

## **Face work in Chinese culture: Its role in Chinese business**

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*Acknowledgement: We would like to thank for the financial support from The Hong Kong Polytechnic University.*

## **INTRODUCTION**

"Face" is the respect, pride, and dignity of an individual as a consequence of his/her social achievement and the practice of it or "face work" is the use of a complex package of social skills to protect his/her face and the face of others in Chinese relational settings (Goffman 1972, King 1993, Lam and Wong 1995). Although concerns for "face" and "face work" are not unique in China but they are particularly different from the western interpretation (Hofstede and Bond 1988). For instance, "face work" like "saving face" is an "interesting weakness" in western human communications (Reischauer 1962, 145) but it is a kind of "social recognition" in Chinese relationship building (King 1993, 51). Different labels giving to China as a "guilt culture" and the west as a "shame culture" (King 1993, 53) also makes the study of "face work" in an inter-cultural environment unreasonable because the self-reference criteria (Keegan 1999) of either side cannot be eliminated.

"Face work" and its related concept "*guanxi*" predominantly affect the Chinese behaviour at social, political and organisational levels (Jacob and Bruce 1982, Redding and Ng 1983, Kirkbride et al 1990, Lam and Wong 1995). However, researchers concentrate their efforts in studying the importance of *guanxi* in a sino-foreign negotiation context whilst the academic enquiry of "face work" and its implications to Chinese business has relatively been neglected even since Hwang (1987) proposes the relationships between "face work" and "favour" in a Chinese relational context (Davies et al 1995, Leung and Yeung 1995, Leung et al 1996, Tsang 1998, Wong 1998, Wong and Chan 1999).

Hwang (1987) argues that one's practice of 'face work' is motivated by a resource allocator's "face inducement" factors in order to obtain some perceived benefits or favour from that resource allocator. However, his work has never been empirically tested and a theoretical framework is still unavailable in applying "face work" strategies in a Chinese negotiation context. This study is an initial attempt to empirically test the relationships among "face inducement" factor, "face work", and "favour" and aims at generating a systematic framework and recommendations for business negotiators to position their "face" through the practice of "face work" in the important Chinese (People's Republic of China or PRC) market.

## **OBJECTIVES**

The main objective of this paper is to investigate the relationships among "face inducement factors", "face work", and "favour" in a Chinese relational setting within the PRC. It specifically investigates:

1. The relationships between the "face inducement" factors and "face work";
2. The relationships between "face work" and "favour";
3. The positioning of "face work" in a business negotiation environment' and
4. The implications of the "face work" practice in a Chinese relational setting.

## **LITERATURE REVIEW**

Hwang (1987) argues that one party's practice of 'face work' is initiated by some inducement factors of a resource allocator in order to obtain some perceived benefits

or favour from that resource allocator. The literature of “face” inducement factor, “face work” and “favour” will be reviewed accordingly.

### **Face Inducement Factor**

The uneven distribution of power in a Chinese society (Buttery and Leung 1998) put individuals to different positions on a social hierarchy. An individual will have more “face” and therefore more respect, pride, and dignity as a consequence of his/her moving up the social hierarchy (Goffman 1972, Lam and Wong 1995). In contrast, his/her “face” and power will be reduced when he/she moves down the social hierarchy due to unforeseen circumstances. For example, a manager will have more “face” in front of his subordinates but his “face” is reduced in front of his boss (Brunner et al 1989).

Face of an individual has a quantitative and a positional aspect (Hwang 1982). The quantity of face that one has is dependent on one's personal efforts. Personal efforts such as hard work, personal services benefiting society, superior intellectual knowledge, accumulation of wealth, good reputation, and exemplary behaviour can increase the quantity of one's face in society (Brunner et al 1989). Face position of an individual, on the other hand, can be generated through his/her social network of connection. In saying that, the larger (or smaller) one's social network is an individual belongs to and the more (or less) powerful the people connected with it, the more (or less) impressive will be that individual's power image as perceived by others (Hwang, 1982). Clearly then, the quantitative and positional aspects of this

individual's face signify sources of power in a Chinese society and naturally they become the inducement factors for others to practice "face work" in order to negotiate through the complex Chinese network society.

### **Face work**

"Face" has two dimensions, i.e. "*lien*" and "*mianzi*" (Hu 1944). *Lien* represents the confidence of society in the integrity of a person's moral character, a person cannot maintain his/her relationship with others within a community if he loses *lien* because this person will feel guilty (*ch'ih* in Chinese term) (Yau 1988, King 1993). In saying that, *lien* is an internalised moral face that everyone is entitled to by virtue. It can only be lost and a sense of guilt produced in the absence of an audience to discern the transgression through misconduct and cannot be gained (Hu 1944, King 1993). The seriousness of losing *lien* is noted when thousands of Chinese committed suicide at the beginning of the Cultural Revolution because their *lien* was lost (Brunner et al, 1989).

One's *mianzi* stands for his/her prestige: a reputation achieved through getting on in life, through success and ostentation (Brunner et al 1989, Lam and Wong 1995). A person's procession of *mianzi* requires visible success in matching well-established expectations in a social hierarchy. It can be treated as his/her social asset and can be banked and exchanged to favours at times.

The above literature suggests that *lien* cannot be manipulated because it is internalised whilst *mianzi* can be monitored because it is externalised (Hu 1944, Brunner et al 1989, Yau 1988, King 1993, Lam and Wong 1995). In other words, “Face work” is a package of social techniques that is used to protect one’s *mianzi* and the *mianzi* of others in human interactions (King 1993).

Hwang (1987) interprets “face work” in terms of its horizontal and vertical dynamics. Horizontal “face work” involves the practice of giving face, saving face and avoiding losing face of others. In doing these, the rules of “self-respect” and “considerateness” must be followed (Goffman 1972). Goffman (1972) comments: “the combined effect of these two rules is: in social interactions, one’s behaviour is to maintain one’s *mianzi* and the *mianzi* of others!” Therefore, maintaining one’s *mianzi* is not solely the responsibility of an individual, but is also influenced by the actions of those with whom he/she is closely associated with, and how he/she is perceived and dealt with by others. The emphasis is upon the reciprocity of obligations, dependence and the protection of the esteem of those involved.

Unlike horizontal face work, vertical “face work” involves projection of self-image and impression management. A “face work” practitioner’s goal is to construct and to project a favourable contour to a resource allocator’s minds about him/her. Vertical “face work” like face enhancement is important to elevate one’s own *mianzi* and showing off one’s power, thus influence an allocator’s choice of distributing resources to one’s benefit.

Because of its horizontal and vertical aspect, the practise of “face work” is strategic in terms of Chinese social interaction. One important strategy is to incorporate “modesty” when one practises “face work”. The statement of “I don’t have enough *mianzi*” is a way to protect one’s own *mianzi* (King 1993). Also, when one needs to negotiate with a person whose “face” quantity and position is unknown and this negotiation is perceived to raise potential conflict, a mediator should be used (King 1993). Aggressive negotiating behaviour from either party can damage the face of other. When the then Hong Kong Governor Mr. Chris Patten visited China in 1993 and did not attract the formal reception from former Chinese Premier Li Pang, China as a country, did not "give face" to Mr. Chris Patten. Also, China showed a lack of trust to Mr. Patten because of his unilateral amendment of the 1995 Hong Kong election policy that was alleged by the Chinese government as a violation of the Basic Laws (Leung 2000).

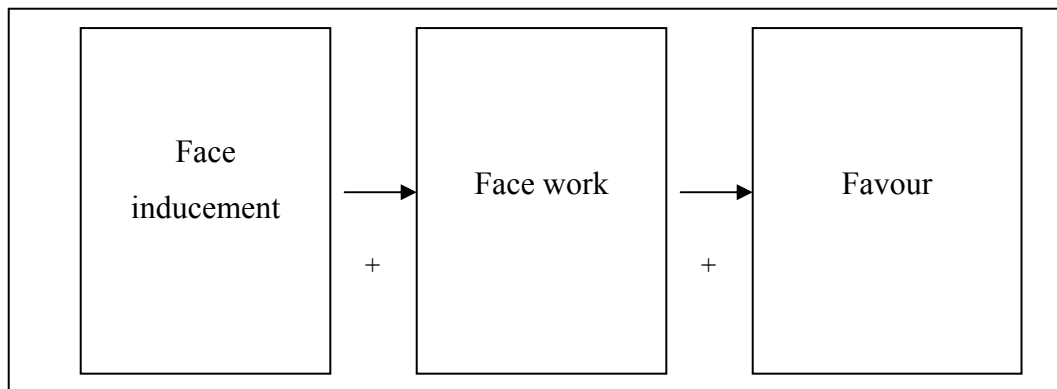
## **Favour**

The concept of favour appears to encourage “corrupt behaviour” (Wong and Chan 1999 p.114) that involves the illegal use of public office for private gain (Threshold 1990). Corrupt behaviour may arise from the misallocation of limited social or public resources to a limited group of insiders. A favour lies between two extremes, i.e. simple and complex. Presenting small gifts, inviting business partners to dinners and helping business friends are simple acts and are acceptable social behaviours in China because these acts do not result in the misallocation of resources. On the contrary,

soliciting a large or syndicated bribe, is a complex act that may distort the optimal allocation of public or social welfare resources. The study on the relationship between *guanxi* and favour suggests that favours requested by foreign business negotiators from their Chinese counterparts i.e. providing government regulatory information, obtaining government approvals, and cultivating marketing activities (Leung et al 1996) virtually engage in influencing the allocation of public resources for the private gain. The influencing acts are indeed complex in nature because of the lengthy time and numerous activities involved. Thus, *Guanxi* is corrupted according to Threshold's (1990) definition. If the same token is held for the concept of "face work", then the practice of "face work" to generate return of favours may be considered as corrupted and unethical as well.

### **The "face and favour" model**

The relationships among "face inducement", "face work" and "favour" are presented in figure one below.



**Figure 1- Proposed face and favour model**

Business negotiators are tempted by some 'face inducement' factors of their PRC Chinese counterparts to practice 'face work' on them so as to obtain some perceived benefits or favours in the negotiation.

Figure 1 proposes that Chinese negotiators in the PRC have some “face inducement” factors that initiate their business counterparts to practice “face work” on them to obtain some perceived “favour” in the business negotiation. Based on this argument, the following hypotheses are set:

H<sub>1</sub>: The “perceived” inducement factors processed by PRC Chinese negotiators have positive influence on their business negotiating counterparts’ practice of “face work”; and

H<sub>2</sub>: Business negotiator’s practice of “face work” has positive influence on PRC Chinese negotiator’s generation of “favours”.

## **METHODOLOGY**

A dominant logic in marketing literature suggests that negotiation is a stage-wise goal-directed resolution process (Fisher and Ury 1986, Maddux 1988, Hiltrop and Udall 1995). Cultural traits are interpreted in the context of cultural dimensions (Hofstede 1991) and are operationalised into cultural training programs. These cultural training programs, however, always run into the problems of parochialism and ethnocentrism (Alder 1991). As Harris and Moran (1993, 50) commented on one cultural training program: “the managing climate program is based on the American assumptions and priorities are often not compatible with the assumptions and priorities of other cultures.” Graham et al (1988) concur when they studied the

negotiation styles of four cultures: "... generalisations about negotiation styles of different nationalities, even those in the same region, are fraught with danger... An American model of negotiation appears to be irrelevant to the normative negotiation processes of two of its major trading partners- Japan and Taiwan."

As such, the dynamics of "face work" must be studied in an intra-cultural Chinese relational setting rather than in an inter-cultural environment in order to reduce differences in negotiation style whilst appreciating cultural sensitivity (Keegan 1999) and eliminating the problems of parochialism and ethnocentrism. Hofstede's international cultural surveys (1980 and 1991) provide an insight to the selection of a research location within an intra-cultural Chinese relational setting. Hofstede's initial survey in 1980 identified four dimensions 1) power distance, 2) uncertainty avoidance, 3) individualism, and 4) masculinity. Power distance is a measure of the extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally. Uncertainty avoidance is a measure of the extent to which members of a culture feel threatened by uncertain and unknown situations. Individualism stands for a society in which the ties between individuals are loose. Masculinity is a measure of how distinct gender roles are in society (Buttery and Leung 1998). Hofstede (1980) did not publish the measurements of these four dimensions for PRC and therefore direct comparison between PRC and other Chinese sub-cultures is impossible. However, he included the PRC in his later cultural survey (Hofstede 1991) when he presented the fifth dimension, i.e. long-term orientation. It is a measure of the extent to which members of a culture feel the need

of association with other members on a long-term basis. The introduction of it allows a direct cultural comparison between PRC and other Chinese sub-cultures.

The long-term orientation indices for the PRC and other Chinese sub-cultures, i.e. Hong Kong, Taiwan, and Singapore (Buttery and Leung 1998) are 108, 96, 87, and 48 respectively. These indices show that Hong Kong has the least cultural distance with the PRC. In other words, individuals in China and the Hong Kong sub-culture tend to conduct businesses on a long-term basis which is confirmed in other empirical studies on “face” related concept “*Guanxi*” (Wong 1998, Wong and Chan 1999). Individuals in Singapore, on the contrary, attempt to adapt a short to medium term approach when they conduct businesses. This argument is confirmed when its long-term orientation index is compared with the same of other major western cultures that are more short-term and low context in nature (USA 29, Australia 31, Great Britain 25)(Hofstede 1991, Hall 1976, Buttery and Leung 1998). The potential explanation is that the Chinese are descendants of those who settle in Singapore before it became independent (Leung 2000). The education system is based on the American model and it does not allow the Chinese there to understand fluent written and spoken Chinese, not to mention the Chinese culture in the long-term orientation aspect (Yau, 1994). Taiwan has larger distance with the PRC than Hong Kong mainly because its fear on a potential military attack from the PRC. Individuals in Taiwan may plan on a shorter time horizon because the Sino-Taiwan political situation is unstable. The above discussions suggest that Hong Kong may be the best location to conduct this study. Recent evidence suggests that Hong Kong businessmen are very flexible in

aligning themselves on the same relationship horizon with their PRC counterparts. For instance, Hong Kong magnate Mr. Li Ka Shing demonstrated the practice of “giving face” to the chief executive officer of Bank of China when he constructed his Cheung Kong’s corporate building alongside the Bank of China Building in Hong Kong central district. Cheung Kong, which is the largest property developer by market value, originally planned to build a 77-floor level building. However, Mr. Li asked his architect to reduce the height of his Cheung Kong Building to 70-floor level after the Bank of China’s chief executive expressed implicitly on the phone that the height of his building signifies the Chinese Government’s sovereignty in Hong Kong. Eventually, the Cheung Kong Building is several floor levels lower than the Bank of China Building (Chai, 1999).

Besides the least cultural distance between Hong Kong and the PRC in term of long-term orientation index, Hong Kong has other advantages to be chosen as the location of doing this research. First, Hong Kong is the largest investor in the PRC followed by U.S. and Japan (China Statistics Bureau 2000). Second, Hong Kong has been a springboard to the Chinese market (Mun and Chan 1986). Finally, Hong Kong is a foreign investor according to the Basic Laws (Anonymous author 1997b). The cultural similarity and the contextual characteristic of Hong Kong substantially reduce cultural differences between China and Hong Kong to a minimum. Also, Hong Kong negotiators can provide comments from a foreign investor point of view. As a result, Hong Kong was chosen as the location of conducting this study.

A questionnaire was developed based on the literature review. Five in-depth interviews were conducted with senior businessmen and academic scholars to help obtain insights of the “face work” concept and its implication in the PRC business environment. Subsequently the questionnaire was refined.

The resulting structured-undisguised questionnaire was pre-tested with 20 senior business negotiators in Hong Kong to help clarify confusing wordings and inappropriate sequence of the questions on the questionnaire. We used the “97 *Chinese Business Membership Directory*” produced by *The Chinese General Chamber of Commerce in Hong Kong* as the sampling frame. To increase the response rate, we have carried out the following procedures. First, a courteous call was made to request the co-operation of the company. The aims of the survey were mentioned. After approval of a company was obtained, the name of the prospect in that company was gathered. Second, a personalised cover letter was sent with a questionnaire to the prospect. Finally, a follow-up call was made to remind the prospect to return the completed questionnaire. 330 questionnaires were subsequently sent out either by mail or by fax. At the end of February 1998, 177 questionnaires were received. 15 questionnaires were regarded as invalid and therefore only 152 questionnaires were submitted for computer analysis. The response rate was 46%.

The questionnaire has four sections. Section-A solicited respondents’ perceptions on their Chinese counterparts’ “face inducement” factors. Section-B contained the “face

work” items. Section-C presented the perceived “favour” or “benefit” items and section-D gathered the demographic profiles of the respondents.

## **RESULT**

### **Company Profile- questionnaire survey**

**Table 1- Summary of the company and personal profile of Hong Kong respondents**

<b>Information of the companies</b>	<b>No of Respondents</b>	<b>Percentage of Respondents</b>
<i>Business nature</i>		
Trading	68	45%
Manufacturing	53	35%
Service	31	20%
Total	152	100%
<i>Company size</i>		
less than 100	122	80%
101 – 500	24	16%
Over 501	6	4%
Total	152	100%

As shown in table 1, the respondents were working in trading (45%), manufacturing (35%) and the service sector (20%). Most of the 152 respondents were small companies that employed less than 100 people (80%). All respondents had at least two years business negotiation experience in China.

### **Face inducement factors**

Table 2 (section A of questionnaire) presents respondents' perceptions of "face inducement" factors on a 7-point Likert scale. Point 1 referred to "strongly disagree" and point 7 referred to "strongly agree". Their rankings, means, standard deviations and the percentage of respondent selecting point 5.00 to 7.00 are computed.

**Table 2 – 'Face work' inducement factors**

Face work inducement factors Scale 1=strongly disagree, 7=strongly agree	Rank	Mean	S.D	% scale (5-7)
A05.Chinese counterpart's authority to control the perceived negotiation outcome.	1	6.597	0.544	100%
A03.Chinese counterpart is famous.	2	5.071	1.377	63.1%
A04.The wealth of the Chinese counterpart.	3	4.934	1.408	69.1%
A02.Chinese counterpart's achievements and status.	4	4.691	1.219	59.9%
A01.Chinese counterpart's personal integrity.	5	4.586	1.215	57.9%
A06.Chinese counterpart is well educated.	6	3.612	1.599	36.8%

100% and 63.1% of respondents "slightly to strongly agree" (point 5.00-7.00) with the items "Chinese counterpart's ability to control the perceived negotiation outcome" (A5) and "Chinese counterpart is famous" (A3) can induce them to practice "face work" on their Chinese counterparts. The findings are consistent with Karrass (1970) and others (Spector 1978, Maddux 1988, Hiltrop and Udall 1995) that perceived outcome is the major motivation behind a business negotiation between the two parties.

Respondents "neither agreed nor disagreed" (scale 4.00-4.99) or "slightly to strongly disagreed" (scale 1.00-3.99) with items A1, A2, A4 and A6. These preliminary findings are partially not consistent with prepositions proposed by Brunner et al

(1989) and Hwang (1987). They claim that the quantity of “*mianzi*” processed by a person is dependent upon of his/her personal characteristics such as hard work, social status, superior intellectual knowledge, accumulating of wealth, reputation and exemplary behaviour. However, the statements on table 2 must be further cross-examined with section B (face work) to decipher more intuitive comments on their roles as “inducement factors” for Hong Kong negotiators to practice “face work” in a Chinese relational setting.

### **“Face Work”**

Respondents’ perceptions on 15 “face work” items (section B of questionnaire) are presented in table 3 below.

Similar to previous section, we asked the respondents’ perceptions of the “face work” items on a 7-point Likert scale. Point 1 referred to "strongly disagree" and point 7 referred to "strongly agree". Their rankings, means, standard deviations and the percentage of respondent selecting point 5.00 to 7.00 are computed. Eyeball inspection on table 3 shows that 73.70 to 99.40% of respondents tend to “slightly agree to strongly agree” (point 5.00-7.00) on 11 “face work” items and 63.80-75.70% of respondents tend to “neither agree nor disagree” (point 4.00-4.99) with 4 items on “face work”. The messages directly generated from table 3 are mixed and we therefore could not make any conclusive comment.

**Table 3- Respondents' perceptions on 'face work' statements in a Sino-Hong Kong business negotiation situation.**

	<b>Face work statements</b>	<b>Rank</b>	<b>Mean</b>	<b>S.D.</b>	<b>% scale (5-7)</b>
B07	Suitable practice of "face work" in social interaction can improve the guanxi between two parties.	1	6.0592	0.7390	99.40
<b>B09</b>	The closer the guanxi, the more the favour you can obtain.	2	6.0329	0.8332	92.10
B02	The more "face" you have, the greater the favour you can obtain from other.	3	5.6776	1.0203	88.20
B10	"If you honour me a linear foot, I shall in return honour you ten feet."	4	5.6579	0.8922	91.50
B03	Donation can enhance your mianzi.	5	5.5000	0.9697	88.20
B05	If you give me face, I have to return face to you.	6	5.4737	0.9346	80.30
B13	To comment directly on other's opinion will cause them "losing face".	7	5.3816	0.8373	88.80
B12	Causing others to "lose face" will destroy the guanxi.	8	5.2961	0.7792	85.50
B08	Helping others to get back their face can facilitate exchange of guanxi.	9	5.2368	1.0082	84.20
B04	The practice of "respect" and "consideratness" can greatly enhance our own face.	10	5.1513	0.9612	82.90
B11	It is more urgent to pay back favours than debt.	11	5.0921	1.1120	73.70
B15	Rejecting other without consideration will cause them "losing face".	12	4.9934	0.9933	75.70
B14	Chinese usually stress "an eye to an eye".	13	4.9539	1.0315	69.80
B06	Good guanxi cannot be established if only one party practices "face giving".	14	4.9079	1.0940	63.80
B01	Face work can enhance status.	15	4.7895	0.8506	69.10

To determine the underlying dimensions concerning respondents' perceptions on "face work" so as to generate a better interpretation on the data, the 15 items were submitted to perform a factor analysis. Before performing a factor analysis, we employed the Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) test to check whether these 15 items are suitable to run factor analysis. Because the KMO test result (value = 0.792) is substantially higher than the acceptable exploratory research norm of 0.5 established by Nunnally (1978), we then proceeded to perform a factor analysis.

Principle component analysis was performed. One item (B6) was discarded because of its low correlation coefficient with other items and its low factor loading on a factor. Eventually, four factors were extracted by using a "scree test"; all of them evolved with the eigen values that were greater than 1 and account for 58.10% of total variance. The factors were rotated by varimax method. The reliabilities of these factors were assessed by Cronbach's alpha coefficient and the results show that they are all over 0.5 and satisfy the exploratory research norm set by Nunnally (1978). As shown in table 4 below, the practice of "face work" is multi-dimensional (4R) in nature.

**Table 4 - Factor analysis of the "face work" – the 4 R dimensions of "face work"**

<b>"Face work" items</b>		<b>Factor loadings</b>
<b>Factor 1- Reciprocity (<math>\alpha = 0.7836</math>, variance = 15.486%)</b>		
B13	To comment directly on other's opinion will cause them to "lose face".	0.816
B11	It is more urgent to pay back favours than debt.	0.727
B08	Helping others to get back their face can facilitate exchange of guanxi.	0.605

B10	“If you honour me a linear foot, I shall in return honour you ten feet.”	0.502
<b>Factor 2 – Response (<math>\alpha = 0.6066</math>, variance = 15.428%)</b>		
B12	Causing others to “lose face” will destroy the guanxi.	0.788
B15	Rejecting other without consideration will cause them “losing face”.	0.660
B07	Suitable practice of “face work” in social interaction can improve the guanxi between two parties.	0.581
<b>Factor 3 – Respect (<math>\alpha = 0.6117</math>, variance = 15.350%)</b>		
B14	Chinese usually stress “an eye to an eye”.	0.692
B04	The practice of “respect” and “considerateness” can greatly enhance our own face.	0.610
<b>B09</b>	The closer the guanxi, the more the favour you can obtain.	0.575
B05	If you give me face, I have to return face to you.	0.536
<b>Factor 4 – Reputation (<math>\alpha = 0.5163</math>, variance = 11.823%)</b>		
B03	Donation can enhance your mianzi.	0.735
B02	The more “face” you have, the greater the favour you can obtain from other.	0.701
B01	Face work can enhance status.	0.597

Items related to factor 1 reflect respondents’ concerns of reciprocity in Chinese relational exchange and therefore this factor is labelled as ‘reciprocity’. Items related to factor 2 reveal respondents’ perceptions on the importance of making appropriate responses of causing other not to “lose face” and how to use “face work” to build *Guanxi*. These responses fit into the relational dynamics with their Chinese counterparts and therefore it is labelled as “response”. Items related to factor 3 mainly describe the Chinese behaviour of showing mutual respect during face-to-face interactions and therefore it is labelled as “respect”. Items of factor 4 are concerned with the enhancement of respondents’ personal *mianzi* that may improve their reputations in the PRC market. Therefore, this factor is labelled as “reputation”.

Table 4 reveals some interesting findings. Respondents understood that mutual “respect” is needed and personal as well as company “reputation” can be established when they practise “face work” in front of their Chinese counterparts. Mean time, they note the importance of developing vigilant “responses” to navigate through the high context relational exchange process with their Chinese counterparts (Hall 1976, Buttery and Leung 1998, Wong and Chan 1999). The manipulation of the four “face work” dimensions will install a good impression within their Chinese counterparts’ mind that may instigate possible “reciprocity” in the future.

## **Favour**

Respondents’ perceived ”favours” of practising “face work” (section C of the questionnaire) are presented in Table 5 below.

**Table 5- Perceived favours of practising "face work"**

<b>Content</b>	<b>Mean</b>	<b>S.D.</b>	<b>Choose Score 5/6/7</b>
<b>Information; <math>\alpha= 0.8251</math></b>			
C02. Understand the government policies and import regulations	4.961	1.504	62.5%
C01. Obtain update market information	4.612	1.405	62.6%
<b>Government approval; <math>\alpha= 0.6974</math></b>			
C03. Approval of applications to provincial government	5.836	0.865	96.7%
C04. Approval of applications to central government	5.461	1.201	81.6%
<b>Marketing activities; <math>\alpha= 0.6573</math></b>			
C06. Negotiation for terms	6.717	0.905	93.4%
C07. Look for distribution channel	5.474	1.234	79.6%
C05. Reliable material suppliers	4.901	1.254	69.7%
C10. Establishing the reputation of the company	4.882	1.436	57.0%
C09. Smooth collection of payment	4.750	1.515	52.6%
C08. Smooth transportation arrangement	4.303*	1.553	39.5%

\* t-test shows this item is not significant at 0.05 level.

The perceived “favours” coming from the respondents’ Chinese negotiators are classified into three categories, i.e. provision of information, obtaining government approval and help in marketing activities for ease of interpretation. The reliabilities of these groupings were assessed by Cronbach’s alpha coefficient and the results show that they all well exceed the 0.5 exploratory research norm set by Nunnally (1978).

All the means in the information grouping fall within the “neither agree nor disagree” category (4.00-4.99) whereas the means in the government approval grouping are in the “slightly or strongly agree” category (5.00-7.00). Only two items in the marketing category are in the “slightly or strongly agree” category (5.00-7.00) and the rest of the items are in the “neither agree nor disagree” category. T-test is used to assess respondents’ agreements on these statements. The test results show that all items well exceed the point of watershed (4.00) except the item “smooth transportation arrangement” at 0.05 level. The potential explanation is that the infrastructure in China is not well established. Also, transportation arrangement is normally relied on a third party rather than on the respondents’ Chinese counterparts. Therefore, practice of “face work” on the Chinese negotiators by the Hong Kong negotiators may not be effective. The findings suggest that the practice of “face work” mainly help Hong Kong negotiators in obtaining government approvals at the provincial and central government level, negotiating terms of agreement, looking for distribution channel and understanding government policies.

## **Relationships among “face inducement”, “face work”, and “favour”**

The “face and favour” model developed in previous section suggests that “face inducement” factors processed by the Chinese negotiators can motivate Hong Kong negotiators to practice “face work” to obtain some perceived “favour” from their Chinese counterparts. This section is used to test the two hypotheses we have set.

To test H<sub>1</sub>, a multiple regression analysis was performed using the six items on table 2 as independent variables and the 4 R dimensions of “face work” (i.e. “respect”, “response”, “reciprocity”, “reputation”) on table 4 as dependent variables. The regression results are shown in table 6 below.

The multiple regression results show that the wealth, the status, the educational background, the popularity of the Chinese negotiators and perceived outcomes from the negotiation can induce the Hong Kong negotiators to practise various “face work” dimensions on their Chinese counterparts.

**Table 6 – The relationship between “face inducement” factors and the 4 R “face work” dimensions- multiple regression analysis**

	Dependent Variables			
	1 <sup>st</sup> Equation Reciprocity	2 <sup>nd</sup> Equation Response	3 <sup>rd</sup> Equation Respect	4 <sup>th</sup> Equation Reputation
<b>Independent Variables</b>				
A02.Chinese counterpart’s achievements and status (STATUS)	<b>0.375*</b>	0.082	0.127	0.054
A04.The wealth of the Chinese counterpart (WEALTH)	<b>0.277*</b>	-0.023	0.091	0.126
A03.Chinese counterpart is famous (POPULAR)	0.113	<b>0.292*</b>	0.094	0.069
A05.Chinese counterpart’s authority to control the perceived negotiation outcome (OUTCOME)	0.113	<b>0.258*</b>	0.130	<b>0.289*</b>
A06.Chinese counterpart is well educated (EDUCATION)	-0.026	-0.059	<b>0.318*</b>	0.040
A01.Chinese counterpart’s personal integrity (INTEGRITY)	-0.046	0.065	0.109	0.105
<i>Adjusted R<sup>2</sup></i>	0.224	0.170	0.101	0.097
F	21.517	15.239	16.930	8.027
N	151	151	151	151

The entries in the table are standardised estimates  $\beta$

\*  $p < 0.001$

As shown in table 6, status and wealth of the Chinese negotiators are the inducement factors for Hong Kong negotiators to activate the “reciprocity” dimension. Potential reason is that these two inducement factors represent power in the socially stratified and class conscious Chinese society (Brunner and Wang 1988). Therefore Hong Kong negotiators perceive that their Chinese negotiators who are in possession of these two characteristics have the abilities to reciprocate to their tacit requests. For instance, the Hong Kong magnate Mr. Li Ka Shing has established a very high social status because of his social contributions and good connections with all senior-

ranking Chinese officials. When the construction of Mr. Li's Oriental Plaza in Beijing was completed on 18 th September 1999, the Chinese Communist Party (CPC) Chief Secretary *Jiang Zemin* reciprocated and confirmed Mr. Li's *mianzi* in China by attending the open ceremony of this plaza (Anonymous author, 1999a).

Chinese negotiator's popularity and authority to control the perceived negotiation outcome are two inducement factors to motivate Hong Kong negotiators to generate appropriate "response" during their face-to-face interactions with their Chinese counterparts. Respondents have to "respond" very carefully if their Chinese counterparts have the authority to influence negotiation outcome because inappropriate response will cause their Chinese counterparts "losing face" and therefore influence respondents' business penetration strategies in the Chinese market. A Chinese counterpart's popularity, on the other hand, signifies his/her authority to guide Hong Kong negotiator to navigate through the complex Chinese hierarchical system. An example concerning the importance of "popularity" is cited in the Hong Kong Economic Times (Wong 1997). When the popular Hong Kong beautician Ms Cheng Ming-ming wanted to establish a factory to produce cosmetics for her beauty school in 1992, the answer from the Chinese officials was neither "yes" nor "no". Instead, the standard reply was "under the process of studying" and it probably indicated another two or three years of waiting before getting a more concrete answer. However, the Chinese officials responded to every bit of her questions after she was elected as one of the members in the National People's Congress (NPC) because she became a popular figure in the Chinese political scene

and the Chinese officials needed to give her *mianzi*. Eventually, she established her factory in 1993, a year after its inception.

Chinese negotiator's education background is an inducement factor for Hong Kong negotiator to generate the "respect" dimension of "face work". In fact, personal educational background of an individual has been a tool to gain respect from others in traditional Chinese society (Redding 1993). Mr. Chan, chairman of Asia Information Online has *mianzi* in front of his Chinese counterparts because of his appealing educational background. He concurred: "this (his educational background) is vital when we co-operate with some non-profit making organisations in China... we don't have to conduct business by using indecent method!" (Jim 1999)

Incidentally, a Chinese counterpart's authority to control the perceived negotiation outcome is also an inducement factor for the Hong Kong negotiator to build "reputation" besides the "response" dimension of "face work". Because of the perceived future prospect in the Chinese political scene, the former commissioner of the Hong Kong Security Commission, Mr. T.B. Leung has been working as a voluntary adviser for the National Security Commission in China. Because of his reputation and contribution to the Chinese security industry, the Chinese premier *Zhu Rongji* confirmed his *mianzi* and social status in China by attending and giving an opening speech in a security conference organised by Mr. Leung (Anonymous author, 1999b).

The above analyses show that Hong Kong negotiators are anxious to address their Chinese counterparts' contextual qualities and seek for help so as to gain competitive power when practising "face work". One in-depth interviewee reverberated on where their help came from: "we negotiate with some very senior Chinese officials, some are Assistant Commissioners within the Ministry of Machinery!"

The finding shows that the personal integrity of Chinese negotiators is not considered as an inducement factor by the Hong Kong negotiators to practice "face work". A potential explanation may be China is changing from a traditional agrarian state to a more materialistic society. Hong Kong negotiators naturally concentrate more on the observable characteristics (status, wealth, popularity, education) of their Chinese counterparts and the negotiation outcome (perceived outcome) rather than investing time to understand the Chinese counterparts' integrity in a highly competitive market place. This evidence is reinforced by a recent survey on business ethics in China. It shows that companies urgently build their businesses based on benefits without paying too much attention to the traditional Chinese ethical value (anonymous author, 1997b). The combined implication of this business ethics survey with this study shows that foreign negotiators employ a practical and cultural bias approach to practice "face work" in a materialistic but hierarchical ordered commercial society.

The signs on the coefficients of status, wealth, popularity, outcome and education are in the hypothesised direction and have a significant impact on foreign negotiators' practice of "face work" on their Chinese counterparts at 1% level which lead to the decision of accepting hypothesis H<sub>1</sub>.

To test H<sub>2</sub>, a simple regression analysis was executed using the 4 R dimensions of “face work” (i.e. “reciprocity”, “response”, “respect”, “reputation”) on table 4 as independent variables and the summated scores of all items within each “favour” classification on table 5 as dependent variables. The regression result is shown in table 7 below.

**Table 7- The relationship between practice of “face work” factors and the perceived “favours” - multiple regression analysis**

	Dependent variables		
	1 st equation Government approval	2 nd equation Marketing activities	3 rd equation Information
Independent variables			
<b>Reciprocity</b>	<b>-0.190</b>	<b>0.041</b>	<b>-0.131</b>
<b>Response</b>	<b>0.285*</b>	<b>0.280*</b>	<b>0.203*</b>
<b>Respect</b>	<b>0.269*</b>	<b>0.225*</b>	<b>0.008</b>
<b>Reputation</b>	<b>0.059</b>	<b>0.084</b>	<b>-0.048</b>
<b>Adjusted R<sup>2</sup></b>	<b>0.213</b>	<b>0.175</b>	<b>0.035</b>
<b>F</b>	<b>21.471</b>	<b>17.055</b>	<b>6.414</b>
<b>N</b>	<b>151</b>	<b>151</b>	<b>151</b>

The entries in the table are standardised estimates  $\beta$

\*  $p < 0.05$

The simple regression results on table 7 show that Hong Kong negotiators can only use two “face work” dimensions, i.e. “response” and “respect” to motivate their Chinese negotiators on seeking of government approvals, carrying the necessary marketing activities and providing market information. The major help that can be provided by the Chinese negotiators, according to the magnitudes of the adjusted R<sup>2</sup>s,

is obtaining government approvals followed by marketing activities and information in that order. All betas are significant at 5% level and therefore H<sub>2</sub> is accepted.

The regression results suggest that the intentions of respondents to seek instant “reciprocity” and building “reputation” may not be as effective as to show careful “response” and “respect” to generate “favours” from their Chinese counterparts in a Chinese relational setting. The finding shows that modesty (King 1993) is highly cherished in traditional Chinese value system (Yau 1989). Hong Kong negotiators should not explicitly show their requests but rather they must implicitly build in their negotiation inquiries during their face-to-face interactions with their Chinese counterparts.

The analyses show that the proposed “face and favour model” is intact in a Chinese relational setting.

### **DIFFERENT “FACE WORK” CLUSTERS**

One possibility to analyse whether different “face work” approach are being employed by Hong Kong negotiators is to investigate whether respondents can be classified into number of distinct “face work” clusters based on respondents’ perception on the 4 R “face work” dimensions mentioned above (Dess and Davies 1984, Kim and Lim 1988).

Since factor scores and summated scales have their own advantages and

disadvantages (Hair et al 1995), cluster analysis was performed on both to examine whether there was any significant difference between the two solutions. Because it is arduous to decide the appropriate number of clusters (Saunders 1980), a three-cluster solution was initially run; a two-cluster and a four-cluster solution were subsequently performed to help determine the optimal number of clusters (Hooley et al 1992).

The cluster solutions generated were checked by commonly suggested methods such as ANOVA and Scheffe's test (Hair et al 1995). The validation result shows that the three-cluster solution was found to outperform the other solutions. Table 8 below summarises the results of the validation tests. Since the two cluster solutions derived respectively from factor and summated scores are similar, table 8 only shows the solution based on summated scales for ease of interpretation (Hair et al 1995).

**Table 8- Groupings of Hong Kong negotiators derived from cluster analysis based on “face work” 4 R dimensions**

	<b>Cluster 1 The Impresser (N= 65)</b>	<b>Cluster 2 The smoother (N=77)</b>	<b>Cluster 3 The cruel (N=10)</b>	<b>F values <sup>a</sup></b>	<b>F-sig</b>
<b>Reciprocity</b>	5.16 <sup>b</sup>	5.77	3.28	161.952	0.000 <sup>c</sup>
<b>Response</b>	5.18	5.81	4.40	54.829	0.000
<b>Respect</b>	5.33	5.66	3.93	58.490	0.000
<b>Reputation</b>	4.94	5.72	4.73	41.832	0.000

<sup>a</sup>F-value derived from one-way ANOVA test between the three clusters. Although it is not shown in

the table, the follow-up Scheffe's test also indicates a significant difference in the mean factor 1 to 4 between all possible pairs of clusters at  $\alpha=0.05$ .

<sup>b</sup> Mean summated scores with 1= strongly disagree and 7= strongly agree.

<sup>c</sup> Significant at  $\alpha=0.05$ .

The three derived clusters are labelled as the *impresser*, the *smoother* and the *cruel* respectively. The nomenclatures were given according to each cluster's summated scores in factor 1 (reciprocity), factor 2 (response), factor 3 (respect), and factor 4 (reputation). For instance, when examining the scores of cluster 1, the score of respect (5.33) is considerably higher than the other two scores, i.e. reciprocity (5.16) and response (5.18). Also, all 3 scores are much higher than the mid-value of 4.0 on a 7-point scale. Finally, the reputation score (4.94) falls in the "neither agree nor disagree" range of the 7-point scale. This "face work" group may have more than average respect in practising "face work" in front of their Chinese counterparts in various activities but they do not put exaggerated emphasis to plea for reciprocity from their counterparts whilst maintaining response when practice their "face work". They are relatively modest in the face interaction with their Chinese counterparts and are a bit modest in obtaining reputation. This type of modesty nicely fit in the doctrine of the mean (Yau 1989) and is valued in a traditional Chinese society (King 1993). The resulting effort of practicing "face work" by this group of foreign negotiators is more than likely to impress their Chinese counterparts. Therefore, this group is labelled as *impresser*.

"Face work" practitioners in cluster 2 spend more effort than the "*impresser*" in 3 "face work" factors, i.e. reciprocity (5.77), response (5.81) and respect (5.66).

Nevertheless, these scores indicate their efforts are not too excessive as compared to the impressers because all scores fall into the lower end of the slightly to strongly agree range (5.00-7.00) on a 7-point scale. However, their desires to build reputation are much higher than the “impresser”. In other words, they put a little more effort in seeking reciprocity and generating respect but putting considerably more effort to establish reputation than the “*impresser*” whilst maintaining reasonable level of response to their Chinese counterparts. As a result, they may be perceived as a high profile smooth “face work” practitioners in a high context culture (Hall 1976, Keegan 1995, Buttery and Leung 1998). Therefore, they are labelled as the *smoother*.

“Face work” practitioners in cluster 3 are small in number (N= 10) and are “cruel” when they are compared to the other two clusters. The “response” score (4.40) and the “reputation” score (4.73) fall into the “neither disagree nor agree” (4.01-4.99) area on a 7 point scale. They also slightly disagreed on the other two dimensions, i.e. “reciprocity (3.28) and “respect” (3.93). In other words, they are relatively inactive or lack of respect in seeking reciprocity from their Chinese counterparts. This small group of “cruel” adapts a “hard line” approach (Buttery and Leung 1998, 378). In saying that, they take up their initial positions and develop egos that drive them to reconcile future actions with established positions in order to arrive at the pre-determined company target (Fisher and Ury 1986). They perceive that their job is limited to finalise the transaction rather than selling smile. Therefore, this group of “face work” practitioners is labelled as the *cruel*. However, this group of “face work” practitioners misses a very important reason in practising “face work”, one in-depth

interviewee clearly pointed out: “giving *mianzi* is not just about praising others. It is a social interaction concerning mutual and cultural respect!”

### **Face as a positioning strategy**

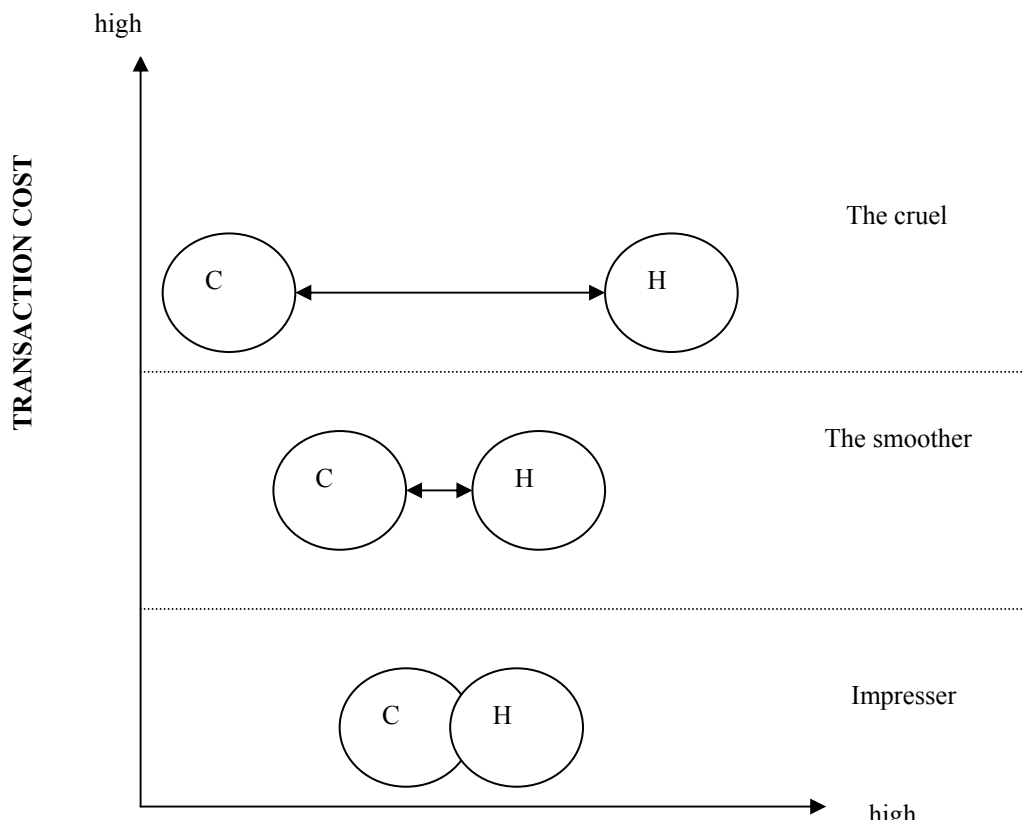
Hong Kong business negotiators, according to this survey, can be segmented into three clusters, i.e. the *impresser*, the *smoother* and the *cruel*. Hong Kong negotiators’ different manipulation of the four dimensions, i.e. reciprocity, response, respect, and reputation generate different face-to-face interactions with their Chinese counterparts in term of psychic distance and transaction cost. For instance, the *cruel* is typically a small group of negotiators who take up a hard approach and concentrate on finalising the business transactions and neglect the importance of practicing “face work”. A *cruel* is looking for substance and put little emphasis on respect and reciprocity. He/she is inactive to note the importance of improper response of “face work”. In doing that, he/she may install a bigger psychic distance (Conway and Swift 2000) in his/her interaction with his/her Chinese counterpart in a country that is high context in nature (Hall 1976, Keegan 1999). His/her *cruel* face may initiate his/her Chinese counterparts to perceive him/her as an outsider and the perceived transaction cost, at least from a psychological perspective, will be very high because his/her Chinese counterpart has to spend a lot of time in understanding his not-so-popular character. As a result, business transaction may not happen because he/she cannot create a good *guanxi* with his Chinese counterpart under this type of “cruel” relational environment.

As the label suggests, a *smoother* spends considerable effort in giving respect to their Chinese counterpart. He/she tries hard to create reputation and generate proper response. However, he/she may be perceived as not-too-modest because of his/her high expectation in obtaining reciprocity in his/her face-to-face interactions with his/her Chinese counterparts. This positioning creates a very interesting but contradictory scenario. On the one hand, his/her Chinese counterpart may be willing to establish *guanxi* with him/her because of the respectful character in the face-to-face interactions. On the other hand, his/her character may be perceived as too-flattering and too-materialistic that may become a major obstacle. Under this scenario, the psychic distance (Conway and Swift 2000) between this *smoother* and his/her Chinese counterpart is smaller than that of a *cruel* but it is not small enough to facilitate long-term association. The psychological transaction cost is perceived as high because of potential risk for the Chinese negotiators to deal with a not-too-honest person.

An *impresser* has a better position than the *cruel* and the *smoother* because he/she is a solid all-rounder in seeking reciprocity, giving appropriate response and creating respect. Meantime, he/she is more modest by not creating excessive reputation. He/she is perceived as a more stable character. Under this scenario, *Guanxi* can be established and he/she can be easily accepted as an old friend by his/her Chinese counterpart because the psychic distance (Conway and Swift 2000) and the psychology transaction cost is perceived as small by the Chinese counterparts. Old friends count and all deals become easy (Brahm and Lee 1996, Tsang 1998). As

Wagner (1990, 93) concurs: “Sino-foreign business negotiation is not purely a transactional exchange; it is also a cultural exchange.”

The relative positioning of these three clusters is illustrated on a perceptual map in figure 2 below.



## **CONCLUSION**

The study suggests that Hong Kong negotiators, because of their similar ethnical background with their Chinese counterparts, perceive “face work” as a cultural strategy to align themselves with powerful Chinese parties to seek competitive advantage in a complex bureaucratic Chinese society.

Based on the perceived “inducement factors” imbedded in their Chinese counterparts, the Hong Kong negotiators plot their positioning through “face work” to seek speedy government approval of business projects and establishment marketing channels. They manipulate four “face work” dimensions, i.e. reciprocity, respect, response, and popularity to achieve three positioning; i.e. the *cruel*, the *smoother* and the *impresser*. Each positioning will put different psychic distance and transaction cost between the Hong Kong and Chinese negotiators. An *impresser* is found to have the smallest psychic distance and transaction cost with his/her Chinese counterpart(s). Only if the Hong Kong negotiators position themselves as impressers can they establish a good

*Guanxi* and an old friend status with their Chinese counterparts. If *Guanxi* is perceived as the infrastructure of that relationship network, then “face work” is the lubricant to help Hong Kong negotiators develop dynamics in that network. Old friends count and the negotiation deals become easy.

Throughout the whole study, the Hong Kong negotiators’ practice of “face work” seems to tap into the misallocation of resources in China that may be perceived as “corrupt behaviour” (Wong and Chan 1999 p.114) and illegal (Threshold 1990). However, the concept of corruption may be different between China and the West because of different interpretations on this concept (Lovett et al 1999) and therefore further research must be done to evaluate the ethical implication of “face work”.

## **Recommendations**

Based on the Hong Kong experience, the following recommendations are given to foreign negotiators.

Foreign negotiators should adapt “face work” as a cultural strategy because it helps establish *Guanxi* with the Chinese counterparts and initiates the Chinese negotiators to provide assistance or “favour” in penetrating the Chinese market.

This study demonstrates that Hong Kong negotiators practice “face work” on their Chinese counterparts based on their apparent “inducement factors”, i.e. status, wealth,

popularity, perceived outcome of negotiation, and education. However, solely based on these variables to practice "face work" is not recommended to foreign negotiators because the practice is very short sighted. Business environment in China changes so quickly and a person moves from an unimportant position to important position if political power is on his/her side. This "unimportant" person, therefore, may become a chief negotiator in future business projects. Foreign negotiators should practise the "face work" widely. However, the practice of it should not be up to the extent of flattering because it contradicts with the traditional concept of "modesty" that is valued in a high context Chinese community.

A foreign negotiator should manipulate the four "face work" dimensions (reciprocity, response, respect and reputation) to position him/herself as an *impresser* to minimise the psychic distance and psychological transaction cost between him/her and the Chinese counterpart(s). An *impresser* is perceived to have a stable and modest character that nicely fit into the traditional Chinese concept of modesty.

### **Limitations of this research**

Given the intra-cultural context of this study, foreign negotiators should aware the limitations of this research. Foreign negotiators should eliminate the elements of parochialism and ethnocentrism (Alder et al 1991) addressed in the methodology section of this study. Parochialism is the act of assuming the ways of one culture are the only ways of doing things. Ethnocentrism is the act of assuming that the ways of

one's culture are the best ways of doing things. To neutralise the effects stemming from these two elements, foreign negotiators must suspend their experience and be prepared to acquire new knowledge about human interaction behaviour and motivation in the PRC market. In other words, foreign negotiators should evaluate their business plan in the Chinese cultural context before they can implement the above cultural recommendations effectively.

### **Future research directions**

Many problems and obstacles in Sino-foreign business negotiations have their roots in cross-cultural communication and understanding (Fan 1996). The difficulty of business negotiation in China does not come from *guanxi* alone, it also attributed to the interpretation of “face work” and other Chinese elements such as trust (Leung 1997). Therefore, future research directions should concentrate on an integrative model of Chinese cultural elements i.e. *guanxi*, face, and trust and its implications to Sino-foreign business negotiations.

The relationship between business ethics and “face” is another important topic to be carried out in the future because the understanding of it can help business negotiators to avoid legal consequences that is loosely defined in a PRC context (Wong and Chan 1999).

Giving the discussions on the cultural differences in three Chinese sub-cultures, i.e. Hong Kong, Taiwan and Singapore in the methodology section, future research

should investigate the differences in intra-cultural negotiation approach when these sub-cultures enter the PRC market. Foreign negotiators will be benefited from the understanding of the intra-cultural negotiation dynamics.

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