. Compared to the Taiwanese managers, Chinese employees may likely trust or do favor for local managers, who were culturally closer to them. If there were two foreign managers in the company, Chinese employees might have better *guanxi* with managers from Taiwanese than managers from Western countries.

Concerning the adaptation concept, Chinese employees have large-scale change for fitting Taiwanese management style. The Chinese custom is large power distance; hence, employees just follow leaders directly orders without thinking and own opinions. In addition, because of high collectivist culture, the individual values have been ignored. However, China is transiting from communistic society to commercial modern society. People have to get rid of old thought patterns. While working in the Taiwanese MNCs, they have to change their old working style and make effort in improving effectiveness and efficiency, and emphasized on personal performance such as the requirements of Taiwanese companies.

Difference between Dutch and Taiwanese employees

This study found that Dutch and Taiwanese cultures have no significantly different regarding their impact on the quality of *guanxi*. Dutch employees and the Taiwanese expatriates in the MNCs have greatly globalization vision. In addition, Taiwanese culture as a westernized Chinese culture. Many Taiwanese expatriates have experiences of studying or working aboard. For instance, Taiwanese, after

graduating from Dutch university, work for Taiwanese MNCs in the Netherlands. Thereby, these employees might respect the difference in cultures more than those who did not. They could adopt a small alternation for a better cooperation in the host subsidiary. Thus, MNCs' employees with globalization view or overseas experiences would integrate with foreign cultures without any difficulty.

The relationship between cultural difference and quality of guanxi

There have three culture concepts been taken into measurement the relations with *guanxi* constructs. First of all, the quality of *guanxi* between Taiwanese and Chinese were impacted by three cultural difference concepts, the main effect was collectivism. The higher collectivism culture impacted better quality of *guanxi* between Taiwanese and Chinese. Concerning the collectivism variable is on the one side versus its opposite individualism. When the Taiwanese and Dutch employees were lower collectivism, they would have higher quality of *guanxi*. It could be that in the Dutch subsidiary the Taiwanese and Dutch employees have a highly individual attitude. The quality of *guanxi* depended on they to be independent and self-responsible for their tasks.

This study also found that the lower power distance impacts the more employees like to give favors. Low power distance means everyone is equal in the organization, so they could expect other colleagues would exchange or refund benefits. Dutch employees have the lowest power distance score in this study, so that they might be prefer to do favor for their Taiwanese colleagues.

Besides, the higher the collectivism and the long time orientation would greatly impact on adaptation. In this study Chinese employees have higher collectivism and long-term orientation, and they were more like to adapt. Because of the collectivism culture, Chinese could be more likely to change themselves to become in-group members in the organization. In addition, most of Chinese employees search for stable job positions and expect for long term relationship with colleagues; therefore, they would be more likely to accept the adaptation.

5.1.2 Implications

Favor implicated employees were the trustworthy party (Morgan and Hunt, 1994); they could be depended on (Wong, 1998); they made more emotional commitments (Yang, 1994); and invested in adaptation (Hallen et al., 1991). Some research suggests that trust and commitment are the outcome of social network interaction (Anderson and Narus, 1990; Morgan and Hunt, 1994). Therefore, the result provides a possible managerial implication for MNCs: Favor is a strategy to enhance the quality of *guanxi* with host employees, even though they are of different cultures.

Additionally, the managerial implication for foreign MNCs in China, the result suggests that putting premium on locals-first attitude, which means people have demonstrable long-term commitment and ready-made *guanxi* (the Economist, 2011). For example, many Chinese with degrees from Western universities have returned home. Additionally, the number of Chinese studying overseas expected to return home continues to rise. These people have not only local knowledge and connections but also Western view. Therefore, MNCs should hire them to execute organization's missions in the Chinese market as a strategy to improve the quality of *guanxi* with Chinese employees.

Furthermore, for MNCs improving the quality of *guanxi* in the equal and individual environment such as in the Netherlands, the possible management impaction that is providing management by objective (MBO) instead of tightly control. In the collectivism and long-term orientation society, the result suggests that through group norms to obtain group cohesiveness and reach the organizations' goals. Hence, developing relationship strategy has to consider local cultures. When in Rome do as the Romans do.

5.1.3 Limitations

Although a great deal of effort was expended to insure the reliability of this research, there are still a few limitations of this study. The generalizations of the findings from this study were limited to sample groups.

I have been stayed in the Netherlands during data collecting period. In order to reduce the geographical location limitation, this study employed on-line questionnaire instead of paper form. I contacted Taiwanese expatriates in the Chinese subsidiaries directly and submitted on-line questionnaire in the Netherlands. However, many of surveys use paper form in the China by cooperating with local universities. It is perhaps that this survey was created without local researchers supporting and the web control polices in China, so local employees were not relieved to response on-line survey and that could cause the low response rate.

Additionally, although the Taiwanese MNCs has a subsidiary in the Netherlands, headquarters may not assign expatriates to the host country. Many Dutch subsidiaries replied that there are no Taiwanese employees in the Netherlands, or the Taiwanese expatriates visit Dutch subsidiary occasionally. In addition, the Taiwanese MNCs enter into the Netherlands not only to focus on Dutch market, but also to focus on whole European market, due to the competitive advantage of the Netherlands. They would like to hire employees from widespread European countries. Even in the Netherlands, there were not so many Dutch employees working in the Taiwanese MNCs. Thus, the response rate in the Dutch subsidiaries was really low. The small sample sizes could have some influences on statistical analysis.

Moreover, the data collection was limited to the expatriates' personal choice. I sent the first letter to expatriates, and asked them to distribute questionnaires to local employees, whose nationality was appropriate for the researching samples. However, we could not control the selection of the respondents, it depended on the expatriates who answered the questionnaire. Therefore, I did not use a random sampling technique.

5.1.4 Future directions

This study focuses on the extent to which the quality of *guanxi* is affected by national and cultural differences. However, organizational culture may also impact the relationship between expatriates and employees. The organization culture moderating effect has to been controlled in the research model.

For generating a deeper understanding of the phenomenon surrounding the issue on cultural values and relationships concepts, a qualitative research methodology might be applied in the future studies, e.g. conducting the interviews or applying case studies.

Furthermore, researching the quality of *guanxi* between expatriates and local employees aimed at assisting MNCs to operate their strategies successfully in the host countries. Future researchers might want to investigate the effect of *guanxi* on human resources outcomes in the organization, such as job satisfactions, loyalty, personal/ group performance, and turnover rate.

5.2 Conclusion

At the beginning of this study, I searched for how quality of *guanxi* was affected by different cultures. I have examined that different groups of employees tend to show the quality of *guanxi* in different levels. A practical implication of this study is that Taiwanese expatriates extend quality of *guanxi* with local employees either in China or in the Netherlands. It is possible that in the host countries, somehow expatriates have to trust and rely on local employees. If they managed good personal interaction and social relationships, by doing favor for each other, they could smoothly execute MNCs strategies in the new environments. The finding of this study has showed that people who have the similar cultures does not necessarily have the same intention of relationship, such as Chinese and Taiwanese. Clearly more researches have to be done, but this study highlights the importance of MNCs of understanding how their expatriates strategically manage the quality of *guanxi* in different host countries.

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7 Appendix: Questionnaire

This research is aim to find out to what extent does the cultural difference have an impacted on quality of *guanxi* (relationship) between Taiwanese expatriates and local employees, in particularly, the Chinese and Dutch of Taiwanese MNCs.

In the first section, the items are described about cultural difference. Next, the items are measured the quality of *guanxi* concept. The finally section is collected demographic information.

N.B. Please answer the questions by ticking that which comes closest to reflecting your opinion from 1(strongly disagree) to 7 (strongly agree).

Part I. Cultural difference

Power distance	1 2 3 4 5 6 7
1. It is natural that there exists inequality (in terms of education, income, status) among people.	□□□□□□□
2. It is important for leaders to make all decisions.	□□□□□□□
3. I am expected to obey my leaders without question.	□□□□□□□
Collectivism	
4. It is fair that group welfare is more important than individual rewards.	□□□□□□□
5. When working on a project, I would rather work as a group member than as an individual.	□□□□□□□
6. I feel great loyalty toward this organization.	□□□□□□□
Long-term orientation	
7. I expect my colleagues to be working with me for a long time.	□□□□□□□
8. Maintaining a long-term relationship with my colleagues is beneficial for me.	□□□□□□□

Part II. Quality of *Guanxi*

N.B. Please think of **the Taiwanese colleague** whom you work with now, and answer the questions by ticking that which comes closest to reflecting your opinion from 1(strongly disagree) to 7 (strongly agree).

Trust	1 2 3 4 5 6 7
1. The Taiwanese colleague has given us confidence.	□□□□□□□
2. The Taiwanese colleague is trustworthy	□□□□□□□
3. When making decisions, the Taiwanese colleague considers our welfare and its own.	□□□□□□□
Favor	
4. Favors I did for the Taiwanese colleague have built good relationships with him/her.	□□□□□□□
5. I think it is important to return a favor to the Taiwanese colleague.	□□□□□□□
6. The Taiwanese colleague will do me a favor if I did one for him/her before.	□□□□□□□
Dependence	

7.	My Taiwanese colleague is dependent on local employees.	□ □ □ □ □ □ □
8.	The Taiwanese expatriate's objectives are compatible with local goals.	□ □ □ □ □ □ □
9.	It is easy for me to understand the Taiwanese colleague's approach to doing business.	□ □ □ □ □ □ □
Adaptation		
10.	I make the change to adapt to my Taiwanese colleague regarding management style.	□ □ □ □ □ □ □
11.	I make the change for my Taiwanese colleague regarding technical features.	□ □ □ □ □ □ □
12.	I provide overseas market research trips to the Taiwanese colleague.	□ □ □ □ □ □ □
Feeling		
13.	The Taiwanese colleague sends greeting cards to me on special occasions such as birthday, marriage, and so forth.	□ □ □ □ □ □ □
14.	During Holidays or after office hours, I would call the Taiwanese colleague to visit him/her.	□ □ □ □ □ □ □
15.	My Taiwanese colleague's is my good friend, and we care about each other wholeheartedly.	□ □ □ □ □ □ □

Part III. Personal information

Gender: □ Male □ Female

Age: □ under 30 □ 31-40 □ 41-50 □ 51-60 □ over 60 years old

Nationality: □ Chinese □ Dutch □ Taiwanese □ others: _____

Educational background:

□ Senior secondary/vocational school □ College/Bachelor □ Master / Doctor's degree

Years of work experience:

□ under 5 years □ 6-10 □ 11-15 □ 16-20 □ over 20 years

Years of working in the current company:

□ under 5 years □ 6-10 □ 11-15 □ 16-20 □ over 20 years

Company's name: _____

Department: _____

Thank you for your cooperation!