Assessing the relationship between networking and the business performance of suppliers to the motorbike industry in the main city zones of Chongqing with a Special emphasis on *Guanxi*

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DECLARATION

I, Yi-fan Li, declare that

（ⅰ） The research reported in this dissertation, except where otherwise indicated, is my original research.

（ⅱ） This dissertation has not been submitted for any degree or examination at any other university.

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Yi-fan Li   March 2009

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Abstract

In the Chinese business environment, owner-managers of SMEs emphasize engaging in networking and are good at developing networks, especially personal networks (*Guanxi*). The primary purposes of the research were to ascertain whether there is a relationship between networking practice and business performance in the main city zones of SMEs making motorbike components in Chongqing; which types of networking are perceived to be more important and effective to improve business performance; and which types of networking are less likely to contribute to the business performance.

The Chongqing motorbike industry is the predominant industry in Chongqing and is also the largest motorbike manufacturing cluster in China. The Chongqing motorbike components SMEs also produce the most motorbike components in China. Over 90 per cent of the required components can be locally supplied (Tzswj, 2004: Online). Therefore, the primary motivation for conducting this research comes from the recognition of the importance of networking practices (*Guanxi*) in the Chinese business environment and the realisation of the importance of the Chongqing motorbike components SMEs to the Chongqing motorbike industry. This research is to assist Chongqing motorbike components SMEs to improve business performance through appropriately engaging in networking practices. In turn, the Chongqing motorbike industry can be expected to consolidate and improve its market position in the long term.

This research first discussed the related theories about networking and *Guanxi*. This is followed by the description of the Chongqing motorbike industry and its component industry, with specific description of the major problems associated with both industries as well as those associated with the external environment. Thereafter, the descriptive chapter is followed by the methodology used for the research and research findings and discussion. Finally, the recommendations and conclusions are followed.

Findings from this research indicated that networking practices have a positive relationship with business performance of the motorbike component SMEs of the main city zones in Chongqing. In addition, each type of networking practice has a potential to facilitate business performance. In terms of the four types of formal networking: customer, supplier, competitor, and supporting networking, these were respectively realised as the first, second, third, fourth most contributive and effective type of networking. However, the respondents also considered that personal networking (*Guanxi*) was one of the most significant and essential networking activities that can facilitate the process of business performance.

Based on the findings and the key problems of the Chongqing motorbike component industry, recommendations can be made to the SMEs on how to effectively engage in networking practices with all possible networking participants in order to obtain required resources that are essential to sustain and improve business performance of the motorbike industry of the main city zones in Chongqing.

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Chapter 1: Introduction to the study

1.1 Aim of the chapter

Chongqing city as well as its motorbike industry will be briefly described. Also, the main and subordinate research problems, the motivation for the research needs to conduct, the hypotheses which will be tested by the research, and the objectives that the researcher wants to accomplish will be discussed. Finally, the structure of the thesis is outlined.

The scarcity of resources is one of the most obvious disadvantages to SMEs compared with large corporations (Wincent, 2005: 438). However, Premaratne (2001:364) argues that networking practices can potentially improve the capacity of a SME to obtain potential resources, which may be an effective way for SMEs to solve the problem of lack of resources. Within this broad framework, the primary initiative for undertaking this study is to ascertain whether the practice of networking can contribute to the business performance of motorbike component SMEs of the main city zones in Chongqing.

Previous literature has also identified five types of networking (personal networking, customer networking, competitor networking, supplier networking, and supporting networking) that are often pursued by SMEs (Dollinger, 1995: 429, Premaratne, 2001: 364). However, few researchers have identified and ranked the different types of networking according to their effectiveness or contribution. Therefore, this research intends to further explore which types of networking are more important and effective than others to facilitate the business performance of motorbike component SMEs of the main city zones in Chongqing. This would help the Chongqing motorbike components SMEs to effectively allocate their limited resources, in order to pursue those more important types of networks that would increase the SMEs' chances of success.

1.2 Introduction to Chongqing and its motorbike industry

1.2.1 Chongqing

Chongqing is situated in the south-west of China and is the only municipality directly controlled by the central government in that region (Zhao, 2005: Online). With a total territory of 82300 square kilometres, Chongqing has 40 boroughs and counties (www. cq. gov. cn., 2007: Online). Chongqing city is surrounded by mountains, and is the most famous mountain city in China (Mo, 2002: Online). Chongqing was the second capital city, which had been regarded as an important industrial base since the Second World War (Mo, 2002: Online). Due to historical reasons, there were many military factories located in Chongqing (www. cq. gov. cn., 2007: Online).

Secondary industry is the principal part of the Chongqing's economy (Ren & Dai, 2002: 254). Since 1978, the Chinese government has reformed its economic system from that of a planned economic system to a market economy system. Meanwhile, it has pursued more open policy since the economic reforms started in 1978 (Taormina & Lao, 2007:200). Both the light and heavy industry of Chongqing has been developing dramatically, and Chongqing has established a number of important industries, including the motorbike and automobile industry, natural gas, pharmacy industry, and aluminothermy industry (Zhao, 2005: Online). Today's Chongqing has become the centre of industry and commerce in the south-west of China, and the important transport node and freshwater port (Zhao, 2005: Online).

1.2.2 The phases of development in the Chongqing motorbike industry

The emergence of the cluster of the Chongqing motorbike industry experienced three phases: the foundation period (1979-1989), the comprehensive development period (1990-1998), and the mature period (1999-) (Ji & Wang, 2006: 11). In the first phase, many military factories began to change their business models in order to accommodate the new economic system (Meng & Zhao, 2003: 8). Because the military manufacturers had many technological and manufacturing skills, some of them pioneered the motorbike industry in China, such as Jialing and Jianshe (Mo,

2002: Online).

After ten years of the comprehensive development period, the Chongqing motorbike industry moved towards the second phase. Some large motorbike components companies and repair factories began to assemble motorbikes (Ji & Wang, 2006: 11). Along with the standard of living of the Chinese citizen which increased year by year, the demand for motorbikes dramatically increased in China. Such huge demand had supported the development of the Chongqing motorbike industry (Ji & Wang, 2006: 11). At the end of this period, the rudiments of the motorbike industry cluster in Chongqing had been formed (Ji & Wang, 2006: 11).

In the third period, there were still many motorbike manufacturers established by the end of 1990s, such as Hensin (Li, 2006: 12). In addition, other supporting organisations such as information centres, science and technology institutions, and intellectual property institutions were accordingly established and they promoted the consolidation of the motorbike industry cluster in Chongqing (Ji & Wang, 2006: 11). Therefore, the prominent achievement of the Chongqing motorbike industry not only resulted from the collective effort of all related individual enterprises, but also was largely supported by the local government. The Chongqing government has invested about 1 billion RMB to construct more advanced and completed motorbike infrastructure that has been more convenient to local motorbike and component enterprises (Zhang: 2004: 10).

1.2.3 The current status of the motorbike and component industries

The Chongqing motorbike industry has consolidated its prominent position in China since 1992 after the economic reforms (Tzswj, 2004: Online). Liu and Wang (2004: 24) state that the development of the Chongqing motorbike industry was due to not only the contribution of the state-owned enterprises (SOEs) such as Jiangling and Jianshe, but also the contributions of many private companies that were supportive of the motorbike industry, such as Lifan, Zongshen, and Loncin. After a 28-year

development, the Chongqing motorcycle industry has become large in terms of the production volume (Ji & Wang, 2006: 10). Until 2004, five out of ten of the largest motorbike manufacturers were in Chongqing, and the total output of motorbikes in Chongqing accounted for 35 per cent of output in China in 2006 (Tzswj, 2004: Online).

Nevertheless, it may be argued that without the strong support of the Chongqing motorbike components industry, the motorbike industry of Chongqing would not be successful. The cluster of motorbike components industries have formed in Chongqing (Ji & Wang, 2006: 11). Chongqing has more than 1000 motorbike components manufacturers to support the motorbike industry (Meng & Zhao, 2003: 8). Chongqing is also the largest production base of motorbike components in China, and most motorbike components manufactures are private companies (Tzswj, 2004: Online). Chen, Wu, and Deng (2006: 34) assert that the product quality of the Chonqing motorbike component enterprises has an especially huge impact on the local motorbike producers' product quality. Zhang (2004: 11), in addition, points out that Chongqing has a comprehensive and good industrial base. Thus, the related industries of the motorbike industry such as steel, rubber, electronic instrument panel and mechanism are also well-developed industries.

The Chongqing motorbike components manufacturers specialize in making engines and engine parts, such as gears, crankcases, clutches, pistons etc. (Tzswj, 2004: Online). In terms of production scale, these manufacturers remain ahead in these areas in China (Zhang, 2004: 11). China has become the largest motorbike producer in the world, and Chongqing is the most famous city producing motorbikes ((Bai, 2005: 15; Meng & Zhao, 2003: 7).   Due to the abundant technical and human resources with relatively low labour costs in Chongqing, some engine parts have entered the global purchasing system of Japanese motorbikes, such as Honda, Yamaha, and others (Meng & Zhao, 2003: 8).

The vigorous development of Chongqing's motorbike industry largely relies on the contributions of the component suppliers in Chongqing (Chen et al., 2006: 34). The strong performance of the Chongqing motorbike component makers is mainly responsible for the success of the Chongqing motorbike industry. It is also undeniable that the success of Chongqing's motorbike industry not only relies on the contributions of large manufacturers of components, but also rests on the contributions of small and medium enterprises of components (Tzswj, 2004: Online).

Along with increased competition, the Chongqing motorbike industry is confronted with a big challenge. New entrants in the industry, and the full development of production technology have often led firms to launch price wars (Tzswj, 2004: Online). Although the production and sales volumes constantly increased in the past years, profitability constantly shrank at the same time (Meng & Zhao, 2003: 7). In order to survive, motorbike manufacturers passed the profitability pressure to their component suppliers and often forced them to reduce the prices or optionally extend the payment period to suppliers. This could be disastrous for the SMEs which often lack resources.

1.3. Statement of research problem

One of the obvious disadvantages of SMEs is their scarcity of resources and information (Wincent, 2005: 438). Gibb (2006: 271) asserts that networking can be an effective tool to create and exchange valuable information and resources. Watson (2007:853) further points out that engaging in networking can potentially increase the chances of business success. Nevertheless, there is no similar research that has been conducted in the motorbike component SMEs of the main city zones in Chongqing. Thus, this study intends to investigate whether networking practice and business performance have a positive relationship in the motorbike component SMEs of main city zones in Chongqing. Previous literature has also identified five types of networking (personal networking, customer networking, competitor networking, supplier networking, and supporting networking) that are often pursued by SMEs

(Dollinger, 1995: 429, Premaratne, 2001: 364).

Although the five types of networking practices may have their own unique roles that are used to serve different functions (Wincent, 2005:438, Premaratne, 2001:364), few researchers identified which types of networking are more effective than others in terms of networking's contribution to business performance. Resources are vital in order for firms to perform, especially for SMEs. Although the most important goal or motivation for SMEs to engage in networking is to obtain or exchange resources, networking itself must also be supported by resources (Szeto, Wright & Cheng, 2006: 427). Therefore, it is worth identifying the most important and effective resources, in order to maximize the positive effects of networking on business performance.

The main research problem of this study can be stated as follows:
- What is the relationship between networking practices and business performance in the motorbike component SMEs of the main city zones in Chongqing?
- Which types of networking areas are perceived to be more important in improving business performance in the motorbike component SMEs of the main city zones in Chongqing?

In order to answer the above research questions, the following subordinate issues must be addressed accordingly:

For the first research problem, the dependent variable (business performance) must be firstly defined. Thus, the appropriate indicators of business performance must be selected, in order to objectively and correctly assess the level of business performance of the sampled SMEs. A limited set of performance indicators must be identified in order to judge whether the business is successful. Parker (2000: 63) states that financial indicators such as profitability, revenue, and return on investment (ROI) ratio have been widely used to measure business performance in the traditional business world. However, using only financial indicators to measure a company's performance may not truly reflect the holistic performance, because it is based on a

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particular view and measures past financial data (Lee & Ko, 2000: 68). "The concept of a balanced scorecard (BSC) tends to balance both financial and non-financial indicators of business performance, which include four main areas: financial perspective, customer perspective, internal business process perspective, and innovation and learning or learning and growth perspective" (Lee & Ko, 2000: 68). Therefore, this research is going to apply these four key perspectives of BSC to measure the business performance of the sampled SMEs.

Being able to identify the key performance indicators from the above four perspectives could produce more precise and objective results which could clearly indicate the level of business performance of the sampled SMEs. Next, the independent variable (networking) must also be set a series of measurement indicators in order to measure the different extents of networking. O'Donnell (2004: 207-208) shows that owner-managers engage in different levels of networking that range from "limited" to "extensive". The reasons that lead entrepreneurs engaging in different levels of networking can vary, such as psychological reasons and other networking actors' attitude (O'Donnell, 2004: 207-208). These factors could directly and indirectly affect how entrepreneurs spend their time, efforts, and resources when engaging in different levels of networking. Being able to answer the above questions, would help the researcher to ascertain the precise relationship between networking and business performance.

For the second research problem, the five networking areas/types have been confirmed from past literature. The relevant information should be gathered and reviewed from the literature pertaining to these different types of networking, in order to understand the nature of each type of networking. Also, it is extremely important to understand what kinds of resources are vital for improving business performance in this industry. Logically then，one needs to investigate what types of networking are the major sources to access and obtain those resources. Through this logical approach, it is possible to identify what types of networking are more effective than others to

obtain those resources. Furthermore, it is also possible to rate these five types of networking in terms of their effectiveness and contribution.

1.4 Research hypotheses

According to the research problem, the following general research hypotheses can be made:

GH: There is a significantly positive relationship between networking practice *(Guanxi)* and business performance of the motorbike component SMEs of main city zones in Chongqing.

The following specific research hypotheses are made from five different types of networking practices and will be also tested in this research:

H1: There is a significantly positive relationship between customer networking and business performance of the motorbike component SMEs of the main city zones in Chongqing.

H2: There is a significantly positive relationship between competitor networking and business performance of the motorbike component SMEs of the main city zones in Chongqing.

H3: There is a significantly positive relationship between supplier networking and business performance of the motorbike component SMEs of the main city zones in Chongqing.

H4: There is a significantly positive relationship between other formal networking and business performance of the motorbike component SMEs of the main city zones in Chongqing.

H5: There is a significantly positive relationship between informal networking and business performance of the motorbike component SMEs of the main city zones in Chongqing.

1.5. Conceptual framework

The conceptual framework of the study is illustrated below. First, the object of this research focuses on the motorbike component SMEs of the main city zones in Chongqing. The second object is to establish whether adopting networking practices can improve business performance that relates evenly to four aspects: financial success; internal business process success; customer satisfaction; and innovation and learning. Third, this research also investigates whether each type of networking practice can drive business performance and which types of networking are perceived to be more important and effective than others to improve business performance. Furthermore, the second step is realised as being the major premise for the third step. These two steps are in a subordinate relationship. Hence, the third step is feasible only if the positive relationship between business performance and networking practice has been proven.

Figure 1.1 Conceptual Framework

The motorbike component SMEs of the main city zones in Chongqing

GH

Adopt networking practice (*Guanxi*)

H1 — Customer networking

H2 — Competitor networking

H3 — Supplier networking

H4 — Supporting networking

H5 — Personal networking

Financial success

Internal Business Process Success

Business performance

Customer Satisfaction

Innovation and Learning
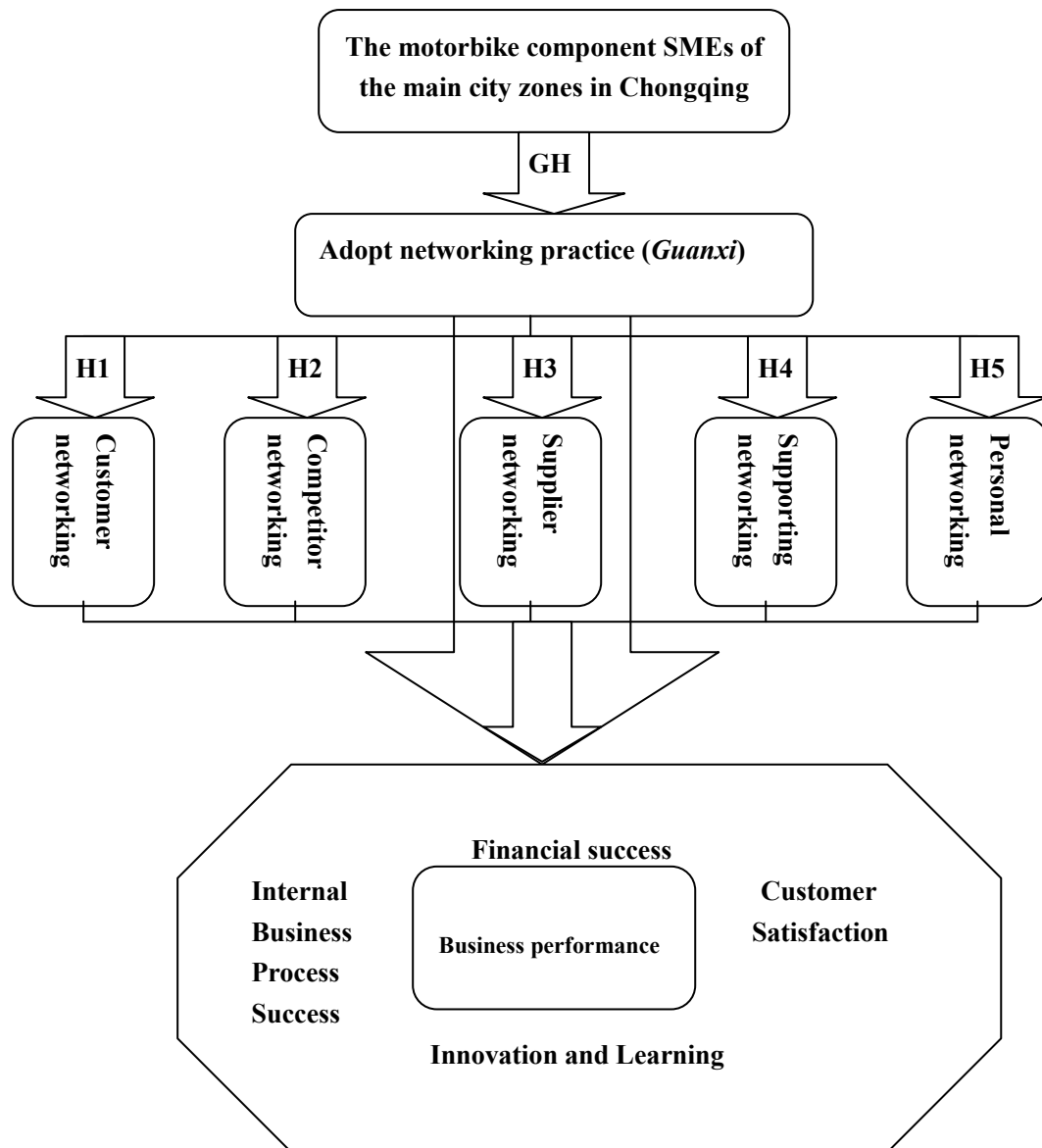
1.6 Research objectives

The objectives of the research are listed as follows:

- To determine if there is a relationship between networking practice and business performance of the main city zones of motorbike component SMEs in Chongqing.

- To investigate which types of networking are perceived to be more important and effective and are more essential to improve business performance, and which types of networking are perceived to be less likely to contribute to the business performance of the motorbike components SMEs of the main city zones in Chongqing.

- To provide a comprehensive guideline that is based on the findings. The recommendations intend to educate these entrepreneurs on how to effectively engage in networking (*Guanxi*) to more effectively and efficiently to mobilise their limited resources in order to drive business performance.

1.7 The motivation for conducting the research

The motorbike industry is the predominant industry in Chongqing (Liu & Wang, 2004: 24). The industry sustained a high incremental growth period during 1990s (Meng & Zhao, 2004: 7). The Chongqing motorbike industry has become the most important production base in China since 1992 (Tzswj, 2004: Online). Zhang and Xu (2007:148) state that through almost 30-years' development of the Chongqing motorbike industry, this industry has realised industrialization, occupied a relatively high market share in the domestic market, and become an important force to stimulate the local economy. However, the development of the Chongqing motorbike industry was not even, in terms of the relationship between sales volume and profitability (Meng & Zhao, 2004: 7). In 2002 and 2003, the sales volume of the Chongqing motorbike industry accounted for respectively 30.82% and 32.43% of that of China, whereas, the profitability of this industry only accounted for 19.91% on average of the Chinese total (Zhang, 2004: 12). Meng and Zhao (2004: 7) also point out, that from 1995 to 2002, the profitability of this industry dramatically decreased from 2200 million Renminbi (RMB) to 430 million RMB.

The relationship between the motorbike industry and its components industry is closely related and mutually supportive. The business recession of the Chongqing motorbike industry could have a huge impact on related industries, such as the components' industry, and vice versa. In addition, the motorbike component industry should be recognised as being the cornerstone of the motorbike industry. It is because almost all of the required components are locally supplied (Tzswj, 2004: Online), the competitiveness of the motorbike industry relies largely on the competitiveness of the motorbike components industry (Chen et al., 2006: 34). Therefore, if Chongqing's motorbike industry intends to sustain and improve its market position, this will be possible only if its components industry can be improved.

In Chongqing, the motorbike component industry consists of by many SMEs (Tzswj, 2004: Online). Whether the components industry can prosper will largely depend on the success of the SMEs. Therefore, the primary motivation for conducting this research comes from the recognition of the importance of networking practices (*Guanxi*) in the Chinese business envorinoment and the realization of the importance of the Chongqing motorbike components SMEs to the Chongqing motorbike industry. This research hopes to assist Chongqing motorbike components SMEs in improving business performance through appropriately engaging in networking practices (*Guanxi*). In turn, the Chongqing motorbike industry can be expected to consolidate and improve its market position from the long-term perspective.

This research is especially important because it aims to establish whether entrepreneurial networking has positive influences on the success of the Chongqing motorbike components SMEs. In addition, it also aims to identify which types of networks are perceived to be more effective and efficient than others to obtain the operational resources that are important to the SMEs. If entrepreneurial networking is identified as having obvious benefits, recommendations will then be made on how to adopt effective ways to access particular types of networks, and this information should be valuable to the SMEs to improve business performance.

1.8 Structure of the thesis

The structure of the thesis is outlined as follows:

● Chapter one: Introduction to the study

In the first chapter, an introduction of the background and research field will be given. Then, the relevant aspects such as research problems, hypotheses, objectives, and motivation will be clearly identified and described. Finally, the structure of this thesis will be provided.

● Chapter two: Networking in Small and Medium Enterprises

In this chapter, the proposition that the success of business results from some forms of business excellence will be made. Then the nature of networking from different perspectives will be introduced; and the relevant theories about networking in the SME context will be evaluated. Finally, the nature of four types of networks will be evaluated. A review of all the related literature on networking will be presented in order to search for convincing arguments relating to the topic.

● Chapter three: *Guanxi* in the Chinese context

In this chapter, *Guanxi* will be explained in a general way. Then, the importance of *Guanxi* in the Chinese business environment will be highlighted. Thereafter, the relevant theories about *Guanxi* will be evaluated, including cultural factors of *Guanxi*, types of *Guanxi*, and the relationship between *Guanxi* and business performance. Thereafter, the linkage between *Guanxi* (personal network) and other extended networks will be established. Finally, the chapter will be related to the previous chapter, in order to identify the relationship between *Guanxi* and business performance.

- Chapter four: Background to the Chongqing motorbike industry and its component industry

In this chapter, a description is given that aims at providing a detailed background about the Chongqing's motorbike industry and its component industry. More importantly, in this chapter the major problems that are experienced by both industries will be identified. Thus, based on the background of the Chongqing motorbike industry and its component industry, recommendations on how managers could effectively engage in networking practices will be provided in Chapter seven.

- Chapter five: Research methodology

The research methodology that will be used in this research will be critically evaluated. The research design will be discussed, including issues about what the nature of the research is, what kinds of data will be used, what sampling method will be chosen, and how information can be collected and interpreted, as well as what the advantages and disadvantages of the data collection methods are? This is done so that the credibility and validity of the information can be ensured and consequently, more accurate recommendations can be made.

- Chapter six: Presenting, Interpreting and Discussing the Findings

The importance of this chapter is that it will contain the collected data which were converted to readable information using the relevant statistical methods. Findings from the research will be summarised and discussed. Finally, research hypotheses testing will follow.

- Chapter seven: Recommendations and conclusion

In this chapter, firstly, a number of recommendations will be made based on the findings. Then the usefulness and limitations of the research will be outlined respectively. Finally, conclusions will be drawn.

1.9 Summary

In this chapter, the research problems, hypotheses, objectives, and motivations have been outlined. As mentioned above, the Chongqing motorbike industry is a promising industry in China (Liu & Wang, 2004: 24). It has been experiencing a recession period since the twenty-first century. One of the main reasons may be the result of the under-development of the Chongqing motorbike components industry (Meng & Zhao, 2003: 8). Previous reports reveal that most Chongqing motorbike component manufacturers do not have the ability to be innovative (Chen et al., 2006: 34). In some reports, much criticism is at the Chongqing motorbike components SMEs, mainly referring to small production scales and lack of product specialisation (Tzswj, 2004: Online). Therefore, it can be inferred that the potential strength of this industry has not been properly exploited.

In the following chapters, the related literature that was studied and reviewed about western networking theory and the Chinese *Guanxi* theory will be presented, in order to give theoretical support to the study. Thereafter, a descriptive chapter will be followed in order to identify the major problems of the Chongqing motorbike and its component industries. An appropriate research methodology will be selected to deal with the research objectives, problems, and hypotheses that were proposed in this research.

Chapter 2: Networking in Small and Medium Enterprises

2.1 Aim of this chapter

In this chapter, firstly, the proposal will be made that the good business performance results from some forms of business excellence. Then, the nature of networking from different perspectives will be introduced; and the relevant theories about networking in the SME context will be evaluated. Finally, the nature of four types of networks will be evaluated. The remaining type of networking practice (*Guanxi*) will be discussed in Chapter Three. This chapter will present a review of all the related literature about networking, in order to search for convincing arguments regarding the topic.

2.2 The "gene" of good business performance: business excellence

According to the British Quality Foundation (1999, cited by Armitage, 2002: 26), there is strong evidence that superb business performance can be achieved if firms can instil the philosophy of business excellence into their organisations and then practise it. Moullin (2002: 96) states that "business excellence is predominant practice in managing organisations and delivering value for customers and other shareholders". Previous research has verified that business performance of industrial companies can be positively affected by international best practice (Terziovski, 2003: 80).

Undoubtedly, Business excellence of SMEs can also be derived from adopting and executing a series of best practices. According to Terziovski (2003: 80), best practice can be defined as a situation where all employees in a firm cooperatively undertake the following key processes: leading, planning, customer care, supplier relations, community relations, production, customer service, and using benchmarking. All these can result in superior business performance pertaining to a proven record in significantly lowering cost, reducing time requirements, improving flexibility, quality, innovation, safety, and competitiveness. Thompson et al. (2006: 321) also agree that firms that recognise and learn best practice are on the right track to operating

excellence.

From the above, it is easy to understand the importance of best practice that can significantly affect business excellence of firms. In turn, business excellence can therefore lead to the success of the business. For instance, significantly lowering cost can result in sustainable cost advantages to firms, which can lead to higher profit margins or sales revenue. Reducing time requirements can increase the quality of customer service or/and reduce operating and logistic costs. Each of these can be a potential source of competitive advantage. By continuously searching for the best practice, a business can build or sustain a competitive advantage, which can in turn lead to business excellence of firms. Fundamentally, the process of learning and search for best practices must contain an extent of networking activities with others. Furthermore, Dollinger (1995: 427) realises both networks and networking processes can be sources of sustainable competitive advantage regarding acquiring needful resources quicker and more economically.

2.3 What is networking?

Blumdel and Smith (2001, cited by Macpherson, Fones, Zhang & Wilson, 2003: 261) define that networks of SMEs include both formal and informal relationships among individuals, business firms, and other supporting organisations such as banks and government agencies. Carson, Cromie, McGowan, and Hill (1995: 201) define networking of SMEs as an activity in which the entrepreneurs of SMEs create, foster and maintain personal relationships with particular individuals for specific reasons in both internal and external environment. Kuratko and Welsch (1994: 336) define networking as the continuous process of developing and utilising current and potential contacts for intended resources and supports.

However, networking for resources is not often free (Watson 2007: 854). It is because engaging in networking may require entrepreneurs to spend time and money to cultivate and sustain it (Szeto et al., 2006: 427). Zhao and Aram (1995 cited by

Watson 2007: 854) confirm that the benefits of networks come at a cost (the time and financial cost of involvement of entrepreneurs). A well-developed network is an important pipeline for resources and information (Wickham, 2004: 159). Networking practices may potentially help SMEs to bring more benefits in than the cost they incur for sustaining both current and potential networks (O' Donnell & Cummins, 1999: 89). Therefore, entrepreneurs need to balance the potential benefits of networking against the associated costs. Watson (2007:853) also emphasizes that firms that use networks can potentially increase the chances of success. McAdam and Marlow (2008: 223) conclude that there are four reasons that motivate entrepreneurs to engage in networking practices: firstly, networking is helpful to encourage novel ideas and obtain resources for strengthening entrepreneurial activities; secondly, networking could facilitate the exchange of resources that would increase the possibility of building collective and optimal results; thirdly, networking could enhance the achievement of credibility through formally allying with trustworthy organisations. Lastly, organisational goals could be achieved by continuously developing and maintaining good relationships with various networking participants.

2.4 Why is networking important to SMEs from various points of view?

In today's business environment, it is impossible to operate companies in an isolated world (O' Neill, Terreblanche & Keyter 1997:17). In order to achieve a collective effect, companies not only must connect with their internal departments, activities, even individuals, but also must connect with a variety of external partners, such as customers, suppliers, the public, banks, government agencies, and even competitors (Kotler & Armstrong, 2004: 27-28). This is particularly important to SMEs that experience scarcity of resources. Wang and Shi (2006: 154) describe that SMEs networking is collaborative and cooperative in nature, and this can mutually stimulate organisational growth by exchanging information and resources among partners. Li and Matlay (2006: 254) note that building business relationships through networking with the surrounding businesses is helpful to explore and identify potential opportunities. Premaratne (2001:364) also agree that networking can enhance the

capacity of a SME to reach potential resources, which may be an effective way for these kinds of firms to solve the problem of lack of resources. Furthermore, Terziovski (2003: 79) states that the ability to engage in networking is recognised as being one out of five key success factors (KSFs) for SMEs.

2.4.1 Building competitive advantage through networking

Thompson and Strickland (2001: 149) define competitive advantage as being "the edge a company has over its rivals so as to attract customers and defend against competitors". Lynch (1997: 803) also agrees that competitive advantage allows an organisation to create more critical value to its target market than its rivals' do. These two definitions state that competitive advantage is critically important for the survival of companies, no matter what the sizes of firms are.

For SMEs, there are three competitive strategies commonly used by entrepreneurs: these include cost leadership, differentiation, and focus strategies (Kean, Niemeyer, Miller & Jan, 1996: 14). Each of the competitive strategies has the potential to help a firm to do better than rivals. (Dess & Lumpkin, 2003: 154). Cost leadership could result either from low production costs or low logistic costs or both. Each of these three competitive strategies can be embodied only if the whole value chain of the company can be accordingly optimized in that direction. This requires SMEs to connect all the useful actors, in order to build their competitive advantage in a sustainable way (Premaratne, 2001:364). Therefore, it is understandable that networking plays an important role for building a company's competitive advantage. Dollinger (1995: 427) asserts that networking itself can be a source of competitive advantage to smooth the running of business operations.

2.4.2 The importance of networking from value chain perspective

Thompson et al. (2006:95) state that the value chain is constructed by a sequence of related value-added activities and this is internally carried out by companies. Almost all manufacturing companies have similar operational functions or activities, mainly

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including primary activities (eg. inbound logistics and marketing) and supporting activities (eg. administration). (Dess & Lumpkin, 2003: 72). These linked and independent activities are performed by creating value for final users. The basic logical sequences behind networking can be described as the following: the primary goal of doing business is to make money. In order to make the desired profit, SMEs must understand the needs of targeted customers, create value for their money, and deliver high customer satisfaction (Kotler et al., 2004: 107). The concept of value chain means that creating customer value must rely on the combined power of a linked set of value-added activities (Thompson et al., 2006: 95). Further, these independent value-creating activities are indeed interdependent.

The combined contributions need to be made in a cost-effective manner by a variety of actors, both internal and external ones. According to Premaratne (2001: 364), the wider and deeper the networks available to SMEs are would imply the SMEs have a better chance of obtaining the needful resources at minimum cost. The success of SMEs depends on the effectiveness and flexibility of using their limited resources, in order to strengthen their overall competitiveness in the market place. Instead of looking towards their suppliers, customers, even rivals as competitors for resources, successful entrepreneurs would recognise them as important partners (Wickham, 2004: 245). Therefore, if the network can make resources available to all parties, such networks can increase the possibility of the success of the venture (Wickham, 2004: 245-246).

2.5 Entrepreneurs' contradictory behaviour towards networking

Resources are essential and critical for any kind and size of enterprises (Premaratne, 2001:363). Without resources, firms cannot be expected to undertake any projects, and lack of resources causes the most serious bottlenecks for SMEs, since none of them has all needed resources to perform (Duinhouwer 1994, Gibb 1993 cited by Premaratne, 2001:364). SMEs have to exchange or learn to share resources (Easton 1992, Hakansson & Johanson, 1988 cited by Premaratne, 2001: 364). O'Donnell and

Cummins (1999:88) recognise that owner-managers would frequently search for external support, if they did not possess the resources or skills internally. The existing literature also claims that entrepreneurs are likely to spend more energy to develop a wider range of networks than employed managers are (O'Donnell, 2004:207). This is because the business environment often does not give equal treatment to private firms that have to spend more effort to acquire resources (Vanhonacker, Zweig & Siu, 2007: 183). Therefore, it is very often that owner-managers will consciously engage in various networking practices with a clear purpose (O'Donnell & Cummins, 1999:88). SME owner-managers can often acquire needed experience, information, skill, and resources from certain individuals or/and entities through deliberately developing networks (Gilmore et al., 2001: 7)

On the other hand, previous research also found that entrepreneurs' desire for independence is very strong, which result in little possibility and desire for participation in networking practices (Curran, Jarvis Blackburn & Black 1993 cited by O'Donnell, 2004:207). Burn and Dewhurst (1996: 168) also aver that "the psychological characteristics of people who set up their own business, often cause them not to participate in networking". Therefore, O'Donnell and Cummins (1999:88) found that the most conductive entrepreneurial networks are often developed by intuitive and opportunistic behaviour of entrepreneurs. This may mean that entrepreneurs often do not have a planned intention towards networking practices. Thus, it can be argued that the desire for independence may not mean isolation. The desire for independence accompanied by strong entrepreneurial spirit would motivate them to engage in networking with various networking participants (Vanhonacker et al., 2007: 183).

This is especially true for Chinese entrepreneurs who often have strong entrepreneurial spirit that motivates them to do the best for their business (Li & Matlay, 2006: 248). As Watson (2007: 855) asserts, owner-managers who more extensively engage in networking would achieve higher levels of business

performance than owner-managers who are less heavily involved in networking. O'Donnell and Cummins (1999:89) contend that investment (time and resources) on networking is a worthwhile action and ability to network is recognised as being an important competence of SMEs.

2.6 The relationship among benchmarking, networking, and best practice

In the context of business, a benchmark is a best-in-class standard for a particular product or service (Pikes and Barnes, 1996: 226). A best-in-class is a universal examination of best practice or performance (Pikes and Barnes, 1996: 226). Smit and Crongje (2002: 121) point out that benchmarking is the best tool to search for the best practices that can lead to superb business performance.

Spendolini (1992: 9) defines the concept of benchmarking as being a continuous and systematic course of action for evaluating and improving the final products or services, and working processes, technology, and strategy of organisations' value chains that are acknowledged as the best practices for the purpose of organisational enhancement. Lee, Zailani, and Soh (2006:549) add that benchmarking also enables firms to use a systematic way to identify the problems that need to be solved, and results in the search for appropriate solutions from available partners.

Benchmarking provides a wide variety of opportunities and can be used from many different perspectives (Zairi, 1998:72). Smit and Morgan (1996: 215-219) also confirm that benchmarking can be conducted in different ways, including: Internal, Competitive, Functional, Generic, Strategic, and Operational benchmarking. Kyro (2003: 214) adds that the evolution of benchmarking did not stop here, and more advanced benchmarking types continuously sprang up after the end of the 1990s. The evolution of benchmarking is described as follows:

Figure 2.1: The Evolution of Benchmarking
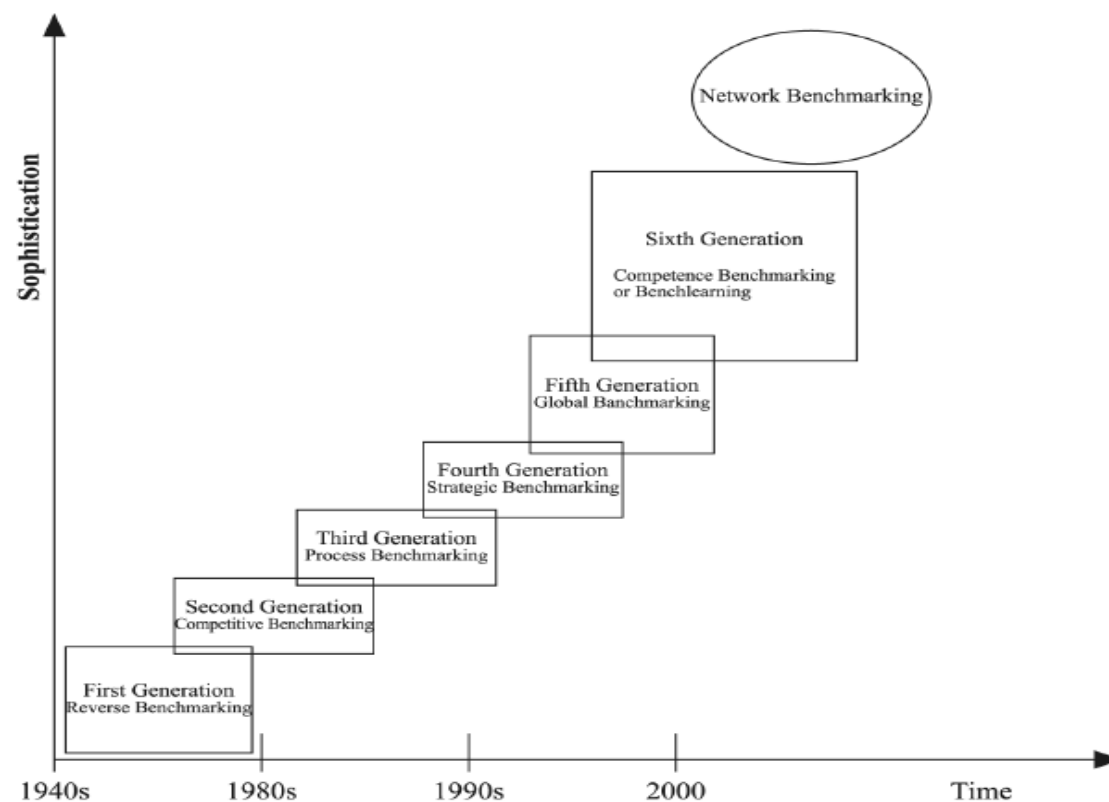
Source: Adopted from Kyro, 2003: 214.

Essentially, it can be concluded that benchmarking can be conducted within the firms as well as among firms. Firms adopting a benchmarking practice can bring numerous benefits, such as improving probability of meeting customer needs, searching for creative ideas outside the organisation, and developing winning strategies (Zairi, 1998: 14). Terziovski (2003: 80) points out that benchmarking can also be used as a vehicle for organisational change.

2.6.1 The linkage between networking and benchmarking

From the definition and the nature of networking and benchmarking, the following similarities are identified:

● First, both of them are based on the idea of a continuous process, not a one-off activity.

- Second, both of them can be internally and externally developed. It means that benchmarking can be conducted within a firm and with other firms.

- Third, both of them have the common purpose of organisational improvement by absorbing both internal and external resources.

- Fourth, both of them must cooperate between at least two units with the purpose of developing reciprocal benefits.

In today's business environment, reciprocal cooperation between partner organisations is critical for survival and success of firms (McKay & Chung, 2005: 211). Such cooperation is facilitated by a collaborative and continuous learning process that can often result in mutual benefits for all members (Terziovski, 2003: 80). Fundamentally, it is important to consider that benchmarking is an effective approach of the organisational learning process. Kyro (2003:223) points out that the nature of networking is an important component in the benchmarking process. McKay and Chung (2005: 211) also recognise that networking activities of entrepreneurs can facilitate the process of benchmarking. Chell and Baines (2000, cited by Macpherson, et al., 2003: 261) add that organisational learning can be facilitated by firms who join in business networks. Networks of firms are also the important shortcut that SMEs must utilise well, in order to absorb those external resources (good practices), and be able to transform these good practices to fit with their own organisation (Macpherson & Wilson, 2003: 172).

Besides the various ways of implementing benchmarking and the countless benefits around benchmarking, unfortunately, benchmarking was often adopted mostly by large corporations, characteristically employing more than 1000 employees, but definitely not by SMEs (Pilcher, 1999: 49). Similar studies have also found that although SMEs understand the potential gains of conducting benchmarking, most SMEs are less likely to conduct benchmarking practices, because of the lack of management expertise and/or business linkages (Terziovski, 2003: 80). Moreover, Zairi (1998: 75-76) points out that, due to the lack of the learning consciousness and

readiness to share information with benchmarking partners, few SMEs engage in benchmarking efforts.

Therefore, network benchmarking as a new concept in benchmarking has emerged (Kyro, 2003: 215). The essential motivations behind this concept is that firms come from different industries with different sizes which might have some common problems and the existing "best practices" can not effectively solve such mutual problems (Kyro, 2003: 215). The obvious difference between network benchmarking and other types of benchmarking is that network benchmarking emphasizes "mutual learning", rather than "learning from someone" (Kyro, 2006: 94). Network benchmarking should be considered as a superior form of benchmarking that can benefit both partners (Kyro, 2003: 218). More importantly, benchmarking by networking is based on mutual trust between benchmarking partners that is good for building more stable partnerships (McKay & Chung, 2005: 211). Therefore, as the more advanced type of the original benchmarking, network benchmarking enables partners in the network to mutually learn, in order to corporately create new best practices (Kyro 2006: 95). Moreover, if network benchmarking can be successfully conducted, it will also possibly link all the other types of benchmarking together (Kyro, 2003: 218). It means that network benchmarking can also be conducted according to the relevant types of conventional benchmarking, such as generic benchmarking, competitor benchmarking and functional benchmarking.

2.6.2 The linkage between networking and best practices

Generally speaking, best practices are benchmarks for products, services, and processes that others seek to imitate and learn from (McKay & Chung, 2005: 210). Therefore, best practices are recognised as being the foundation of organisational improvement (Daniels, 1996: 18). Jarrar and Zairi (2000: 239-240) note that the concept of best practice can be classified in a muti-level way: good idea (unproven), good practice and best practice (proven). In addition, all of these different levels of best practices should be recognised as a valuable resource that might improve the

overall performance of organisations, no matter how one categorizes it. In addition, the purpose of firms in networking is to continuously create, and exchange those kinds of valuable resources in order to survive and grow (Gibb, 2006: 271).

In the previous section, it was claimed that networking can be an essential component that drives the process of benchmarking (Kyro, 2003:223; McKay & Chung, 2005: 211). It can be also noted that the concepts of benchmarking and best practice are closely related (Kyro 2006: 96). This is because the ultimate goal of benchmarking is to improve organisational performance and overall competitiveness through identifying and adopting best practices (Bhutta & Hug, 1999: 254). Thus, identifying and adopting the appropriate best practice is the most important result of benchmarking. Benchmarking itself cannot enhance organisational performance and overall competitiveness, unless suitable best practices can be created or discovered and adapted from others. Therefore, it is understandable that networking and best practice are also indirectly related. Furthermore, the philosophy of benchmarking by networking provides a direct example for developing best practices between networking participants (Kyro 2006: 95)

2.7 SMEs cluster and networking

In order to improve overall competitiveness of SMEs, one of the ways that SMEs can overcome resource limitations is to locate in a cluster, which idea has been widely accepted (Karaev, Koh & Szamosi, 2007: 820). An SME cluster can be described as a group of SMEs in the same industry or closely related industry that are located together in terms of geographical proximity, which is called "industry districts" (Enright, 1998: 107). Hill (2007: 189) realises that clusters are important, because valuable information, knowledge, and talent can formally or informally flow among these firms, benefiting all within that cluster. Porter (1998: 151) agrees that, if a cluster can be successfully formed, the firms within that cluster can benefit from mutual support.

Terziovski (2003: 81) notes that locating within an industry cluster is an effective way to facilitate the flow of information and knowledge among SMEs. Porter (1998: 151) adds that "the cluster can be realised as a vehicle for maintaining or enhancing diversity and overcoming the inward focus, inertia, inflexibility, and accommodation among rivals that slows or blocks competitive upgrading". This can also be deemed as an important strategy, which can help SMEs to leverage their insufficient resources by building cooperative relations with related organisations (Baptista & Swann, 1998 cited by Terziovski, 2003: 81).

The inter-relationship of firms in a cluster is characterized by the combination of cooperative and competitive attitudes, which has been recognised as being the prime power for competitiveness of SMEs (Porter 1998, cited by Karaev, Koh & Szamosi, 2007: 824). Also, the cooperative attitude in a cluster can facilitate the effectiveness and efficiency of allocating and sharing resources. Huang (2006: 67) agrees that due to the geographical proximity and the convergence of the relevant enterprises, the formation of a cluster is good for the formation of job specialization and a coordination system. It implies that each firm in that cluster can take advantage of focusing on few key production activities. In addition, SMEs in a cluster are good for the flow of knowledge so that it can facilitate the update of knowledge and skills within that cluster. Therefore, SMEs in a cluster are able to create a certain extent of synergy by building cooperative relationships with other organisations (Karaev, Koh & Szamosi, 2007: 819).

The competitive attitude in a cluster can also force SMEs to strive for competitive advantage and innovation that can create superior value to their customers (Thompson et al., 2006: 113). This is because SMEs locating in a cluster will increase competition where firms could easily imitate good practices of each other (Huang 2006: 67). If the more competitive firms want to sustain their competitive advantage, they must strive for innovation. Therefore, a strong innovative atmosphere can result from these attitudes, which could improve the overall competitiveness of all SMEs in that cluster

(Ceglie & Dini, 2000: Online). Braun (2005: Online) notes that the relationship between cluster and networks is interdependent, whereby these two factors can spontaneously reinforce each other. Indeed, the role of such cluster in the networking process can be realised as a networking facilitator that aims to provide chances to share risks and exchange resources (Ceglie & Dini, 2000: Online).

Furthermore, Huang (2006: 67) proposes that compared with independent SMEs, the formation of a cluster can increase ability for financing. Huang (2006: 67) further states the following:

- First, the development of a SME cluster could help financial institutions to obtain objective information. This is because a cluster often has a clear development direction. The risk of financing becomes predictable. In addition, firms in a cluster often keep a close relationship with the local government, educational institutions, and trade associations, thus, banks could collect more objective information from them.

- Second, the formation of a SME cluster can inspire the enthusiasm of banks. This is because by issuing loans to a SME cluster, there can be a reduction in the transaction costs, compared with only dealing with several SMEs.

- Third, the formation of a SME cluster provides opportunities for firms that assure credit for each other. It means a member of a cluster could assure credit for other members. In China, there are many SMEs clusters that are based on some common attribute, such as surname, industry, and town (Wang & Shi, 2006: 154). Thus, the owners often know each other well. Such bonds could build a "familiar community" that could benefit members of that community to obtain loans from banks.

Nevertheless, Wang & Shi (2006: 155) allege that networking within a cluster will be developed and will prosper in the long-term only if the networking organ can hold the innovative advantage. Wang and Shi (2006: 155) further explain that if the internal innovative ability of the network is weak and the product life cycle (PLC) enters a period of decline, the demand for the product will shrink and the network will be ultimately exhausted. Therefore, it can be said that innovation is the most important and essential element for a successful firm, network, and cluster. Majaro (1988: 6) supports the argument that without innovation a firm simply continues to do what it has been doing in the past—a clear formula for stagnation, decay, and ultimate death.

2.8 The types of entrepreneurial networks

According to Dollinger (1995: 429), entrepreneurial networks can be broadly classified into two categories: Personal and Extended Networks, which are respectively characterized by informal and formal networks. Personal networks are also called social networks (Premaratne, 2001: 364). The participants of personal networks may include friends, family, and acquaintances (Dollinger, 1995: 429). Such networks are initially established and continuously developed by entrepreneurs' interpersonal contacts, which are based on their emotion or common interest (Li, 2004: Online). Gilmore, Carson and Grant (2001: 7) state that informal and unstructured networks are preferred over formal networks by SMEs. This is because SMEs often have more flexible organisational structures and operational systems than large corporations (Wang & Shi, 2006: 154). Moreover, Allen (2006: 138) points out that one of the predominant functions of social networks in entrepreneurial firms is to keep and grow the number of loyal customers.

Extended networks are often called organisational or venture networks that can be further sub-divided into two categories: supporting and inter-firm networks (Premaratne, 2001: 364). Premaratne (2001:364) explains that the participants in a supporting network may include banks and government, whereas, the participants in inter-firm networks may include suppliers, customers, and competitors of the

companies. This type of network is based on the completely individual interest of participants (Li, 2004: Online). Casson and Giust (2007:226) emphasize that these inter-firm networks are particularly important in trade. Conway and Steward (1998, cited by Macpherson et al., 2003: 259) also state that the depth and width of inter-firm networks is the most vital pipeline of innovative knowledge. Watson (2007: 871) finds that SMEs which use both personal and extended networks can positively affect their ability to survive. Watson (2007: 871) also points out that only extended networks have the ability to stimulate the growth of SMEs

Hence, there are five types of entrepreneurial networking that can be identified: personal networking; customer networking; competitor networking; supplier networking; and supporting networking. These types of entrepreneurial networking emerge from internal organisation as well as the external business environment. Wincent (2005:438) clarifies that these different types of networking are important and have different roles to improve organisational performance. Premaratne (2001:364) also avers that the different types of networks serve different functions.

2.9 Strength of network ties

Allen (2006:23) notes that both strong and weak ties are included in entrepreneurial networks. The strength of a network tie can be described as "being a combination of the amount of time, the emotional intensity, the intimacy, and the reciprocal services involving two different actors, which characterize the tie" (Granovetter 1973, Johannission 1986, cited by O'Donnell, 2004:208). Due to the different levels of the combinations, the strength of a network tie may be ranged from weak to strong (O'Donnell, 2004:209). Watson (2007: 856-857) distinguishes between these two different ties: the weak tie presents as a broad range of networks with infrequent nature, which generally refers to extended networks, whereas the strong tie is characterized by a narrow set of networks with an intensive nature, which normally refers to personal networks. Allen (2006:23) further explains that the typical example of a strong tie generally refers to the relationship between the entrepreneur and his or

her relatives and close friends, whereas the linkage between the entrepreneur and his or her business friends often refers to weak ties.

McAdam and Marlow (2008: 224) comment on the two type of networks (personal and extend networks) as follows: firstly, although the high density of personal networks with strong ties could give extraordinary support to entrepreneurs, the nature of homogeneity of personal networks is likely to deliver limited scope of information; secondly, in contrast to personal networks, the wide range of extended networks with weak ties often bring diverse new ideas and resources to the network. Therefore, it is suggested that owner-mangers should engage in both formal and informal networks and possibly evolve from personal-based networks to inter-firm based networks (Copp & Lvy, 2001: 347, McAdam & Marlow, 2008: 224). This is because informal networks are more effective to organisational survival than formal networks, whereas, formal networks are more effective to organisational growth than informal networks (Watson, 2007: 871).

2.10 Strategic network

Fuller-love and Thomas (2004: 246) state that cooperation between firms could often be more constructive and beneficial than is the case. Jarillo (1997:7) states that strategic networks are "an arrangement by which companies set up a web of close relationships that form a veritable system geared to providing products and services in a coordinated way". Therefore, strategic networking can often capture the main advantages of two or more enterprises (Jarillo, 1997:11). Wincent (2005: 443) recognises that, based on mutual benefits among network members, each member of that network is likely to get benefits from participating in such networks.

Strategic networks include an organisation's set of relationships, which are both horizontal and vertical linkages with other organisations, such as suppliers, customers, competitors, and other entities (Gulati, Nohira, & Zaheer, 2000: 204). "They are composed of inter-organisational ties that are enduring and are of strategic

significance for the firms entering them and include strategic alliances, joint ventures, long-term buyer-supplier partnerships and a host of similar ties" (Gulati et al., 2000: 204). Strategic networks can also be seen as an evolving type of organisation that enables each independent firm to sustain their own competitive advantages (Fuller-love & Thomas, 2004: 246).

2.10.1 Strategic alliance and joint ventures as main tools of strategic network.

Thompson et al. (2006: 133) define that strategic alliance is a collaborative agreement between two or more companies, in order to pursue and obtain a mutually and beneficially strategic result. Gulati (2000: 397) states that strategic alliances are based on voluntary and cooperative manners among participating actors with the aim to share, exchange, and develop resources of partners. In contrast to a strategic alliance, a joint venture involves the formation of a separate independent organisation by the two or more venture partners (Thompson et al., 2006: 195).

Joint ventures and strategic alliances can take a number of forms. According to Thompson (1993: 545), there are six forms of strategic networks that can be engaged in by firms, and some joint ventures can cover more than one category:

◆ Component parts of two or more businesses might be merged;

◆ Companies might agree to corporately develop a new project;

◆ Companies might agree to develop a new business jointly;

◆ There might be specific agreements between manufactures and their suppliers;

◆ A company might make a strategic investment in another firm; and

◆ Companies might form international trading partnerships.

There are other forms of strategic networks that help companies to be effective, such as *Keiretsu. Keiretsu* (groups) which appeared in Japan is a set of companies with interlocking business relationships and shareholdings. "It can best be understood as the intricate web of relationships that links banks, manufacturers, suppliers, and

distributors with the Japanese government" (Jarillo, 1997: 4). Kienzle and Shadur (1997:25) note that the key to successful *Keiresu* emphasizes information sharing among members, which is helpful to improve the trust and overall relations in that web.

2.10.2 The benefits of strategic networks

The major benefits of strategic networks may have many similarities with other general networks. The purpose of strategic networks is to identify a viable way to offset the internal knowledge deficiencies (Valkokari & Helander, 2007: 602). Gulati et al. (2000:203) note that strategic networks potentially enhance an organisation's ability to approach latent information and resources in that network and allow a firm to take shared risk to obtain strategic objectives. According to Thompson (2006: 195), "the strategic network is also a preferable way to pursue an opportunity that is too complex, uneconomical, or risky for a single organisation to pursue alone". Strategic networks provide opportunities to companies to make the necessary long-term investment in specific relationships, ones that can not be justified in arm's length subcontracting relationships, but maintain high flexibility and entrepreneurial motivation (Jarillo, 1997: 122). Firm network resources result from the informational advantages they obtain from their participation in inter-firm networks that channel valuable information (Humburg et al., 1999: 399). Therefore, spending time and effort on developing strategic networks is a worthwhile investment for building good business relationships (Fuller-love & Thomas, 2004: 246).

2.10.3 Strategic network and knowledge management

Knowledge is totally different from other physical resources that are diminished when they are gradually used (Egbu, Hari & Renukappa, 2005:7). Knowledge-based activities are widely recognised as being the most important success factor that affects organisations' long-term health (Valkokari & Helander, 2007: 597). Silvi and Cuganesan (2006) agree that the performance of any organisation largely depends on the creation, storage, and application of the knowledge to the production system of the

organisation and its relationship. This is because organisational efficiency could be enhanced by combining new knowledge into an organisation's production system and therefore improving the external knowledge utilisation (Valkokari & Helander, 2007:602). However, Brooking (1996, cited by Egbu et al., 2005: 10) argues that only 20 per cent of existing knowledge is actually utilised by SMEs.

Strategic networks should be regarded as a value-adding partnership that promote the exchange and sharing of knowledge and experiences (Johnston & Lawrence 1988，cited by Dennis, 2000: 288). However, strategic SME networks are pointless if the participants do not have the required capacity to share knowledge with their network members, because none of them will be able to absorb the specialized resources and capabilities from their partners and/or be able to develop novel knowledge about future business requirements (Valkokari & Helander, 2007:604). In order to develop such capacity, network members should mutually and diligently cultivate trust that has been recognised as being an essential element for building successful inter-firm networks (Valkokari & Helander, 2007:604). Dennis (2000: 288) agrees that trust is based on past experiences but is more future-orientated, and is an indispensable element for building deep and stable inter-firm cooperative relationships.

2.11 The nature of customer networking in SMEs

Kotler et al. (2004: 10) state that marketing is all about managing target markets by creating value and satisfying needs of customers in exchange for good profitability to the company in the long-run. Traditional marketing efforts focused on either products or hard selling techniques (Kotler et al., 2004: 12). However, it has been evolved to a market-oriented concept that focuses on creating more value for products or services, in order to satisfy the needs of target markets better (Kotler et al., 2004: 12). Nowadays, most entrepreneurs realise that the longevity of the business largely depends on how many profitable customers they have. Therefore, they think that it is worthwhile to invest in relationship marketing (Allen, 2006: 288). Gilmore et al. (2001:7) state that entrepreneurs of SMEs rely heavily on networking to conduct their

marketing jobs, which refers to the notion of marketing by networking.

Dunfee and Warren (2001:202) state that "relationship marketing is based on the trust and involves taking steps, over time, in order to create tightly linked connections between business parties." Allen (2006: 288) adds that the essential components of relationship marketing are to develop trust over time and satisfy their target customers, in order to integrate the company and the customers into one unit. According to Gilmore et al. (2001:10), many entrepreneurs have recognised that developing and maintaining good relations have major impacts on their career's success. Therefore, they deliberately invest considerable effort in developing and maintaining good relationships with their regular customers as well as potential customers.

From the above discussion on customer networking, it is clear that the key motivations behind customer networking may involve two important questions: first, if SMEs do not understand the needs of their target customers on an ongoing basis, how can they create critical value on the marketing mix and how can they deliver high customer satisfaction? Second, if SMEs do not have a good relationship with their selected customers, how can they mobilise the emotional factor for them to participate in customer networks? Li and Zhang (2004: Online) note that maintaining a good relationship with target customers can have numerous benefits, including building customer loyalty, identifying customer needs, and increasing turnover and reliable payments.

O' Donnell (2004: 213) further explains that most entrepreneurs often tend to build different levels of strengths of ties with different groups of customers: first, a strong tie is formed when they develop increasingly proactive and extensive networking activities with their regular customers and selected potential customers; second, a medium strength tie is formed when they typically build relatively less proactive and extensive networking activities with their most normal potential customers; third, a weak tie is formed when they deal with transactional customers. This is because a

transactional customer often conducts a business with an entrepreneur on one-off basis of transaction. Moreover, the chief incentive for entrepreneurs to proactively and extensively engage in networking with their regular customers is to generate a positive word-of-mouth effect. Actually, most owner-managers also agree that attracting new customers often costs more money and effort than retaining current ones does (Kolter, 2004: 201). This is particularly true in today's competitive market that motivates firms to do the best for retaining their customers. McMullan and Gilmore (2008: 1092) suggest that the secret of retaining existing customers is to successfully build customer loyalty that is based on reciprocally beneficial exchanges. Therefore, customer inputs would be the prerequisite to create more valuable products in exchange for higher customer satisfaction and customer loyalty (Geddie et al., 2005, 616).

Gilmore et al. (2001:10) note that one of the major problems of customer networking is that the client might be lost if the key linkage between them collapses. Very often, this situation may occur when one or both of them suddenly leave the firms. Leung and Wong (2001: 56) also argue that if one of the key linkmen between these two firms leaves, the network between the two firms will disappear. Therefore, relationships cannot be increased in a stable way to organisational level. However, Gilmore et al. (2001:10) further state that this problem can be solved by developing a wider range of participants throughout the organisation of those networks. Therefore, if the multi-linkages between firms can be well developed, the customer relationship between firms would be more stable.

2.12 The nature of competitor networking in SMEs

Nowadays, many entrepreneurs have realised the importance of developing and keeping good relationships with their rivals (Gilmore et al., 2001:9). By networking with their competitors, each of the SMEs in that network would have a chance to learn from the others' strengths to offset its weaknesses, enhance operational capabilities, and exchange resources as well as experience (Bernal, Burr & Johansen, 2002: 241).

Li and Zhang (2004: Online) argue that developing good relationships with rivals could possibly accelerate the progress of inter-organisational cooperation. Hence, such horizontal networking can give collaborative advantages to SMEs (Bernal et al., 2002: 247).

Gilmore et al. (2001: 9) support the opinion that networking with competitors is particularly useful when SMEs are short of experience to do business in unfamiliar business environments and/or SMEs are short of resources and capabilities to complete a large project by themselves. Hong and Jeong (2006: 294) add that many SMEs may proactively pursue collaboration with their competitors, in order to strengthen the bargaining power with those big clients. Therefore, being a part of such a network may directly or indirectly help SMEs to develop and/or sustain their competitive advantages (Bernal et al., 2002: 245). This is because more complementary resources and capabilities will become available, and both resources and capabilities have been widely accepted as the cornerstone of competitive advantage (Ehlers & Lazenby, 2004: 68). Hence, it can raise SMEs' original competences to a higher level.

Indeed, many entrepreneurs personally know their competitors. O'Donnell and Cummins (1999:87) argue that such informal contact can often help entrepreneurs to acquire valuable information from competing firms. Very often, the membership of trade associations can provide many opportunities that facilitate the networking among SMEs and their rivals (O'Donnell et al., 1999: 87). O'Donnell (2004: 214) finds that if entrepreneurs are in geographic proximity and participate in a trade association, they often practise extensive and proactive networking activities with each other. On the other hand, if entrepreneurs do not belong to a trade association, they often build limited and reactive networking (O'Donnell, 2004: 214). However, Copp and Lvy (2001: 351) find that although there is a consensus that trade associations can offer a variety of business support, SMEs in developing countries do not like to use them.

Bernal et al. (2002: 250) argue that the results produced by a horizontal network and a vertical network are totally different. In a vertical network, the emphasis is on the collaboration in the whole value chain in order to produce more competitive products or services, whereas, in a horizontal network, a more reciprocal nature is evident (Bernal et al. 2002: 250). SMEs in a competitor network offer different complementary resources and capabilities that can improve their competitiveness in the marketplace.

2.13 The ripple effect of customer and competitor networking

According to Scarborough and Zimmerer (2006: 40), sustainable competitive advantage (SCA) can sustain a unique market position for SMEs, which is difficult for competitors to imitate. Maintaining SCA is very important for SMEs to survive in the market-place, and it is essential to understand what aspects entrepreneurs should look at, in order to identify and develop SCA. Kotler et al. (2004: 108) note that today's company must be market-oriented, monitoring the trends of both their customers and their competitors.

The previous two sections have discussed the functions and benefits of customer networking and competitor networking. Each of them has a predominant point that must be kept in mind. First, customer networking can help SMEs to continuously understand and monitor the needs and preferences of the target market by working closely with them, in order to always satisfy them. Second, competitor networking can offer another benefit of gathering a competitor's information and obtaining complementary resources and capabilities. Therefore, if both customer and competitor networking can be done well, it will help SMEs to build their own SCA.

Nowadays, customers' needs and preferences are too diverse to entirely satisfy them. Therefore, the contemporary marketing theories suggest companies must first segment total customers in order to deliver higher customer satisfaction to the selected customers (Kotler et al., 2004: 239-251). This is especially important for SMEs that

do not have sufficient resources to satisfy all the needs of customers. Hong and Jeong (2006: 294) suggest that SMEs should follow a focus strategy that concentrates on serving one or a few market niches. By focusing on niche markets, SMEs are able to effectively match their resources and capabilities to the limited target areas. This implies that SMEs can develop their customer networks that will be more intensive and deep in nature. This intimate relationship between customers and SMEs will help SMEs to understand their customers' needs and preferences. In turn, SMEs are able to tailor a better marketing mix that delivers higher customer satisfaction than competitors' do. Therefore, it can be concluded that the needs and wants of target customers could be an essential component of SCA.

In order to determine SCA, it is also important to analyse one's competitors. Although gathering information on rivals is a hard task, continuously updating information on rivals is much more difficult (Allen, 2006: 106). Competitor networking provides an invisible bridge that can potentially help entrepreneurs to get useful information from their rivals. It means that entrepreneurs may obtain some valuable information, such as long-term strategies, sales, market share, strengths and weakness that cannot be easily obtained from other approaches. Therefore, it can be also concluded that the information about competitors determines how strong the SCA is.

2.14 The nature of supplier networking in SMEs
Kotler et al. (2004: 18) state that firms succeeding in today's market-place not only rely on how well they perform, but also depend on the performance of their whole supply chain. Therefore, the role of the supplier in today's management practice should be rightly recognised as being an important member in the entire supply chain (Hong& Leong, 2006: 293). This is because as the same as the other vertical networking participants, they vertically add value to the final products though the value chain pipe (Bernal et al., 2002: 251). By networking with selected suppliers, it will facilitate the flow of materials, services, information, technologies and knowledge between participants so that it benefits all members in that net (Mills,

Schmitz & Frizelle, 2004: 1012). Li and Zhang (2004: Online) state that building good relationships with suppliers can benefit a firm to obtain better value of materials. That may imply better quality of products, goods, services, and timely delivery.

Mohannak (2007: 242) finds that if suppliers' ideas can marry with customers' ideas well, it will often facilitate new product development. This is because customers' ideas often reflect their new needs and wants, whereas suppliers' ideas often give valuable technical support to the firms. Thus, both the customers' and suppliers' input will in turn create value on the products. This point also followes the concepts of value analysis (VA) and value engineering (VE). The main purpose of VA and VE is to reduce costs so that more value on products can be created (Ellram & Choi, 2000: 107). Both VA and VE are performed by a committee that includes both inside departments and outside suppliers (Vogt, Piennar, Wit, 2002: 65). Ellram and Choi (2000: 109) point out that VA and VE can be seen as an effective tool that can strengthen the collaborative and innovative relationship between the buying organisation and its suppliers.

Mills et al. (2004: 1019) aver that the buyers and suppliers should be in a loyal and cooperative relationship that has been recognised as a vital element that can help the organisation to realise the full potential of the entire supply chain. Ottesen, Foss and Gronhaug (2004: 601) find that due to the character of volatility and uncertainty of the supply chain, suppliers as important network actors are the most frequently contacted by SMEs in order to secure the supply of goods. Particularly, many SMEs adopt the philosophy of JIT (Just-in-time) that requires both suppliers and buyers to build arms' length relationships based on mutual understanding and trust so that the right quantity of products can be delivered at the right place at the right time with the right prices (Mills et al., 2004: 1019). O'Donnell (2004:213-214) notes that, although owner-managers often conduct proactive and extensive networking with these current suppliers, the levels of supplier networking will also depend on the suppliers' market knowledge, expertise, and brand name. O'Donnell (2004: 214) also mentions that

most SMEs generally keep strong networking ties with their current suppliers.

2.15 The nature of supporting networking in SMEs

One Chinese manager said: "If you can successfully connect with government officials, they could help your firm to generate a competitive advantage and obtain timely market information" (Lu & Meyer, 2006: Online). Past research also demonstrates that supporting organisations such as universities promote the formation of networks (McAdam & Marlow, 2008: 230). Gibb (2006:271) states that just creating and maintaining good relations with suppliers, customers, and competitors may not do enough to ensure the success of SMEs. Other supporting networking should also be considered as an important way to obtain resources and information. Banks, universities, accountants, consultants, lawyers, and government agencies are the classic examples of supporting networking (Premaratne, 2001: 364). Copp and Lvy (2001: 347) state that engaging in support networks is the important channel to get information, consulting, training and financial aids, which respectively refer to "software-support" and "hardware-support". Premaratne (2001: 364) also confirms that supporting networks are critically important for small firms to obtain financial resources, information, and other non-material support.

For example, SMEs could obtain some free information and/or subsidies by networking with government agencies (Ramsden & Bennett, 2005:231). Universities as higher education institutions have become an important supporting network that is used to meet needs of SMEs training (Freeman, 2000: 375). Professional consulting agencies could also provide constructive advice that can facilitate firms to be more successful (Watson, 2007: 855). Also, commercial banks are an important source of debt financing to solve the problem of lack of financial resources for SMEs (Scarborough & Zimmerer: 2006:467).

Gibb (2006: 266) notes that institutions such as government agencies, banks, and universities become important networking participants who constitute and implement the rules of the game on their own behalf within that given environment. In addition, McAdam and Marlow (2008: 222) comment that these supporting organisations also have their own purpose and motivation to participate in the network, for instance, universities or other research institutions may focus on technology transfer; local government agencies may try to promote and stimulate indigenous growth; and financial institutions definitely look at good financial returns.

To a certain extent, the success of the SMEs relies on these supporting organisations such as universities, banks, and government agencies (Freeman, 2000: 373). Similarly, Copp and Lvy (2001: 347) contend that SMEs with supporting networks can increase the chance of survival and are able to compete with larger enterprises. Nonetheless, O'Donnell (2004: 214), Lu and Meyer (2006: Online) aver that owner-managers often engage in supporting networks with a moderate level of networking, because of the restricted breakthrough point. This is because not all of the SMEs are qualified for assistance from government agencies. (O'Donnell, 2004: 214).

2.16 Summary

In the first part of this chapter, it was argued that business success of SMEs results from business excellence that is realised by continuously adopting best practices. In addition, benchmarking has been widely accepted as an effective tool to search for best practices, and networking can be seen as an essential component of benchmarking. The new theory of network benchmarking would be a good example that demonstrates that networking theory has promoted the latest theory of benchmarking. In the first part of this chapter, the concept of networking and networking from different perspectives have been discussed. The importance of networking for SMEs has been explained. Furthermore, an explanation was given of why and how SME clusters facilitate the networking process that will in turn promote the combination of cooperative and competitive attitudes among SMEs. This

combination is absolutely essential and important to facilitate the innovative process of SMEs.

In the second part of this chapter, five different types of networks have been identified: the personal network, customer network, competitor network, supplier network, and supporting network. In contrast to personal networks, the other four types of networks are characterized by formal networks. Inter-organisational networks on the strategic level and from knowledge management perspective were discussed. Finally, the nature of formal networks was discussed.

Chapter 3: *Guanxi* in the Chinese context

3.1 Aim of this chapter

In this chapter, historical background of the Chinese SMEs will be discussed. Then, *Guanxi* will be explained in a general way including the major cultural issues and the related components of *Guanxi*. Next, the importance of *Guanxi* in the Chinese business environment will be pointed out. The relevant theories about *Guanxi* will be described, including cultural factors in *Guanxi*, types of *Guanxi* ties, and *Guanxi* bases, *Guanxi* and its ethical issues and the similarities and differences between *Guanxi* and relationship marketing. Then, the linkage between *Guanxi* (personal network) and other extended networks will be discussed. Finally, the relationship between *Guanxi* and business performance will be analysed.

3.2 China's economic reform and its SMEs

On October 1, 1949, the new Chinese government was founded by the communist party and all private organisations were converted to state-owned organisations (Dana, 1999:76). Then, the Chinese government adopted central ideological premises that stressed collective ownership and identity (Zapalska & Edwards, 2001: 286). Instead of pursuing profit-maximization for organisations, the chief mission of the Chinese SOEs focused on individuals' collective efforts (Zapalska et al., 2001: 287). Capitalism ideology and entrepreneurial spirit were discriminated against and forbidden (Zapalska et al., 2001: 287).

Although Chinese business people inherently have entrepreneurial spirit, entrepreneurship could only exist in the form of a "Black Market" and it was impossible to prosper in China prior to the 1970s (Li & Matlay, 2006: 248). Chinese people's strong entrepreneurial spirit is deeply influenced by cultural issues and the most predominant one is Confucianism (Dana, 1999:76). Confucianism, although it does not encourage people to do business, does not discriminate against diligence and frugality (Dana, 1999:76). Li and Matlay (2006: 248) allege that the strong

entrepreneurial spirit was always blocked by the previous political and economic system.

In 1978, under the leadership of Deng Xiaoping (the prime minister), China began to reform its economic system and promulgate "open policy" (Taormina & Lao, 2007:200). In 1982, the fourth constitution established the policy of allowing a private economy to exist as an adjunct to the socialist economy (Dana, 1999:76). Due to the timely adjusting of industrial structures, the Chinese economy began to flourish (Vanhonacker, Zweig & Siu, 2007: 182). With this change, many entrepreneurial opportunities sprang up and many Chinese citizens and SOEs accordingly took advantage of such opportunities (Vanhonacker et al., 2007: 182).

According to Li, Zhang, and Matlay (2003: 496), there have been more than 33 million small- to medium-sized enterprises registered in China since 1999, which accounted for 99% of business entities. According to Zhang (2005: 36), the industrial production value, turnover, and gross profit of the Chinese SMEs respectively accounted for 60%, 57%, and 40% of the total in 2003. Although more than 80% of enterprises can offer only fewer than five jobs, the Chinese SMEs provide more than 75% of Chinese employment opportunities. (Li et al., 2003: 496; Zhang, 2006: 36). Therefore, the huge development of the Chinese economy over the past three decades has relied largely on the release of the Chinese entrepreneurial spirit (Gao, Jiang, Li, chen: 2006: 21).

3.2.1. The major source of the contemporary Chinese SMEs

Li, et al. (2003: 496) note that one of the main reasons that led to the flourishing of Chinese SMEs was the ongoing industrial restructuring that has led to many small and medium SOEs struggling to survive in the new economic system. Therefore, in order to create sufficient jobs, the Chinese SMEs have been rapidly emerging from a variety of places. Li and Matlay (2006: 249) state that four different sources have contributed to the formation of modern Chinese entrepreneurship, which are outlined as follows:

- Township and village-based enterprises (TVEs)

  Due to the participation of local governments, TVEs became the major source of Chinese entrepreneurship. The primary initiative of TVEs is to properly utilise unemployed manpower in rural areas.

- Private entrepreneurs

  This refers to individuals who have strong entrepreneurial aspirations to be independent. Therefore, they launch their own businesses often with less than six employees.

- Small and medium SOEs.

  Due to the economic transformation from a planned economic system to a market economic system, firms are mostly profit-orientation. Based on the purpose of maximizing profit, some small and medium SOEs were subcontracted or purchased by entrepreneurs.

- Joint venture.

  Very few entrepreneurial activities are through joint ventures and shareholding cooperatives (Li and Matlay, 2006: 249).

3.2.2 The milestones of the Chinese SMEs' development

In order to improve the development of the SME sector and remove the relevant barriers such as political and legal uncertainty, low accessibility of resources, and low social status, the Chinese government initially promulgated a series of policies to resolve these difficulties (Li, et al. 2003: 497). Over the past three decades, Chinese SMEs have experienced three different phases in progress and it can be said that this progress can not be achieved without government's encouragement and support (Chen, 2006:140). According to Chen (2006: 140-141), these three phases can be described as follows:

Table: 3.1 The development phases of the Chinese SME sector

	Representative symbol	Major contribution
Phase 1 (1978-1992)	China's reform and opening up began in 1978	The rapid expansion of SMEs has made great contribution to economic development.
Phase 2 (1992-2002)	Emphasis on reform of state-owned SMEs and the development of non-public sector.	Private SMEs enjoyed the booming period along with the establishment of the socialist market economy.
Phase 3 (2002-Now)	SMEs promotion law was promulgated and implemented.	Implementing this law, in order to further help the development of SMEs in China.

Source: Chen, 2006: 140-141

3.3 *Guanxi* in general context

People in many Asian countries such as China, Japan, and Korea believe strongly in Confucianism (Pablos, 2005: 441). Gibb (2005:270) states that the notion of *Guanxi* originates from the philosophy of Confucianism. Fang (2006: 53) notes that Confucianism (*Rujia*) includes six fundamental values: "moral cultivation, importance of interpersonal relationships (*Guanxi* and *Renqing*), family orientation, respect for age and hierarchy, avoidance of conflict, and need for harmony and concept of face". In Confucianism, the key word "*lun*" truly reflects the meaning of *Guanxi*. (Leung & Wong, 2001:55). Accordingly, the concept of *wu-lun* describes all *Guanxi* relationships in this particular society: "emperor-subject, father-son, husband-wife, elder-younger brothers, and friend-friend" (Pablos, 2005: 441). Therefore, everyone will be naturally involved in this predetermined web when he/she comes into this world (Leung & Wong, 2001:55). Gibb (2005:270) points out that the notion of *Guanxi* should be seen as an important part of Chinese culture that occurs anywhere in the community.

In order to fully understand the meaning of *Guanxi*, the first step is to understand the structure of the word, *"Guanxi"*. The word *"Guanxi"* consists of two single words: *"guan"* and *"xi"*. "Guan" means gate or way, and *"xi"* means tie or connection (Pablos, 2005: 441). Szeto et al. (2006: 426) note that *Guanxi* generally refers to a reciprocal relationship between people. However, Pablos (2005: 441) points out that *Guanxi* also contains another connotation that refers to one of its other purposes: to bypass laws and norms, in order to pursue unethical benefits.

Dunfee and Warren (2001: 195) note that the definition of *Guanxi* can be varied. However, the fundamental rule of *Guanxi* is to develop good relationships among individuals by generating obligations for the constant and regular exchange of favours (Dunfee & Warren, 2001: 195). Szeto et al. (2006: 426) describe that *Guanxi* is a special kind of personal relationship between participants that is based on mutual trust and interests. Maintaining and developing *Guanxi* must be based on reciprocal exchange of favours.

The following table illustrates some related terminologies about *Guanxi*: "la *Guanxi*, gua *Guanxi*, meiyou *Guanxi*, *Guanxi* gao jiang, lisun *Guanxi*, you *Guanxi*, youde shi *Guanxi*, *Guanxi* wang, *Guanxi* hu" (Pablos, 2005: 441). Being able to understand these terms will help the non-eastern reader to further understand the notion of *Guanxi*.

Table 3.2 The specialized term relating to *Guanxi*

Term	Translation	Meaning
La guanxi	"To pull" *guanxi*	It means to get on the good side of someone, to store political capital with them, and carries no negative overtones
Gua guanxi	"Work on" *guanxi*	It means roughly the same but with a more general, less intensive feeling and usually carries negative overtones
Meiyou guanxi	"Without" *guanxi*	It has become an idiom meaning "it does not matter"
Guanxi gao jiang	*Guanxi* "made ruined"	It means the relationship has done badly, usually because of a lack of flexibility of those involved
Lisun guanxi	"Straighten out" *guanxi*	It means to put a guanxi back into proper and normal order, often after a period of difficulty or awkwardness
You guanxi	"To have" *guanxi*	It means to have access to needed influence
Youde shi guanxi	"What one does have" or "the one thing one does have"	It is sometimes negative, meaning that one has all the guanxi one needs, but something else special is lacking
Guanxi wang	*Guanxi* "net"	It means the whole network of guanxi through which influence is brokered
Guanxi hu	*Guanxi* "family"	It means a person, organization, and even government department, occupying a focal point in one's guanxi network

Source: McInnes ,1992, cited by Pablos, 2005:442

The cornerstone of *Guanxi* is the reciprocally beneficial and moral relationship, in order to continuously exchange favours. (Yang 1994, Alston 1989, & Luo 1997, cited by Lee, Pae & Wong, 2001: 52). Dunfee and Warren (2001:193) agree that creating obligations for continuous exchange of favours would be the essence of *Guanxi*. Yang (1994, cited by Buttery & Wong, 1999: 149) adds that the art of *Guanxi* "lies in the skilful mobilisation of moral and cultural imperatives, such as obligation and reciprocity in pursuit of both diffused social ends and calculated instrumental ends". *Guanxi* has its own characteristics in the Chinese context, which is inveterately formed in the Chinese society (Park & Luo, 2001; Xin & Pearce, 1996 cited by Li, 2004: Online).

3.3.1 *Renqing*

Renqing is a kind of social favour that may be in tangible (gift), intangible (information) or the combination of forms and it can be used to exchange favours between individuals according to an implied set of rules (Hwang, 1983, 1987 cited by Wang, Razzaque & Keng, 2007: 216). *Renqing* refers to individuals who rationally and emotionally respond to their intercommunication, and allocate resources to others in a particular network in order to guide individuals on how to harmonically deal with other people (Wong & Tam, 2000: 58). Pressey and Xin (2007: 112-114) assert that accumulating *Renqing* is the first step to develop good interpersonal *Guanxi.* Ignoring working on *Renqing* may not immediately produce negative impacts on *Guanxi*, but it will often lead to a harmful effect when such negative impacts are accumulated to a critical level. Wang et al. (2007: 216) agree that the prerequisite to building *Guanxi* is to develop *Renqing* that will ultimately benefit both parties.

Once a recipient has received a favour from a donor, the obligation to return a *Renqing* should be synchronously established by the recipient, otherwise, the good *Guanxi* between the recipient and the donor cannot be easily maintained and developed in a long-term way. (Lee, Pae & Wong, 2001: 54). Hwang (1987, cited by Wang et al., 2007: 216) also agree that the recipient must repay a *Renqing* to the donor in the future, when he/she has benefited from a donor in the *Guanxi* network. Furthermore, Hwang (1987, cited by Palos, 2005: 443) comments that *Renqing* can be used as a social mechanism to access desirable resources within a regular social rule.

3.3.2 *Ganqing*

Leung, Heung, and Wong (2008: 27) define *Ganqing* as "the inner emotional commitment which is aroused by the closest of human ties". Leung and Wong (2001:56) point out that one of the primary objectives of generating *Ganqing* is to become an insider of a network and then all deals become easier. Sahakijpicharn (2007: Online) states that "having the experience of sharing and interaction through living, working, and/or study is vital to building up *Ganqing*". In order to further

develop *Ganqing*, an individual needs to use *Renqing* to generate *Ganqing* (Leung et al., 2008: 27). This can be done by continuously exchanging favours.

Having *Ganqing* between networking participants is the most important element that can result in true *Guanxi* relationships, and *Guanxi* relationships can continuously generate and accumulate the benefit of *Ganqing* (Pressey & Qiu, 2007: 109) Sahakijpicharn (2007: Online) contends that the level of *Guanxi* between two actors can be determined by the depth of *Ganqing* between them. It is therefore the depth of *Ganqing* that could determine the levels of *Guanxi* in the relationship between networking participants, and vice versa (Sahakijpicharn, 2007: Online). Pablos (2005: 445) adds that the relationship between *Guanxi* and *Ganqing* is dynamic, thus it needs to be mutually strengthened and supported by continuous social interaction and exchange.

3.3.3 *Mianzi*

Kumar and Worm (2003: 275) point out that the notion of *Mianzi* deeply permeates Chinese society. "*Mianzi* or face is the respect, pride, and dignity of an individual as a consequence of his or her social achievement" (Leung, 2000, cited by Pressey & Qiu, 2007: 109). Leung and Chan (2003: 1576) comment that the unequal allocation of authority in China leads to a kind of unsaid but visible social hierarchy among individuals. Therefore, the relationship of an individual's *Mainzi* and his/hers social hierarchy is generally in direct proportion (Leung & Chan, 2003: 1576). Wang et al. (2007: 215) argue that *Mainzi* can be accumulated or gained only if a person performs his or her social role satisfactorily and is recognised by others in that given community. Leung and Chan (2003: 1577) also contend that *Mianzi* can be seen as a personal social asset and can be gained and acquired for favour when he or she needs it.

Leung and Chan (2003: 1577) state that *Mainzi* can be seen as a Chinese person's moral face that symbolizes that person's prestige. Giving of *Mianzi* is the polite way to recognise that person's social status (Buttery & Wong, 1999: 152). Kumar and Worm (2003: 275) state that Chinese people will feel ashamed and resentful if *Mianzi* is lost and this cannot be remedied easily. One famous Chinese adage states that "one more friend you have, one more road you take" (Pressey & Xin, 2007:114). Pressey and Xin (2007:111) further suggest that if an individual intends to maintain or develop strong *Guanxi* with the target participants that may be utilised in the future, he/she must give adequate *Mianzi* to that person to cultivate the depth of the *Guanxi*.

3.3.4 *Xinyong*

Generally speaking, *Xinyong* means integrity, credibility, and trustworthiness, which is used to describe a person's reputation (Pablos, 2005: 443). Leung, Lai, Chan, and Wong (2005: 532) assert that the levels of *Xinyong* indicate the levels of personal trust or an individual's social credibility that is an important consideration and measurement when Chinese people deal with interpersonal relationships. Leung et al. (2005: 532) point out that the major difference between *Xinyong* and personal trust is that personal trust is based only on a horizontal relationship between people, whereas *Xinyong* considers both the hierarchical level of people and the horizontal relationship. For instance, a general manager of the firm often has more *Xinyong* than a common worker of the firm.

Geddie, Defranco and Geddie (2005: 616) note that *Xinyong* can be spontaneously gained by continuously acceptable and beneficial interactions. *Xinyong* can be developed when a donor offers *Renqing* to a recipient in a particular *Guanxi* network and the recipient will feel that sufficient *Mianzi* has been given by the donor (Hutchings & Weir, 2006: 279). In China, *Xinyong* is a norm that leads individuals to develop *Guanxi* at a personal and organisational level (Chen, 2006: Online). Leung et al. (2005: 533) state that Chinese people or organisations prefer to make friends and/or deals with the ones who have accepted *Xinyong*, and avoid the ones who have

little *Xinyong*. Thus, *Xinyong* plays an essential and important role in developing *Guanxi* relationships (Pablos, 2005: 443). Chen (2006: Online) states that successful and stable interpersonal relations must be based on *Xinyong* which is recognised as being the foundation of a *Guanxi* relationship.

3.3.5 *Guanxi* as social capital

Pablos (2005: 438-439) states that the conception of social capital is defined from diverse points of views. One of the neutral explanations of social capital is worded as "the sum of the current and potential resources embedded within, available through, and derived form the network of relationships possessed by an individual or social unit" (Pablos, 2005: 438-439). Because of the influences of the so-called soft side of business operations such as *Guanxi* networks, past literature has found that there are some differences between western and Chinese ideas of social capital (Szeto et al., 2006: 425). Farr-Wharton and Brunetto (2007: 189) note that the conception of social capital can be understood from three points of view: "structural social capital, cognitive social capital and relational social capital". Farr-Wharton and Brunetto (2007: 190) state that relational social capital provides the most comprehensive explanation that relates to social capital in a Chinese context.

This is because the notion behind relational social capital normally refers to the rules about *Xinyong*, reciprocity, and obligation for return (Farr-Wharton & Brunetto, 2007: 190). To a large extent, the nature of relational social capital reflects or matches the key notion of *Guanxi* that has been discussed above. Therefore, it is understandable that *Guanxi* has been recognised as being an important form of social capital in the Chinese context (Szeto et al., 2006: 426). In the business context, relational social capital mainly refers to the value of relationships with the whole value chain of participants (Pablos, 2005: 439). Pressey and Qiu (2007: 108) point out that the biggest outcome of *Guanxi* in the Chinese business context is to connect all useful actors in the value chain in order to smooth business operations.

3.4 The importance of *Guanxi* in the business context

The attribute of *Guanxi* pertains to informal networks and this is particularly vital for the business development at an early stage (Copp & Lvy, 2001: 347). One manager said: "You cannot do business if you do not have *Guanxi* and know something about the *Guanxi* relations in the Chinese organisation you are dealing with" (Kumar & Worm, 2003: 278). Arias (1999: 146) notes that the cornerstone of business networks is built on personal networks in China, and inter-firm networks cannot be reliably built without *Guanxi*. Woo and Prud'homme (1999: 319) also assert that developing a close *Guanxi* network with business partners is the primary prerequisite for companies to succeed in China. Along with the openness and importance of the Chinese market and the trends of globalization, *Guanxi* has been widely and deeply researched in the academic world (Li, 2004: Online).

According to Thompson et al. (2006: 538), *Guanxi* can be defined as a continued linkage that is developed between actors in order to foster and maintain a mutually beneficial relationship. Wong and Chan (2006: 426) also describe *Guanxi* as "being a special relationship which is characterized by favour, trust, and interdependence among different actors, which can in turn bring business deals". Lee et al. (2001:54) comment that the quality and quantity of *Guanxi* has a huge impact on organisational performance and were particularly vital in the early business development period in China. Gibb (2006: 270) further points out that the *Guanxi* network has given vital impetus that has led to the success of the Chinese SMEs.

Chinese businessmen often made considerable effort to develop *Guanxi* networks, because they understand the numerous benefits that can be obtained from it, and they also believe that these benefits cannot be often obtained from other types of formal networks (Woo & Prud'homme, 1999: 319). Wong and Tam (2000: 69), nevertheless, assert that *Guanxi* may also become the primary barrier for businessmen to conduct business. This is because the preferential treatment (*Renqing*) is only granted to the preferred individual or group (*Guanxi Hu*), which means other individuals would have

no chance or it would be difficult to break into the *Guanxi Wang* (Wong & Tam 2000: 70). Pressey and Qiu (2007: 111) provide a typical example to describe this kind of situation: in order to maintain good *Guanxi* with the director of the company, the supply chain officer cannot switch the buying decision from the director's relative to the potential supplier, although the potential supplier could offer much better required materials. In this case, *Guanxi* potentially reduces the competition and protects the *Guanxi Hu*.

Although *Guanxi* initially refers to personal assets, it is possible to transfer such assets to the organisational level, which will benefit both individual and organisational levels (Palos, 2005: 444). Chen (2006: Online) also agrees that *Guanxi* starts with an interpersonal relationship, but could influence business decisions to a certain extent. Leung and Wong (2001: 56) argue that if one or both key linkmen between two firms leave, the *Guanxi* between these two firms will disappear. Therefore, *Guanxi* relationships cannot be reliably developed from personal level to organisational level. Arias (1998: 146) also contends that a *Guanxi* relationship is limited to the personal level, and cannot be extended to the organisational level. However, SMEs owner-managers are usually in charge of all functions of business operations, including developing and/or managing all the *Guanxi* with other businesses (Fuller-Love & Thomas, 2004: 246). For Chinese SMEs, most of the key contacts are developed and controlled by owners. From this point of view, their personal *Guanxi* can exert a subtle influence on their companies' performance. Therefore, personal and organisational *Guanxi* in SMEs are in a causal and interdependent relationship.

3.5 The linkage between *Guanxi* and extended networks

O' Neill et al. (1997:17) assert that it is impossible for today's organisations to operate in an isolated world, because business deals often involve a series of different processes with different people. For instance, companies may negotiate with their suppliers about how to supply required materials in time; connect with their internal departments about how to efficiently process materials to final products; keep in touch

with their target customers about how to satisfy their needs better; negotiate with other supporting organisations about loan repayments, and government regulations; and even contact their competitors in order to search for complementary resources.

The previous chapter has clearly defined that an extended network generally refers to inter-firm networks that are characterized by their formal nature (Premaratne, 2001: 364). In contrast to the informal nature of personal networks, the actors of extended networks include customers, competitors, suppliers, and supporting members, which play different roles to stimulate organisational performance (Premaratne, 2001: 364, Wincent, 2005:438). O'Donnell, Gilmore, Cummins, and Carson (2001: 754) assert that the actors in personal networks and extended networks often overlap. Therefore, these actors cannot be treated separately. For instance, customers and suppliers may be included in the explanation of personal networks but often these are organisations as opposed to individuals (O'Donnell et al., 2001: 754). Wu (2003: 35) supports the idea that it is difficult to completely separate personal networks from extended networks, due to many complex social factors that occur during transactional processes.

No matter how formal extended networks are, and how many functions they serve, these networks are basically created, developed, and maintained by people. Dunfee and Warren (2001: 195) recognise that, although the use of *Guanxi* (personal network) can be applied to the business context, the nature of *Guanxi* is based on true interpersonal relationships. In the Chinese community, if people do not have good *Guanxi* relationships, other formal networks are difficult to establish (Arias, 1999: 146). Dollinger (1995: 429) points out that the participants in the personal network consist mainly of an individual's friends, family members, and acquaintances. Therefore, the personal network may be able to be linked to an extended network from the following scenarios:

- Li and Wright (2000: 371) note that *Guanxi* contains a direct interpersonal tie. For instance, if an individual has good *Guanxi* with his/her former schoolmate, who is a senior management member of a purchasing firm, his/her personal network could easily extend to the purchasing firm. In addition, Arias (1998: 146) notes that the status element in *Guanxi* relationships means that having a good personal relationship with a leader will gradually stretch to his/her team members, but not the reverse. Then, the customer relationship will become easier to manage and all formal marketing activities can be evolved.

- Li and Wright (2000: 371) note that *Guanxi* also contains an indirect interpersonal tie that connects through an intermediary. *Guanxi* has another important function: if a third party is familiar with both parties, this can act as a bridge to close the gap between them. (Yang, 1994, cited by Pressey & Qiu, 2007: 109). This could happen, for instance, when an individual's former colleague has good *Guanxi* with him and a senior manager of a potential purchasing firm, this former colleague could function as an "activator" that facilitates familiarity between these two unfamiliar individuals.

These two scenarios could take place and be applied to all kinds of extended networks. Therefore, personal networks could facilitate the formation and consolidation of extended networks. Li and Wright (2000:370) note that *Guanxi* not only refers to personal relationships, but also includes inter-organisational relationships. O'Donnell et al. (2001: 754) support the argument that entrepreneurs often integrate their personal and other formal network ties into a mixed form of network tie. Thus, a *Guanxi* network encompasses both formal and informal ties among individuals, and among individuals and organisations (O'Donnell et al., 2001: 754). Hence, it is understandable that personal networks can reach into extended networks, and all extended networks can also contain a certain degree of personal networks. Furthermore, past research also suggests that inter-organisational relationships have provided evidence that they can lead to business success, and that they can possibly

avoid negative impacts of *Guanxi*, such as corruption (Li & Wright, 2000:371).

Wu (2003: 35) states that the Chinese SMEs' owners prefer to use personal networks rather than extended networks when they experience difficulties. This is because using personal networks to solve problems is feasible, economical, and timesaving in most situations (Wu, 2003: 35). For instance, when they face problems, they would like to firstly use their personal network to intercede rather than looking for legal support. Lu and Meyer (2006: Online) point out that a successful entrepreneur is often good at accumulating and managing his/her personal networks, in order to finally leverage them to the business purpose.

3.6 The difference between *Guanxi* network and bribery

Fundamentally, the traditional culture norms of Chinese society are profoundly affected by Confucianism, including gift-giving behaviour (Pablos, 2005: 441). Wong et al. (2007: 216) conclude that the ultimate purposes of gift-giving in Chinese society are to generate *Renqing*, cultivate good *Guanxi*, and give/save *Mianzi*. Dunfee and Warren (2001:200) add that gifts and entertainment are often offered with the purpose of either strengthening the stability of *Guanxi* or expanding the current *Guanxi* web for later use in the business environment. As previously stated, *Guanxi* networks must be established and maintained by continuously exchanging favours and obligations between two actors.

"A favour can be exchanged in an intangible way (for instance, advice, information), or in a tangible way (for instance, gifts), or even in both ways" (Pressey & Qiu, 2007: 109). Tung (1998, cited by Dunfee & Warren, 2001:193) points out that supporting actions must be made by actors in order to establish and maintain strong *Guanxi*. Methods include personal visits, gift-giving, and entertainment. Gift-giving and wining-and-dining are common instruments that are used to create and maintain *Guanxi*. However, the activities are not definitely equivalent to corruption (Leung & Wong, 2001: 56). This is because strong *Guanxi* ties are impossible to establish by

using the one-off basis of a bribe (Dunfee & Warren, 2001:193). Leung and Wong (2001: 56) stress that a crude bribe may be an effective way to win a business transaction, but an emotional personal relationship can not be developed due to the lack of interpersonal interaction between the participants.

Strong and true *Guanxi* must be based on strong trust and these two variables must be in the relationship in direct proportion (Pablos, 2005: 443). As noted above, these strategies (gift-giving and wining-and-dining) seem to be effective enough to establish and sustain *Guanxi*. Leung et al. (2008: 27) comment that two important social customs should be carefully observed and considered before practising gift-giving: first, the donor should give a sufficient reason that persuades the recipient to receive the gift; second, the donor should also consider the level of courtesy according to the social status of the recipient. Pablos (2005: 445) adds that the donor must also consider whether the value of the gifts matches the social status of the recipient. Yang (1994, cited by Pablos, 2005: 445) emphasizes that the art of developing and sustaining *Guanxi* is to use these strategies at the right time, which can maximize the indebtedness of the recipient to the donor. Otherwise, it may have a self-defeating effect.

However, *Guanxi* is a word with two meanings in the Chinese context. It implies that *Guanxi* can be positive and negative (Leung & Wong, 2001: 56). Much western literature has argued that *Guanxi* activities contain an unethical element (Snell, 1999, cited by Szeto, Wright & Cheng, 2006: 426). Szeto et al. (2006: 427) further note that firms in China normally use 3%-5% of their operating cost for outright payment and gifts in order to develop *Guanxi*, which is equivalent to 4 billion USD in total. In reality, it is difficult to clearly distinguish between *Guanxi* and corruption, especially for a society with an incomplete legal system and with *Renqing* (Chen, 2006: Online). This is because face and favour are unique in Chinese *guanxi* relationships (Chen, 2006: Online). However, *Guanxi* becomes an ethical problem only if the *Guanxi* recipient or/and donor intentionally distort the nature of true *Guanxi* into a bribe

(Pablos, 2005: 446).

3.7 The types of *Guanxi* tie and *Guanxi* base

According to Lee, Pae, and Wong (2001: 52), "*Guanxi* can be classified into three types: expressive tie, mixed tie, and instrumental tie". An expressive tie is characterized by permanent and stable relationships that generally occur between actors when the emotional tie is inherently established and developed, such as between family members (Lee, Pae & Wong 2001: 52). Group members with an expressive tie should have a self-giving spirit towards that group with no intention of reward (Chen, 2006: Online).

The instrumental tie is often the opposite of the expressive tie, which is based on the credo of equal contribution that is made by both parties, such as the one-off buyer-seller relationship (Lee et al., 2001: 52). Pablos (2005: 442) also agrees that the instrumental tie is a temporary and unstable tie with both parties establishing such a tie based on their own purposes. Hence, it is a typically one-off relationship.

The mixed tie is the combination of the above two types, which is based on both an emotional and beneficial bond (Lee et al., 2001: 54). Pablos (2005: 442) further explains that the mixed tie implies these internal dimensions move in different ways, and that the mixed tie will be weaker if a single tie moves in one direction. It may also imply that networking participants with mixed ties share a certain extent of identification, such as classmates. If networking participants keep in touch with each other regularly, mixed ties can last for a long time. Chen (2006: Online) comments that identifying mixed ties becomes the main breakthrough points for expanding networks and constructing networks.

Pablos (2005: 444) states that "*Guanxi* starts with a *Guanxi* base that can be described as a base which participants share a common identification". Sahakijpicharn (2007: Online) defines that a *Guanxi* base refers to anyone who is personally known by at

least two individuals in a particular relationship network. Pablos (2005: 445) outlines that there are six major pipelines that can construct *Guanxi* bases: "locality, fictive kinship, kinship, work place, trade associations/social club, and friendship". Tsang (1998, cited by Sahakijpicharn, 2007: Online) notes that kinship bases and social bases are the two basic types of *Guanxi* bases. Pablos (2005: 444) comments that kinship, friendship, and other social interconnections are the essential components that make up the *Guanxi* base. Dunfee and Warren (2001:193) point out that the initial *Guanxi* a person possesses comes from kinship, which is developed by that person's family members.

According to Pablos (2005: 444), the creation of a *Guanxi* base often requires some common identity, such as the same kinship, background, and social interconnection. As mentioned previously, the behaviour of the Chinese people is deeply affected by Confucianism, and one of the important values of Confucianism is family orientation (Pablos, 2005: 441; Fang, 2006: 53). Therefore, the Chinese people normally feel an obligation to give support to their family members who usually have priorities to access available resources (Sahakijpicharn, 2007: Online). Hence, the expressive tie is used to connect personal *Guanxi* in kinship bases.

As regards the instrumental and mixed ties, both of them are used to connect personal *Guanxi* in social bases and are developed and cultivated by each individual by himself or herself later on. This needs individuals to use their own personal interests and/or values to interact with each other, and to slowly develop trust with networking actors (Duffe & Warren, 2001: 193). Additionally, *Guanxi* has another important function: if a third party is familiar with both parties, he or she can be represented as a bridge to close the gap between them. (Yang, 1994, cited by Pressey & Qiu, 2007: 109). Past literature has identified that the employment of middleman is vital and essential for the establishment of new networks in the business environment (Sahakijpicharn, 2007: Online). Using this philosophy, a person's *Guanxi* base can be expected to expand dramatically. In addition, Pablos (2005: 445) suggests that firms should develop their

Guanxi base in diverse ways, rather than in a single way, because more *Guanxi* bases between two parties can lead to stronger and more durable ties. O'Donnell et al. (2001: 754) agree that the business success of a firm not only relies on the size of the personal network, but also depends on the diversity of the network.

3.8 The similarities and difference between *Guanxi* and relationship marketing

Dunfee and Warren (2001:193) state that many similar phenomena which can be linked to the core idea of *Guanxi* have been identified, such as relationship marketing. Chen (2006: Online) asserts that both *Guanxi* and relationship marketing are used to gain competitive advantages through developing good relations with various resource distributors. Dunfee and Warren (2001:202) also state that "relationship marketing is based on trust and involves taking steps, over time, to create tightly linked connections between business parties." Arias (1998: 149) points out that both trust and promise are the key components in the notion of relationship marketing. First, making achievable promises may be used to attract both new and retained customers, thus convincing them to adopt some desired approaches (Arias, 1998: 149). This is because marketers know that long-term profitability rests on keeping and enhancing the quality and quantity of the relationships that can directly determine the depth of the profitable customer base (Kotler & Armstrong, 2004: 25-26). Second, trust refers to "a willingness to rely on an exchange partner in whom one has confidence" (Arias, 1998: 149). Therefore, it is possible to describe how these two essential elements of relationship marketing work. In relationship marketing, continuously improved and achievable promises can be considered as the medium of exchange for gaining trust of the customers.

Lueng et al. (2005: 531) state that the most obvious characteristic of relationship marketing in the Chinese context is the emphasis on building *Guanxi* (personal network), instead of establishing formal business relationships. Tong aand Yong (1998, cited by Lueng et al. 2005: 531) add that *Xinyong* (personal trust) plays a vital role in Chinese relationship marketing in order to foster close relationships between buyers

and sellers. The basic principle of *Guanxi* and relationship marketing is similar. Further, Wong and Tam (2000, cited by Szeto et al., 2006: 428) confirm that the concept of relationship marketing and *Guanxi* are possibly linked together, because both of them share a common idea of developing and maintaining a network on a continuous basis. Ballantyne (1994, cited by Pressey & Qiu, 2007: 109) points out that "*Guanxi* has been widely recognised as an emergent form of relationship marketing in Asia".

However, previous researchers have stated that the concept of *Guanxi* in China is totally different from relationship marketing (Pressey & Qiu, 2007: 109). According to Leung and Wong (2001: 56), *Guanxi* and relationship marketing have at least two differences: the different scope and the original nature of these two concepts. First, relationship marketing has a broader extension. It does not refer to relationships (*Guanxi*) only. Arias (1998: 145) adds that the key differentiator between *Guanxi* and relationship marketing is that relationship marketing has a clear definition about how to manage and arrange the service delivery process. Second, *Guanxi* and relationship marketing respectively begin at the personal and organisational level. Pressey and Qiu (2007: 113) confirm that in contrast to western purposeful relationship marketing, the Chinese business *Guanxi* may originate from kinship and friendship with no specific intention.

3.9 The relationship between *Guanxi* and business performance

It has been outlined that personal and extended networks are the two main types of networks. Luo (1997, cited by Taormina & Lao, 2007:203) notes that the social network is the most essential element of *Guanxi*, which is widely accepted and used by every Chinese person. Taormina and Lao (2007:203) assert that *Guanxi* begins with cultivating personal relationships that may be used to overcome potential hardship in the future, so that both personal and business gains can be achieved. For most Chinese entrepreneurs, the motive of establishing and maintaining *Guanxi* with other *Guanxi* participants is to maximize profit or to seek other economic benefits

(Szeto et al., 2006: 427).

According to Li and Wright (2000: 371), inter-organisational networks are perceived to be vital to business performance. Watson (2007: 870) also contends that although both personal networks and extended networks are critical for firm survival, only extended networks have the potential to stimulate enterprises to be more successful. This is because a broad range of extended networks with weak ties often bring diverse information and resources to the network (McAdam & Marlow, 2008: 224). However, although *Guanxi* relationships initially start at the personal level, it is possible for them to extend to organisational levels (Palos, 2005:444). In other words, *Guanxi* relationships can refer to personal and inter-firm relationships. More importantly, the personal *Guanxi* of SME owner-managers are often equivalent to their enterprises' *Guanxi* (Fuller-love & Thomas, 2004: 246). Therefore, it is significant to realise that good *Guanxi* relationships are the basis of other formal relationships in China (Arias, 1999: 146).

According to Leung et al. (2005: 531), establishing *Guanxi* through many social interactions is good for enhancing organisational performance. Szeto et al. (2006: 426) also find that *Guanxi* is an effective tool to improve business operational efficiency and enhance organisational performance. Lee et al. (2001: 64) say that developing personal *Guanxi* relationships is one of the prerequisites for business success in China. Buttery and Wong (1999: 149) contend that building *Guanxi* is based on trust and reciprocity that can result in business success. Thus, developing trust and mutual satisfaction in *Guanxi* relationships is vital for business success in the Chinese business environment (Lee et al., 2001: 62). Furthermore, Chinese people consciously comply with the philosophy of the need for harmony in society, which is the key value of Confucianism (Fang, 2006: 52-53). Therefore, the business behaviour of Chinese people is also based on their cultural values (Buttery & Wong, 1999: 149).

Most Chinese entrepreneurs realise that it is worthwhile to maintain *Guanxi* with other actors for future business, because *Guanxi* can contribute to business dynamics in the Chinese market (Leung & Wong, 2001: 58-59). Lee and Chan (1998, cited by Taormina & Lao, 2007:203) also point out that Chinese entrepreneurs understand the importance of *Guanxi*, so they strive to establish and maintain strong *Guanxi* that could promote their business performance. Pablos (2005: 444) states that having *Guanxi* can be seen as a strategic resource of SMEs, which can lead to superior organisational performance. Wood, Whiteley, and Zhang (2002: 266) indicate that having and using *Guanxi* is important, which could determine an enterprise's future for better or worse.

This is because the reciprocity of *Guanxi* can provide mutual business opportunities among participants, so that their businesses can benefit in the future. Barnathan et al. (1996, cited by Szeto, Wright & Cheng, 2006: 427) also point out that one of the predominant benefits of *Guanxi* is that *Guanxi* can make resources available only to subjects who are in that web. In other words, one might gain some advantage by possessing some private resources that others do not have. Chen (2006: Online) contends that developing and maintaining good *Guanxi* with suppliers could result in benefits of excellent service, timely delivery, and quality of materials; those with customers could ensure sales, customer loyalty, and trustworthy payment; those with rivals could foster collaboration; those with supporting organisations' officials could be able to obtain priority for the resources, such as government contracts and bank loans.

O'Donnell et al. (1999: 88) outlines that good *Guanxi* relationships provide four major benefits that are important for business performance: information sharing; extending the entrepreneur's range of contacts; motivation, support, and encouragement; providing ideas on products and/or services. Furthermore, Terziovski (2003: 79) points out that developing flexibility is one out of five CSFs for improving performance in SMEs. Gibb (2006:277) argues that Chinese entrepreneurs rely

heavily on the *Guanxi* philosophy to conduct business, which implies their management styles or mechanisms are more flexible and dynamic than those of the western entrepreneurs. This further implies organisational flexibility of SMEs could be improved by using *Guanxi* to operate businesses and it could result in a competitive advantage for SMEs. Furthermore, Wood et al. (2002: 266) suggest that entrepreneurs must appropriately develop a certain level of *Guanxi*, in order to reach the predetermined business goals.

3.10 Summary

In the first part of this chapter, an introduction was given to the historical background of the Chinese SMEs since the establishment of a new Chinese government in 1949. Although the new Chinese government was established in 1949, the development of the Chinese SME sector was stagnant until 1978. However, the development of the Chinese SME sector has been rapid since the beginning of the new economic reform process was begun in 1978. After that, the Chinese government has been continuously adjusting and perfecting the industrial structure and the relevant policy systems that have led to the prosperity of the Chinese SME sector for 30 years. In this section, it was also pointed out that a variety of entrepreneurial sources have successfully formed and driven the today's Chinese SME sector.

It has been pointed out that the notion of *Guanxi* originally resulted from Confucianism, a philosophy that is believed in strongly by the Chinese people (Pablos, 2005:441). Then, the concept of *Guanxi* was explained in general context and the major components of *Guanxi*, such as *Mainzi*, *Renqing*, favours and social capital were discussed. From the discussion, it can be concluded that these major components of *Guanxi* are interconnected, thus they can determine the level of *Guanxi*.

In the second part of this chapter, the concept of *Guanxi* in a business context was discussed; also discussed were the relevant issues regarding *Guanxi*, including ethical issues about *Guanxi*, *Guanxi* ties and *Guanxi* base, *Guanxi* and relationship marketing.

Then, theories and examples were given to show how *Guanxi* can extend to other extended networks in order to establish linkages between personal networks and other extended networks. Finally, the relationship between *Guanxi* and business performance in the Chinese business environment was identified.

Chapter 4: Background to the Chongqing motorbike industry and its components industry

4.1 Aim of the chapter

In this chapter, Chongqing industrial status will be briefly described. Then, the development phases and current status of the Chongqing motorbike industry as well as its component industry will be introduced. Thereafter, the major internal problems in these two industries as well as the external influences in the both industries will be discussed. In this chapter, a description is given that aims at providing a detailed background about the Chongqing's motorbike industry and its component industry. More importantly, in this chapter the major problems that are experienced by both industries will be identified. Thus, based on the background of the Chongqing motorbike industry and its component industry, recommendations on how owner-managers could effectively engage in networking practices will be provided in Chapter Seven.

4.2 An overview of Chongqing industrial status.

Chongqing is an old and developed industrial city that has a big industrial foundation (Zhao, 1997:9). Roughly, it has more than 15000 industrial enterprises (gov, 2007: Online). Historically, industry in Chongqing Municipality has been dominated by heavy industry, including the automobile and motorcycle industry, equipment manufacturing, and the resource processing industry (Oecd, 2006: Online). Since 1978, the Chinese government has reformed its economic system from that of a planned economy system to a market economy system. Meanwhile, it has pursued an open policy since the economic reforms started in 1978 (Taormina & Lao, 2007:200). Both the light and heavy industries of Chongqing have been developing dramatically, and Chongqing has a number of important industries in different fields, such as the motorbike and automobile industry, natural gas, pharmacy industry, and the aluminothermy industry (Zhao, 2005: Online).

In 2005, the value-added production value of secondary industry realised 102.335 billion *RMB* in Chongqing (Unpan, 2005: Online). Heavy industry accounted for 65.8% of the municipality's total industrial production value. The secondary industry also received the larger share of foreign investment. In general, of the total utilised foreign direct investment (FDI) in Chongqing in 2006, secondary industry accounted for 44.6% and tertiary industry accounted for 55% of the total. Some industrial sectors attracted the largest share of foreign investment, including manufacturing, real estate, and the finance sector (Oecd, 2006: Online)

Chongqing has diverse and competitive industrial sectors as well as a good supplier network (Ren & Dai, 2002: 254). Chongqing is one of China's industrial bases and now is strengthening its five important industries: automobile and motorcycle, chemical and pharmaceutical, construction material, food, and tourism (www. cq. gov. cn., 2007: Online). Chongqing is also accelerating the development of the high-tech industries, such as bioengineering and environmental protection (www. cq. gov. cn., 2007: Online).

4.3. The history of the Chongqing motorbike industry

When people mention the history of the Chongqing motorbike industry, two large SOEs, Jialing and Jianshe, will be immediately recalled. These two SOEs belonged to the Chinese industrial ministry. Just after the promulgating of the "open policy" in 1978, many military manufacturers began to change their business models in order to accommodate the new economic system (Meng & Zhao, 2003: 8). In addition, there was a strong need to change the production of the military industry from military products to civilian products (Oecd, 2006: Online). Especially, Jialing and Jiashe changed production (Liu, 1999: 21). To a certain extent, these two SOEs initially established the Chongqing motorbike industry. The emergence of the cluster of the Chongqing motorbike industry experienced three development phases: the foundation period (1979-1989), the comprehensive development period (1990-1998), and the mature period (1999-) (Ji & Wang, 2006: 11).

4.3.1 The foundation period of the motorbike industry

Because of these military manufacturers having the most technological and manufacturing skills, these manufacturers pioneered the motorbike industry in 1979 and 1980 (Mo, 2002: Online, Liu, 1999: 21). Later on, Jialing and Jianshe imported and absorbed the new technology from Honda and Yamaha respectively. Thereafter, they developed the JH70 and CY80 motorbikes that became the most popular motorbike during that period (Ren & Dai, 2002: 15). Eventually, when the total output of the Chinese motorbike industry reached 1 million units in 1985, the Chongqing motorbike industry accounted for about 50% of the total output; and Jialing and Jianshe have become the most famous motorbike manufacturers in China since then (Liu, 1999: 21). Liu (1999: 21) notes that due to the huge development of Jialing and Jianshe, they drove the development of the local small and medium component manufacturers and this also established a vital foundation for the establishment of a complete motorbike component base in Chongqing.

4.3.2 The comprehensive development period of the motorbike industry

Only ten years after of the foundation period, the Chongqing motorbike industry moved towards the second phase. Some large enterprises making motorbike components and repair factories began to assemble motorbikes (Ji & Wang, 2006: 11). During this period, the rate of development of the Chinese motorbike industry was huge and it increased by one million units every year (Liu, 1996: 18). This is because, along with the standard of living of the Chinese citizen which increased year by year, the demand for motorbikes dramatically increased in China.

Figure 4.1: Average rural and urban income in Chongqing municipality
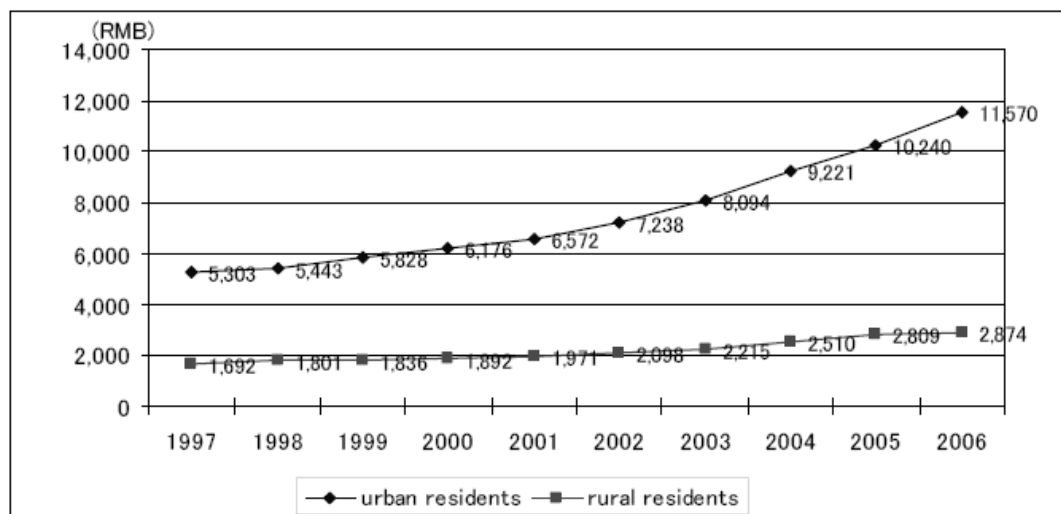
Source: Chongqing statistical yearbook, Cited by Oecd, 2006: Online

The significantly increased income led to huge demand, and this supported the development of the Chongqing motorbike industry (Ji & Wang, 2006: 11). Many private motorbike corporations sprung up and thrived during this period, such as Zongshen and Lifan (Ren & Dai, 2002: 15). In addition, the product structure of this cluster became more diverse than ten years previously (Ren & Dai, 2002: 15). They tried to identify many possible ideas to diversify their products such as product design to power of motors (Ren & Dai, 2002: 15). However, Zhang and Xiu (2007: 150) argue that the most innovative ideas are in the designs of the appearance of motorbikes, not inventions. Chen, Wu, and Deng (2006: 33) add that the dominant products of Chongqing's motorbikes are limited to motorbikes with small capacity, which range from 50cc to 150cc. Nevertheless, as the total output of the Chongqing motorbike industry increased, the rudiments of the motorbike industry cluster in Chongqing had been formed by the end of this period (Liu, 1996: 18; Ji & Wang, 2006: 11).

4.3.3 The mature period of the motorbike industry

In the third period, although the competition became more intensive, there were still many motorbike manufacturers established by end of 1990s, such as Hensin (Li, 2006: 12). In addition, other supporting organisations such as information centres, science and technology institutions, and intellectual property institutions were accordingly established, and they promoted the consolidation of the motorbike industry cluster in Chongqing (Ji & Wang, 2006: 11). Therefore, the prominent achievement of the Chongqing motorbike industry not only resulted from the collective effort of all related individual enterprises, but also was largely supported by the local government. Moreover, the Chongqing government is going to invest about 1 billion RMB to construct more advanced and complete motorbike infrastructure that will be more convenient to local motorbike and component enterprises (Zhang: 2004: 10).

In 2004, the total output achieved by the Chinese motorbike industry was 17 million units and the production value was equivalent to 1% GDP of China. (Zhu, Zhang & Dang, 2006: 74). In addtion, the total output of the Chongqing motorbike industry nearly reached seven million units in 2005 (Ji & Wang, 2006: 11). In contrast to the annual output of the Chongqing motorbike industry, other main production bases in China were far behind (Li, 2006:11). Today's Chongqing also has the large productive capacity of 9 million units for motorbike engines (Tzswj, 2004: Online). In 2003, Chongqing's engine manufacturers sold more than 7 million units that accounted for 57% of the total sales volume in China (Tzswj, 2004: Online). The cluster of the Chongqing motorbike industry has been mature (Ji & Wang, 2006: 11).

The Chongqing motorbike components manufacturers specialized in making engines and engine parts, such as gears, crankcases, clutches, and pistons (Tzswj, 2004: Online). In terms of production scale, these manufacturers remain ahead in these areas in China (Zhang, 2004: 11). Today's Chongqing has more than 1000 manufacturers of motorbike components that provide the most complete set of motorbike components to support the motorbike industry (Meng & Zhao, 2003: 8). Over 90% of the required

components can be locally supplied (Tzswj, 2004: Online).

4.4 The major problems of the motorbike industry

The motorbike industry is the predominant industry in Chongqing (Liu & Wang, 2004: 24). The industry sustained a high incremental growth period during the 1990s (Meng & Zhao, 2004: 7). The Chongqing motorbike industry has become the most important production base in China since 1992 (Tzswj, 2004: Online). However, the development of the Chongqing motorbike industry was uneven in terms of the relationship between sales volume and profitability (Meng & Zhao, 2004: 7). According to Liu and Wang (2004:24), the following problems can be identified.

4.4.1 The need for holistic performance of the motorbike industry

There were 28 registered motorbike companies in Chongqing in 2003 (M488, 2006: Online). Although the number of companies in the industry is large, most companies are small in terms of the production scale (Zhang, 2004:11). This has led to a waste of resources, because of the overlapping investment (Liu & Wang 2004:24). In addition, these enterprises are constituted by a different economic modality (Ji & Wang, 2006: 11). The differences in quality of products are great (Liu & Wang 2004:24). Some SMEs even produce counterfeit products which disturb the market order (Zhang, 2004: 11). Therefore, it has seriously affected the holistic competitive edge of the Chongqing motorbike industry.

4.4.2 Weak Research &Development (R&D) ability

Due to dated equipment, lack of technical staff and funds, most enterprises' R&D ability in the industry is weak (Liu & Wang 2004:24). Zhang and Xu (2007: 150) note that most of the SMEs' R&D expenses normally account for only 1 to 2% of the total sales, and some SMEs even do not have R&D expenses. The technical staff of these SMEs generally account for 10% to 20% of the total employed (Zhang & Xu, 2007: 150) This has led to a number of negative impacts such as low product quality and simple product structure (Meng & Zhao, 2003: 8). In addition, the product structure of

the Chongqing motorbike industry focuses mainly on low value-added motorcycles, rather than high value-added products (Ren & Dai, 2002: 31). Consequently, increased competition and poorly differentiated features of their products has limited the profitability in this industry.

4.4.3 Vague market positioning

Kotler and Armstrong (2004: 259) suggest that enterprises should have a clear and unique market positioning in order to attract target customers. Liu and Wang (2004:24) comment that, although the Chongqing motorbike industry has abundant resources, their products do not have a clear market positioning. Therefore, many Chongqing motorbike producers do not offer their customers a chance to get to know what the unique benefits of the products are. (Liu & Wang 2004:24). Chen et al. (2006: 146) state that Chongqing motorbike producers are often product-orientated, and they do not communicate well with their target customers. Reducing prices has become their only competitive tool, and has led to low profitability in this industry (Zhang, 2004: 12). Therefore, in order to communicate with their target customers well, an effective communication system should be built between the motorbike manufacturers and their target customers. In addition, they should learn how to market their products that are based on enough associations of brands.

4.4.4 The problem of inventory

Although the production capacity of the Chinese motorbike industry has achieved over 20 million units, the domestic demand for the products still remains at the level of 10 million units (Ji & Wang, 2006: 13). As a rule, when the GDP per person of a country reaches 1000 US. Dollars, the demand for automobiles will soar in that country (Chen et al., 2006: Online). In other words, the consumption of motorbikes will gradually reach saturation level. According to Liu (2003: 11), the average income of the Chinese residents has already reached 8214 RMB since 2002. Meng and Zhao (2003: 9) assert that the Chinese motorbike manufacturers often overproduce about several million units every year, and there is a strong and urgent need to exploit the

domestic rural markets and foreign markets. The motorbike manufacturers should firstly identify and monitor the needs of their target customers, in order to timely adjust the product structure. Secondly, they should make their production plan according to the sales forecast. Therefore, it requires that the motorbike manufacturers work closely with their target customers and suppliers.

4.5 The main problems of the motorbike component industry

The relationship between the motorbike industry and its components industry is close and mutually supportive. The business recession of the Chongqing motorbike industry could have a huge impact on the related industries, such as the components industry, and vice versa. Due to the close relationship of the motorbike industry and its component industry, some major problems of the manufacturers of motorbike components are causally related to the motorbike manufacturers themselves (Chen, Wu & Deng, 2006: 34). However, some problems may have originated from the component manufacturers, and this will be discussed as follows.

4.5.1 Lack of brand consciousness

No matter what the problems are of the independent motorbike component manufacturers or the motorbike firms' component factories, the lack of brand consciousness is the common characteristic (Tzswj, 2004: Online). The component manufacturers usually share a common brand name with the motorbike firms (Chen, Wu & Deng, 2006: 35). This acts against the development of the Chongqing motorbike industry. Thus, if a well-known brand cannot be built, it will be difficult for the business to expand.

4.5.2 Reactive attitude towards R&D

One owner-manager of a components factory said: "We do not need R&D ability and have money to invest in it; survival is our first priority" (M448, 2006: Online). Although Chongqing has the largest motorbike component cluster, most Chongqing manufacturers of motorbike components do not have R&D ability, and it has become

a hindrance to the industry (Chen, Wu & Deng, 2006:34). Due to the low innovation ability of the Chongqing motorbike component enterprises, their contributions are limited to only processing the drawings according to the requirement of the motorbike manufacturers (Meng & Zhao, 2003: 8). Therefore, in contrast to other foreign motorbike components clusters or other components clusters in China, the Chongqing manufacturers of motorbike components have less competitive edge pertaining to production skills and to the speed with which products are updated. Mitra (2000: 228-229) suggests that, in order to drive innovative ability, SMEs should connect with all possible forces to obtain the required skills, resources, and information. Therefore, it requires the motorbike manufacturers to build good relationships with various networking participants, such as customers, suppliers, and competitors.

4.5.3 Most companies are often small

Chongqing has more than 1000 motorbike components manufacturers to support the motorbike industry (Meng & Zhao, 2003: 8). It is also the largest motorbike components base in China (M488, 2006: Online). However, only 480 enterprises' annual production value exceeds 5 million RMB (M488, 2006: Online). Tzswj (2004: Online) points out that most Chongqing components firms often supply low value-added products that lack differentiated natures. Thus, they often have weak bargaining power compared to big companies. Chen, Wu, and Deng (2006:34) note that most of these small companies could not achieve economies of scale, thus, they find it difficult to satisfy the motorbike manufacturers' requirements of low cost and independent innovation ability. Bernal et al. (2002: 247) state that horizontal networking can give collaborative advantages to SMEs. Gilmore et al. (2001: 9) further state that networking with competitors is particularly useful when SMEs are short of resources and capabilities to complete a large project by themselves. Therefore, the SMEs should develop good relations with their competitors.

4.5.4 The need for rationalisation of product structure

Chen, Wu, and Deng (2006:34) state that the motorbike industry has not reached the industrialization of high value-added motorbikes. The ultimate reason is that most Chongqing manufacturers of motorbike components produce only low value-added motorbikes at present (Chen, Wu & Deng, 2006:34). For many Chongqing motorbike producers, it is difficult to achieve anything without support of the local suppliers. Therefore, the lack of rationalisation of product structure of the motorbike component manufactures has hampered the industrial upgrade of the motorbike industry.

4.5.5 Lack of trust among members of the industry

Karaev et al. (2007: 824) assert that inter-firm relationships in a cluster is characterized by the combination of cooperative and competitive attitudes, which has been recognised as being the prime power for competitiveness of SMEs. Chen, Wu, and Deng (2006:82) comment that the members of the motorbike components industry often lack cooperative attitudes towards mutual benefits. Due to the lack of cooperative attitudes between the SMEs, inter-firm relationships are often unsuccessful (Chen, Wu & Deng, 2006:82). Therefore, conflicts of interests often take place. It may be inferred that formal networks between the competing firms are difficult to develop without trust.

4.6 Other uncontrollable factors

Porter's Diamond model is often used to explain why an industry performs well or not (Hill, 2007: 187). Porter's Diamond theory explains that whether an industry can prosper is determined by "the balanced development of the following: the factor condition, demand condition, related and supporting industries, and firm strategy, structure, and rivalry". (Hill 2007: 191). Creating a balanced model is required to boost competitive performance. In addition, Porter (1998: 353) also states that other external events may either positively or negatively affect an industry, such as government and chance. The problems, which should be considered as the internal problems, have been discussed in the previous sections. Some external and

uncontrollable threats also directly or indirectly can have an impact on the motorbike component industry.

4.6.1 The motorbike ban

At the end of 1990s, many local governments in China had promulgated legislation to ban the use of motorbikes in their urban areas (Meng & Zhao, 2003: 9). In order to protect the natural environment, cities such as Beijing, Shanghai, and Guangzhou have implemented the ban (Liu & Wang, 2004: 25). Li (2006: 13) comments that these local governments promulgating the ban were too bureaucratic and selfish, which has led to the recession in the motorbike industry.

4.6.2 The excise of motorbike can be expected to decrease

Chen, Wu, and Deng (2006:14) note that the Chinese government has imposed a 10% excise for motorbike products since 1994. This excise put an extra burden on the Chinese motorbike manufacturers. In addition, this excise has blocked the development of the Chinese motorbike industry and its related industries (Chen, Wu & Deng, 2006 :14). Some experts suggest that the excise on motorbikes ought to be abolished, alternatively, motorbikes of less than 250cc should attract 3% excise (Bai, 2005: 15).

4.6.3 The new requirements for motorbikes

In order to reduce noise and pollution of motorbikes, the Chinese government has promulgated a series of requirements and standards with the purpose of stimulating a more environmentally friendly development of the motorbike industry and its related industries (Chen, Wu & Deng, 2006 :33). However, the challenge is that if the Chongqing motorbike manufacturers cannot meet these criteria within the given time, the demand for Chongqing motorbikes will probably decline (Chen, Wu & Deng, 2006 :33). Consequently, this will also negatively affect the development of the local manufacturers of components.

4.6.4 The increased cost of supply

Along with the increases in cost of products in recent years, manufactures of both motorbikes and their components will face a big challenge (Tzswj, 2004: Online). The prices of raw materials for motorbike production such as steel, plastic, glass, rose considerably in 2003 (Zhang, 2004: 12). The price especially of steel has increased by about 50%. Meanwhile, the prices of motorbikes did not increase. This has increased the cost from 50 to 100 RMB for a motorbike, which was almost equivalent to the previous profit for a motorbike (M448, 2006: Online). The profit margin of these local manufacturers of motorbikes and components will inevitably suffer. Furthermore, according to the Chongqing motorbike association's data, the decline in motorbike prices has removed about 200 Chongqing motorbike component enterprises from the competition (M448, 2006: Online). The motorbike components manufacturers should strengthen the relationship with their suppliers, in order to identify a better way to reduce the cost of supply, such as identifying substituted materials and reducing logistic cost.

4.6.5 Lack of government's support

Zhao (1997: 8) asserts that although the development of the Chongqing motorbike component industry is obvious, the rate of development is not enough in relation to the motorbike industry. Zhao (1997: 9) points out that, although the local government realises the importance of developing the component industry, the municipality does not have a comprehensive strategic plan for the industry. It implies that the local manufacturers of components find it impossible to obtain enough support from the government. Chen et al. (2006:33) note that the Chinese government has not promulgated any rules or laws to offer protection when enterprises jointly develop new projects. Therefore, many enterprises are hesitant to join together to innovate new projects.

4.6.6 The effect of the WTO

"The Sino-US agreement signed in 1999 paved the way for China's successful entry into WTO, which will further accelerate Chinese economic development" (Chen, Shi, Ni & Chen, 2006: Online). However, this would definitely increase the competition from abroad. This is because the Chinese government must implement the promises of tariff reduction and quota abrogation (Yang, 2006: 51). On July 1st 2006, the tariffs on motorbikes and motorbike components decreased by up to 42.14% and 11.4% respectively. More and more foreign competitors will enter the motorbike market. Liu, Cui, Zeng, and Long (2003:36) state that about 60% of Chongqing motorbike manufacturers realise that membership of the WTO has brought obvious impacts.

However, the Chognqing motorbike industry and its components industry will have more opportunities to enter other foreign markets by China joining the WTO. This is because the demand of the domestic market has been stable in recent years. (Chen, Wu & Deng, 2006 :15). To a certain extent, gains in the Chinese motorbike industry is the result of the huge demand by foreign markets (Chen, Wu & Deng, 2006 :15). Therefore, it can be assumed that WTO could also bring endless opportunities to the industry if they can manage it well.

After the above analysis, it can be found that these uncontrollable factors are the result of the actions of government agencies to a certain extent. Therefore, the motorbike manufacturers and the motorbike components manufacturers should build good relationships with supporting organisations, such as government agencies. As Lu and Meyer (2006: Online) state, keeping good relationships with supporting organisations allows SMEs to obtain requisite business information and assistance. Moreover, the motorbike enterprises could also negotiate with the government agencies for better treatment through the Chongqing motorbike association.

4.7 Summary

In this chapter, the Chongqing industrial status was introduced. It is understandable that historically the industrial foundation of Chongqing is well developed. Particularly, Chongqing specializes in heavy industrial production. The history and the current status of the Chongqing motorbike industry and its components industry have been described. It can be said that the primary position of the Chongqing motorbike and its components industry is widely recognised in China. In addition, in this chapter, some major problems and threats that come from both the competitive and macro-environments have been identified.

Currently, the outlook for the comparative advantage of Chongqing motorbike and components industries has been bleak. Meanwhile, weak innovative ability and weak quality of products have become the notable weaknesses of the both industries. These major problems have hampered the development of both the industries. Firms in this industry should prepare to cope with the challenges by engaging in networking activities. The detailed recommendations will be stated in Chapter Seven.

In contrast to other literature review chapters, this chapter should be considered as being an accessory chapter that provides more comprehensive background of the city, the industries as well as the associated problems. In addition, it can be expected that some major problems could be solved or relieved through the networking practices that were proposed by the research.

Chapter 5: Research Methodology

5.1 Aim of the Chapter

The methodology used in this research will be critically evaluated. The research design will be discussed including issues about what the nature of the research is, what kinds of data will be used, what sampling method will be chosen, and how information can be collected and interpreted, as well as what the advantages and disadvantages of the data collection methods are. This is done so that the credibility and validity of the information can be ensured, and consequently, more accurate recommendations can be made.

5.2 Research design

The research design involves making a series of rational choices pertaining to how the research can be conducted (Cavana, Delahaye & Sekaran, 2000: 106). All the relevant issues of research are integral to research design (Cavana et al., 2000: 106). Rossouw (1996: 20) notes that a well-planned research design can ensure that the gathered information are compatible with the research objectives and it can also increase the probability that more accurate information can be gathered in a cost-effective way.

"There are three types of research design: exploratory, descriptive, and explanatory" (Saunders, Lewis & Thornhill, 2003: 96). Exploratory research is particularly useful when information is not available or clear or sufficient to solve the current research problems (Cavana et al., 2000: 108). Maree (2007:265) also confirms that exploratory research is suitable when a topic lacks supporting theories or researchers have no idea of how to measure important variables. For this study, exploratory research was done through thoroughly reviewing the related literature pertaining to entrepreneurial networking and the *Guanxi* theory. This was useful because literature can provide a better understanding of the research context.

"Descriptive research is used to identify and describe the traits of the variables in a specified situation" (Cavana et al., 2000: 109). Cooper and Schindler (2001: 147-147) note that descriptive research may serve the following research objectives: description of phenomena or characteristics related to a specified population; estimation of the proportions of a population that have these traits; and/or discovery of associations among different variables. For the present research, the fundamental stress is on trying to ascertain if there is a relationship between networking and business performance of the motorbike component industry of the main city zones in Chongqing.

Explanatory research is used to establish and explain causal relationships among variables (Saunders et al., 2003: 97). In this type of research, quantitative data are first collected and analysed, then, the qualitative data are collected, analysed, and interpreted in order to refine, explain, and extend the quantitative data (Maree, 2007: 264). According to the objectives of the research, this type of research may be considered as a combination of both exploratory and descriptive research.

5.3 Measurements

5.3.1 Independent variables

In the present research, the main independent variable would be networking. The levels of networking were measured by five selected indicators: ratio of networking expenses, number of contacts, the importance of networking, attitude towards networking, and frequency of networking. These five indicators were used for testing the general hypothesis. According to the nature of the data requirements, each of the indicators was measured by either a 5-point Likert scale or a 7-point semantic scale. The combination of these indicators could determine the level of networking that was engaged in by the sampled owner-managers.

In the previous chapter, five types of networking practices were identified: personal networking, customer networking, competitor networking, supplier networking, and supporting networking. Given these propositions, the level of each type of networking

practice served as an independent variable respectively for hypotheses 1 to 5 in this research. In order to measure the level of each type of networking practice, the attitude and frequency of each type of networking practice served as the indicators for each of the independent variables. The attitude and frequency of each type of networking practice refer respectively to the respondents' feelings about, willingness towards, and the frequency of appointments (dinners and visits) made in different types of networking. Moreover, rating factors of these indicators was done according to a 7-point Semantic scale where 7 was the more positive side, and 1 was the more negative side. Both of the two indicators could determine the level of each type of networking practice.

5.3.2 Dependent variables

In this research, the main dependent variable would be business performance. The balanced scorecard (BSC) is a comprehensive performance measurement system that was developed by Kaplan and Norton (Chan, 2004: 206). BSC adds another three non-financial perspectives to the performance measurement system that makes up for the defects of conventional performance measurement system that focuses on the financial perspective only (Chan, 2004: 206). In this research, business performance was measured by four perspectives of a balanced scorecard. "The concept of balanced scorecard tends to balance both financial and non-financial indicators of business performance, which include four main areas: the financial perspective, customer perspective, internal business process perspective, and innovation and learning or learning and growth perspective" (Lee & Ko, 2000: 68).

5.3.2.1 Financial perspective

The financial perspective represents the long-term objectives of the firm (Kaplan & Norton, 1992: 77). Without a satisfactory financial result or financial strength, a company cannot achieve its long-term health or guarantee its ultimate survival (Thompson et al., 2006:21). In this research, two factors affecting business performance were assessed: turnover and profitability. Given the sensitivity

surrounding financial data, the two questions were put lastly.

5.3.2.2 Customer perspective

Chan (2004: 205-207) notes that BSC is a customer-based mechanism to improve an organisation. It emphasizes the ways to create value for customers in order to achieve high customer satisfaction. Kaplan and Norton (1992: 73) state that the following four main areas are important to enhance customers' satisfaction:

▼Time. It refers to how quickly the firm can satisfy customer needs.

▼Quality. It refers to how good or bad, as perceived by the customers, the products or services are.

▼Performance and Service. It refers to how much value or added value is contained in the firm's products or services, which value is recognised by the target customers.

▼Cost of products and service. It becomes important where customers consider the factor of price as an only aspect of the costs incurred when buying a product or service.

For this research, the size of customer base and the received customer complaints were selected to measure this aspect. This is because an increase in the customer base and decrease in customer complaints would reflect higher customer satisfaction, and vice versa.

5.3.2.3 Internal business process perspective

Nair (2004: 23) points out that the efficiency of the internal business process can positively affect the firm's ability to achieve its own financial objectives by satisfying customer needs. In contrast to traditional approaches of performance measure, BSC will more likely identify new processes that a firm must excel at to meet customer and financial targets. Boyett and Boyett (1998, 259-260) note that the numbers of new products and labour efficiency are typical examples of such measures. Hence, the quantity of new products and employee's working efficiency were used to measure this aspect in the present research.

5.3.2.4 Innovation and learning perspective

Kaplan and Norton (1992: 75) contend that organisational learning and growth can be based on three factors: people, systems, and organisational procedures. The BSC process can identify gaps between the desired and existing skills and capabilities within the organisation. Finally, these gaps can be closed through proactive actions, such as staff training and development (Mooraj, S., Oyon, D. & Hostettler, 1999: 487). There were two success factors that were used to measure this aspect: the number of employee training and development programmes, and improvement in employee skill and capability.

In this research, each of the sub-dependent variables will use a two-item measure with a 7-point Semantic differential scale where 7 was the more positive side, and 1 was the more negative side. A 7-point Semantic differential scale was used because it is more effective and precise to collect cognitive and affective data (Hair, Bush, & Ortinau, 2006: 395). The combination of the eight success factors would determine the levels of business performance of the sampled SMEs.

5.4 Data collection methods

According to the sources of data, one can distinguish between primary and secondary data sources (Welman, Kauger & Mitchell, 2005: 149). Primary data are original items of information gathered by the researcher him or herself, whereas secondary data are items of information collected by other individuals, agencies, or institutions (Welman, Kauger & Mitchell, 2005: 149). According to the nature and data requirements of the present research, the data includes both primary and secondary data that can be gathered in many ways (Cooper & Schindler, 2001: 83).

5.4.1 Collection methods for secondary data

Saunders, Lewis, and Thornhill (2003: 189) state that "secondary data include both qualitative and quantitative data that can be used in both descriptive and exploratory research". For the present research, a part of the needed data can be obtained from

various sources, including journals, books, and newspapers. In order to ensure the accuracy of the data, the latest publications were preferred. The publication period of the literature was selected from between 1990 and 2008. The language of publications includes both Chinese and English. The information selected was carefully evaluated in order to ensure the accuracy, consistency, and credibility of the data

In contrast to primary data, the main advantage of using secondary data is to save money and time (Rossouw, 1996: 20). Secondary data are often considered first by many researchers, because these data are time and cost-saving. As information increases and technology allows people to access it, secondary data have been extensively used by researchers. However, secondary data do have some disadvantages. Although these data become more easily accessible, they are less detailed than primary data. (Welman et al., 2005: 41). For this research, the purpose of using secondary data is to compare and evaluate past literature, in order to search for the theoretical support of the proposed research.

5.4.2 Collection methods for primary data

Primary data are derived from some customized forms of questions or observations that are specifically directed to the research problems and objectives (Saunders et al., 2003: 188). Therefore, the validity and reliability of primary data are often much higher than in secondary data. Welman et al. (2005: 41) outline the theory that primary data can generally be gathered by using four different methods: observation, structured interview, semi-structured interview, and in-depth interview.

According to Saunders et al. (2003: 188), observation is a way to systematically observe, record, describe, analyse, and interpret behaviour of specified subjects. Welman et al. (2005: 166) specify that in-depth interviews refer to unstructured and informal interviews that are used to search in depth for a general area of interest. For structured interviews, interviewees are face-to-face with the interviewer, who uses a prepared questionnaire (Welman et al., 2005: 165). Cavana et al. (2000: 109) explain

that a questionnaire is used to collect specified data by asking all respondents the same set of questions in a pre-determined order. Welman et al. (2005: 166-167) point out that the nature of a semi-structured interview shares the advantages of a structured and in-depth interview. A semi-structured interview could often be applied when other collection methods are not appropriate.

In general, survey methods can be managed in three ways: personal, telephone, and mail (Welman et al., 2005: 152-164). However, in the present research, personal interviews were preferable to the other two ways. The following two reasons were given: first, the questionnaire was initially developed in English, whereas the samples are Chinese entrepreneurs. Thus, it probably requires explanation of some terms when the respondents ask questions. Second, the interviewers may be able to completely control the overall interview situation and receive a higher response rate by using the personal interview technique (Welman et al., 2005: 164).

According to Welman et al. (2005: 164), the following disadvantages of the survey method are outlined: first, personal interviews cannot be anonymously conducted. As a result, interviewees may provide the answers that they think the interviewer would like to hear. Therefore, close attention was paid to the data collection instrument, in order to maximize the accuracy and validity of the data. Second, personal interviews can be costly and time-consuming (Hair et al., 2006: 233). Hence, close attention was also paid to make an exhaustive time-table of the fieldwork, in order to use the time effectively.

Because of the nature of the research, the structured interviews were used in the research. First, a pilot study was applied in order to collect qualitative data. Through the informal conversations with some selected respondents, it was possible for researchers to detect possible mistakes in the measurement procedure, identify unclear formulated items, and understand potential non-verbal behaviour of respondents (Welman et al., 2005: 165). The questionnaire was first developed in English, whereas

the respondents were Chinese entrepreneurs. Thus, the original questionnaire had to be translated into Chinese by the researcher. In addition, the Chinese version was first checked by a Chinese linguist, in order to ensure the questionnaire did not have linguistic problems and biases.

Second, the structured interviews were used to collect quantitative data. The well-designed questionnaire was developed to reflect the relevant literature. Both closed- and open-ended questions were included in this questionnaire. Open-ended questions are questions that do not place constraints on interviewees who can be free to express their ideas (Hair, Money, Samouel & Page, 2007:423). Welman et al. (2005: 165) agree that "the primary advantage of open-ended questions was that the respondent's answer was not limited to or influenced by the pre-determined answers". Therefore, more in-depth and varied sources of information might be given by the respondents. In contrast to open-ended questions, closed questions were questions that place a number of predetermined answers who can choose from them (Hair, et al., 2007: 418). Interestingly, the advantage of closed-ended questions may be a drawback of open-ended question (Welman et al., 2005: 175). For instance, it is often easier to compare the responses of closed-ended questions than open-ended questions. Therefore, a combination of both the data collection instruments was used in order to provide more comprehensive perspective.

5.5 Validity and reliability checks

"Information about validity and reliability was necessary in order to determine whether the chosen construct was stable and accurate and whether it truly measured what it set out to measure" (Terziovski, 2003: 87). According to Hair et al. (2006: 276), validity refers to the extent to which conclusions drawn from the study are true. Two different kinds of validity were considered in this research: content and construct validity.

5.5.1 Content validity

"Content validity refers to the subjective agreement among professionals that a scale logically appears to reflect accurately what it purports to measure" (Zikmund, 2003:302). This type of validity was ensured by reviewing the relevant literature in the field of networking and *Guanxi*. In addition, the findings of this research were compared to similar studies. Thus, the content validity of this research was developed.

5.5.2 Construct validity

"A measure has construct validity if it measures the theoretical construct that it was designed to measure" (Terziovski, 2003: 87). This was ensured by conducting a pilot test on a sample group in order to determine "how well the variables were selected and defined with regard to the construct being measured" (Page & Meyer, 2000: 86). In this research, seven samples were selected for pilot testing in order to ensure the construct validity. In addition, the original questionnaire was carefully translated in to Chinese by the researcher and the Chinese version was first checked by a Chinese linguist, in order to ensure the questionnaire did not have linguistic problems and biases. Finally, the collected data was also carefully translated back to English by the researcher.

5.5.3 Reliability

Reliability deals with the findings of the research and relates to the credibility of the findings (Welman et al., 2005: 145). Cooper and Schindler (1998: 171) state that reliability refers to the accuracy and precision of a measurement procedure. This implies that measurements are intended to be stable over a variety of conditions in which essentially the same results should be obtained. In order to ensure the reliability of the present research, an Internal Consistency Reliability Test was used to check the reliability of the findings. The Cronbach's alpha is a measure of the internal consistency of multidimensional scales (Hair et al., 2006: 374). Thus, this test was applied to the questions pertaining to the different types of networking and business performance. Cooper and Schindler (1998: 206) point out that a Cronbach's alpha of

0.6 or more is recognised as satisfactory internal consistency reliability.

5.6 The research population

Population is the "universe of elements from which sample elements are drawn, or the universe of elements from which researchers want to generalise" (Remenyi, Williams, Money & Swartz, 2005: 287). In the present research, the population included all small and medium enterprises that manufacture motorbike components and were situated in the main city zones of Chongqing. According to government information (2008: Online), the main city zones of Chongqing consist of six boroughs: *the Yuzhong* borough, *Shapingba* borough, *Jiulongpo* borough, *Dadukou* borough, *Jiangbei* borough, and *Nanan* borough.

In China, if registered enterprises satisfy one of three the following criteria, it implies that the enterprises qualify as SMEs (emagecompany, 2007: Online):

a) Employees fewer than 800;

b) Enrollment capital less than 20 million RMB;

c) Annual turnover less than 10 million RMB.

Motorbike components manufacturers satisfying the above criteria were selected. Accordingly, the total population of this research consisted of the owner-managers of these qualified SMEs in the main city zones of Chongqing. According to Ren and Dai (2002: 116-136), there were about 105 SMEs manufacturing motorbike components and which are situated in the main city zones of Chongqing.

5.7 The sampling frame

"A sample frame is a complete list on which each unit of analysis is mentioned only once" (Welman et al., 2005: 41). Therefore, "a sampling frame is being used to identify the elements in each sampling unit" (Sapsford & Jupp, 2006: 28). The latest list was eventually obtained in the municipal library in Chongqing.

5.8 The sampling methods

Fundamentally，there are two sampling methods that can be selected by researchers: the probability sampling method and non-probability sampling method (Rossouw, 1996: 20). For probability sampling, "each element in the population has a known probability of being selected". (Remenyi et al., 2005: 193). Methods like simple random sampling, systematic sampling, stratified sampling, and cluster sampling are classic examples of probability sampling methods (Welman et al., 2005: 56). Hair et al. (2006: 689) state that "non-probability sampling method is based on the judgement or knowledge of the research and may or may not be representative of the target population". Methods such as accidental or incidental sampling, purposive sampling, quota sampling, and snowball sampling are typical examples of non-probability sampling methods (Welman et al., 2005: 56).

Both probability sampling method and non-probability were chosen for this research. First, the snowball sampling method was selected over other non-probability sampling methods. Hair et al. (2006: 342) state that "the snowball sampling method is often applied to the situation where compiling a complete list of sampling units is very difficult". Although the researcher was able to obtain the list of sampling units in the municipal library in Chongqing, the list was compiled in 2002. Therefore, the list may not be totally applicable to the present research.

Welman et al. (2005: 56-67) note that in contrast to non-probability sampling methods, probability sampling methods enable researchers to estimate sampling error. Therefore, more representative samples can be selected. Next, the simple random sampling method was chosen over other probability sampling methods. According to Saunders et al. (2003:160), the simple random sampling method is accurate, easily accessible, and low-cost to conduct. In addition, the Monstats software was used to select the representative samples from the given population.

5.9 The sample size

It is extremely important to consider the appropriate sample size that will ensure that the total population was sufficiently represented (Maree, 2007: 178). According to the Surveysystem (2003: Online), there are three factors that determine the sample size: population, confidence level, and confidence interval. Welman et al. (2005:70) explain that confidence level refers to the level of certainty of which you can be sure. Normally, a 95% confidence level is selected by most researchers (Surveysystem, 2003: Online). Confidence interval often refers to how large the margin of error is that researchers can tolerate (Welman et al., 2005:70). In the present research, the confidence interval was 5%. According to the Surveysystem's sample size calculator (2003: Online), the sample size of 82 should be drawn from the total population of 105.

5.10 Sample selection process

In order to develop a precise process to select qualified samples, four filter questions were developed.

According to the information of the previous section, questions 1 to 3 would determine whether the respondents qualify for inclusion in the study. Therefore, they must be to:

1. Ascertain if the business is located in a main city zone of Chongqing (According government information, this includes Yuzhong borough, Shapingba borough, Jiulongpo borough, Dadukou borough, Jiangbei borough, and Nanan borough).

2. Ascertain if the business is a manufacturer of motorbike components**.**

3. Ascertain if the business is a small or medium enterprise (SME) (The criteria include: Employees fewer than 800; Enrollment capital less than 20 million RMB; Annual turnover less than 10 million RMB). If sampled enterprises satisfy one of three criteria above, it implies that the enterprise qualifies as an SME.

The respondents were to be included in the research for further study, only if the respondents qualified in all of questions 1 to 3. Otherwise, they were not to be included for further study.

Question 4 would ascertain whether the respondents needed to complete all the parts of the questionnaire.

4. Ascertain if the business owner-manager engages in networking (Creating and developing *Guanxi*)

If the respondent answers 'yes' to question 4, they were to be invited to complete all the sections of the questionnaire. Otherwise, they were to be invited to complete section four of the questionnaire only.

These filter questions were not presented in the questionnaire. However, the respondents were orally asked these questions by the researcher prior to the interview. During the interview process, no respondents thought that they did not engage in networking activities.

5.11 Questionnaire Design and Fieldwork

According to the objectives and data requirements of the present research, the questionnaire included both closed-ended and open-ended questions. This is because both closed-ended and open-ended questions have their own advantages in collecting different types of data. Thus, it was assumed that the questionnaire could benefit from the advantages of both closed-ended questions and open-ended questions.

The questionnaire was firstly analysed on the basis of similar studies that gave the researcher many useful suggestions. All of the suggestions assisted the researcher to design a better questionnaire regarding the wording of the questions, and the order of the questions. This ensured the readability of the final questionnaire.

Before the questionnaire was finalised, the pilot study was carried out by the researcher. Welman et al. (2005: 165) state that the fundamental function of a pilot study is to ensure the proposed questionnaire can be free from ambiguities. Therefore, pre-testing the questionnaire is extremely important to eliminate unseen mistakes, and to provide many opportunities to the researcher to re-phrase these possible ambiguities. In this study, seven sampled owner-managers were selected from the given population. None of the respondents raised any objections to the questions and they were fully able to understand all the questions. The questionnaire used in this research is attached at the end of the thesis.

The researcher obtained the list of the population from the municipal library in Chongqing. However, the researcher found the list of the population cannot be totally applicable, due to issues of insolvency and factory moving. Then, the snowball sampling method was used to compile a new list of the population. Thereafter, the simple random sampling method was used to select the target sample. This was done by using the Monstats software program. The researcher coded the population, and entered the total population number (in this case was 105), and the required sample number (in this case was 82) into the Monstats software program. Then, the software program automatically worked out which sample the researcher should be selected within the given population.

In view of the constraints of time and cost imposed on this research, all the fieldwork was done by the researcher. In order to overcome these constraints, the researcher applied the "snowball" approach to facilitate the fieldwork process. The researcher first identified those sampled entrepreneurs who have good personal *Guanxi* with the

researcher's family members. Then, the researcher asked these familiar entrepreneurs to use their various *Guanxi,* in order to bridge the gap between the researcher and other sampled entrepreneurs. Through this, the researcher has saved much time and money in completing the fieldwork and achieved a satisfactory response rate. In addition, it was assumed that the respondents would be more cooperative and honest, and provide unbiased information to the researcher. Because of the middlemen bridging the gap between the researcher and the sampled entrepreneurs, they would treat the researcher as an insider, rather than a stranger. In addition, the fieldwork took place between June of 2008 and August of 2008. Prior to the interviews, bookings were made through telephone calls. Therefore, the researcher was able to make a better time arrangement with these sampled owner-managers.

5.12 Data analysis

The first research problem of this study was intended to identify whether there is relationship between the independent variable (networking) and the dependent variable (business performance). The second research problem of this study was an attempt to further investigate which types of networking are perceived to be more important to improve business performance. Given these hypotheses, the descriptive statistics, bivariate correlation, and multiple regression analysis (MRA) would be an appropriate statistical test. The purpose of using bivariate correlations was to ascertain whether there is an association between the variables (Hair et al., 2006: 553). "The purpose of MRA is to predict a single variable from one or more independent variables" (Stockburger, 2007: Online). "MRA with many predictor variables is an extension of linear regression with two predictor variables" (Zikmund, 2003: 576). Therefore, both bivariate correlations and MRA would be effective techniques to test relationships between variables.

After the data have been collected, the information were coded and put onto a Statistical Product and Service Solutions (SPSS) spreadsheet from which the data analysis was done by using SPSS. The software program has powerful functions to

calculate descriptive analyses such as mean, median, sum, and test correlation. The software program also has a graphical function that can be used to create a variety of charts. This was helpful in illustrating the statistical results of the analysed data.

5.13 Ethical considerations

In line with the suggestion of Welman et al. (2005: 165), three ethical considerations should be given attention:

5.13.1 Informed consent

The researcher should obtain the necessary permission from the respondents after they were truthfully informed about the purpose of the interview. In the present research, the informed consent form was prepared. The form clearly stated the purpose of the research. Prior to the interviews, the informed consent form was shown to and signed by the respondents.

5.13.2 Right of privacy

The identity of the respondents should remain anonymous. The freedom to withdraw from the interview should be allowed. The informed consent form also contained the information about how to protect the right of privacy of the respondents. Prior to the interviews, the informed consent form was shown to and signed by the respondents. The informed consent form used in this research is attached at the end of the thesis.

5.13.3 Protection from harm

The respondents should be given the protection against any physical and emotional harm. In the present research, all the questions used in the questionnaire were approved by the University of Kwa-zulu Natal. The original questionnaire and the informed consent form were carefully translated to Chinese by the researcher. In addition, the Chinese version was checked by a Chinese linguist, in order to ensure the Chinese version did not have linguistic problems, biases and aggressive wordings.

5.14 Summary

In this chapter, the nature and the variables of the research have been defined. Also, data collection methods, the sampling process, questionnaire design, as well as the method of data analysis have been outlined. The nature of this research was a combination of exploratory and descriptive research. Under this design, the structured data collection instrument was used to gather required data that included both structured answers and unstructured answers. The sampling frame for this study was available. The snowball sampling method and the simple random sampling method were adopted in this research. This provides a greater convenience and possibility for the researcher to select more representative samples under this specific situation.

The dependent variable business performance was measured by BSC's four factors: "namely, the financial perspective, customer perspective, internal business process perspective, innovation and learning or learning and growth perspective" (Lee & Ko, 2000: 68). The independent variable, networking, was measured by a combination of factors, one such being psychological factors (O'Donnell, 2004: 207-208).This was done because entrepreneurs spend their time, efforts, and resources on networking differently. Therefore, factors of time, effort, and resources could be appropriate factors to measure the independent variable. The data analysis methods used were the descriptive statistics, bivariate correlation and multiple regression analysis (MRA), which were thought to be appropriate statistical tests for this research.

Chapter 6: Presenting, Interpreting, and Discussing the Findings

6.1 Aim of the Chapter

According to the objectives of the present research, there are two main objectives that are dealt with in this chapter. The first objective of the research intends to identify whether networking practice and business performance have a positive relationship in the motorbike component SMEs of the main city zones in Chongqing. The second objective of the research intends to verify the most important networking type to the least important networking type in the motorbike component SMEs of the main city zones in Chongqing. Therefore, the importance of this chapter is that it will contain the collected data which were converted to readable information using the relevant statistical methods.

Firstly, the characteristics of the sample are described.

Secondly, the findings of each question in the questionnaire (both structured questions and open-ended questions) will be discussed and statistically presented. The analytical approach will follow the sequence of the research objectives. In the questionnaire, the main function of each section is listed as follow: The main function of section one of the questionnaire was to investigate what the level of networking of the sampled entrepreneurs was; The main function of section two of the questionnaire was to investigate what the ranking of the important resources was; The main function of section three of the questionnaire was to investigate what the level of each type of networking was and what the ranking of each type of networking was; The main function of section four of the questionnaire was to investigate what the level of business performance of the sampled SMEs was. Therefore, the information generated from sections one and four of the questionnaire is essential to solve the first research objective; and the information generated from sections two, three, and four of the questionnaire is essential to solve the second research objective,

Thirdly, all the research hypotheses generated in the first chapter of the study will be tested. Thereafter, a reliability test will be conducted in order to check the internal consistency. The relevant summary pertaining to the research problems, objective, and hypotheses will follow.

6.2 Sample profile

There are 105 qualified motorbike components SMEs in the main city zone of Chongqing. Therefore, the total population for this research is 105 owner-managers from these 105 enterprises. The figure below shows how the sample SMEs are situated in the main city zones of Chongiqng.

Figure 6.1: Sample distribution
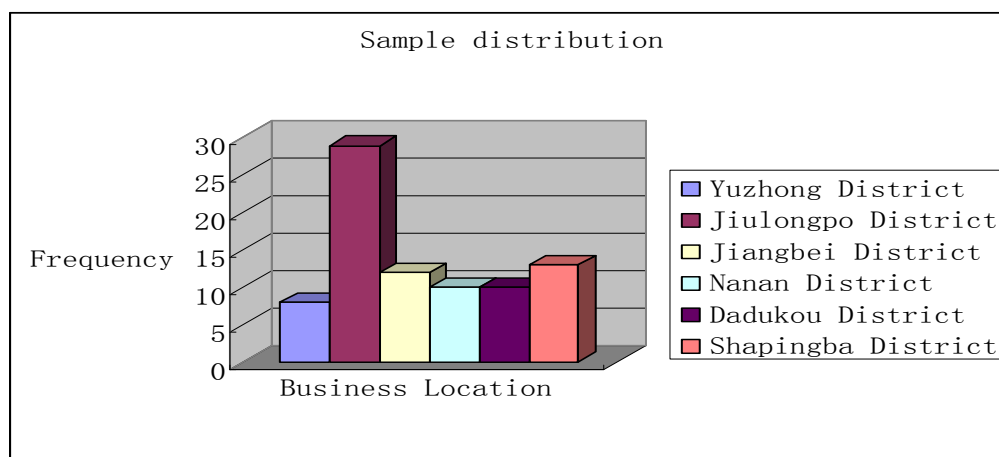
This information indicates that Jiulongpo district has the most sampled SMEs and Yuzhong district has the least sampled SMEs. Moreover, the rest of the districts have almost similar size of samples.

Table 6.1: The year of establishment of the sampled SMEs

	N	Minimum	Maximum	Mean
Year Established	82	1983	2007	1996.35
Valid N (list wise)	82			

The information in the table above shows that the earliest year a business was established was 1983, and the latest was 2007. In addition, it also indicates that the average year of establishment of sampled SMEs was 1996. Therefore, the sampled SMEs have on average survived for 12 years.

Questionnaires were distributed to all target respondents. Appointments were made before the structured interviews were conducted. In addition, the researcher was present with the purpose of ensuring a higher response rate and enhancing the validity of the questionnaires. As a result, eighty-two questionnaires in all were returned and used for the research. This includes 9.8 %, 35.4 %, 14.6%, 12.2%, 12.2%, and 15.9% of the returned questionnaires that came respectively from Yuzhong, Jiulongpo, Jiangbei, Nanan, Dadukou, and Shapingba districts. According to the statistics of the Chongqing automotive industry yearbook (Ren & Dai, 2002: 116), these figures correspond with the distribution of the motorbike components manufacturers of the main city zones in Chongqing.   .

6.3 Research results

6.3.1 The first research problem: Identifying the relationship between networking practice and business performance in the motorbike component SMEs of the main city zones in Chongqing

In order to address the first research problem, the required information needs to be generated from sections one and four of the questionnaire. The statistical results are shown as follows:

6.3.1.1 Ascertaining the level of networking

For this investigation, there were five questions that were dealt with. In the first two questions, respondents were asked to tick a number of factors regarding their financial expenses and personal contacts on networking. Rating factors of the two questions was done according to a 5- point Likert scale, where 5 indicated more extensive side and 1 indicated less extensive side. The third question included three sub-questions.

Respondents were also asked to rate a number of factors according to their feelings, and attitudes towards and frequency of networking practices. Rating factors of this question was done according to a 7-point Semantic scale where 7 was more positive side and 1 was more negative side. The following descriptive tables show the levels of networking which are engaged in by sampled entrepreneurs.

Table 6.2: The ratio of frequency of the networking expenses to operating costs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 - 2.99%	9	11.0	11.0	11.0
	3 - 4.99%	43	52.4	52.4	63.4
	5 - 6.99%	22	26.8	26.8	90.2
	More than 7%	8	9.8	9.8	100.0
	Total	82	100.0	100.0	

The information in the table above shows that more than half of the sampled firms' networking expense ratio fell between 3 and 4.99 % of their operating costs; more than one quarter of the sampled firms' networking expense ratio fell between 5 and 6.99 % of their operating costs; only a few sampled firms' networking expense ratio respectively fell between 1 and 2.99 % and more than 7 % of their operation costs and no sampled firms' networking expenses ratio fell to less than 0.99 % of their operating costs. For this factor, in the present research, it can be concluded that most of motorbike component manufacturers in the main city zones in Chongqing spend from 3 to 6.99 % of their operating costs on networking. This finding is consistent with the work of Szeto, Wright, and Cheng (2006: 427) who also found that Chinese firms often spend 3 to 5% of operating costs on networking.

Table 6.3: The number of personal contacts

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	100 - 199	7	8.5	8.5	8.5
	200 - 299	23	28.0	28.0	36.6
	300 - 399	23	28.0	28.0	64.6
	More than 400	29	35.4	35.4	100.0
	Total	82	100.0	100.0	

The information in the table above shows that no respondent has less than 99 personal contacts; a few respondents have 100 to 199 personal contacts; most of the respondents have more than 400 personal contacts; the rest, namely 56 % respondents, are averagely distributed into two groups, which respectively have 200 to 299 and 300 to 399 personal contacts. In addition, it can be seen that there is no significant frequency gap between groups who have 200 to 299, 300 to 399, and more than 400 personal contacts. Therefore, it can be concluded that the majority of motorbike component entrepreneurs of the main city zones in Chongqing have more than 200 personal contacts. According to CVTips (2008: Online), a person has on average 200 personal contracts.

Table 6.4: The importance of networking

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Slightly disagree	1	1.2	1.2	1.2
	Neutral	3	3.7	3.7	4.9
	Slightly agree	2	2.4	2.4	7.3
	Agree	27	32.9	32.9	40.2
	Strongly agree	49	59.8	59.8	100.0
	Total	82	100.0	100.0	

This table clearly shows that most of the respondents perceived that networking practices were important for business performance. Particularly, this includes 59.8% of the total respondents that perceived networking practices to be extremely important for business performance. This is supported by O'Donnell and Cummins's (1999: 319) study that states that many of SMEs owner-managers realise the importance of

networking.

Table 6.5: The attitude towards networking

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Slightly inactive	1	1.2	1.2	1.2
	Neutral	4	4.9	4.9	6.1
	Slightly active	8	9.8	9.8	15.9
	Active	36	43.9	43.9	59.8
	Strongly active	33	40.2	40.2	100.0
	Total	82	100.0	100.0	

This table shows that the majority of the respondents had different levels of positive attitudes towards networking practices. This includes more than 84.1 % of the total respondents that had either a positive attitude or a strongly positive attitude to engaging in networking practices. This finding is consistent with a similar study by O'Donnell (2004: 213).

Table 6.6: The frequency of networking

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Infrequent	1	1.2	1.2	1.2
	Slightly infrequent	5	6.1	6.1	7.3
	Neutral	11	13.4	13.4	20.7
	Slightly frequent	22	26.8	26.8	47.6
	Frequent	27	32.9	32.9	80.5
	Very frequent	16	19.5	19.5	100.0
	Total	82	100.0	100.0	

The frequency of networking was measured by the frequency of dinners and/or visits taking place between the entrepreneur and his or her networking participants. This table shows that the majority of the respondents had different levels of frequency in networking practices. In addition, this includes more than half of the total respondents that either frequently or very frequently engaged in networking practices. Woo and Prud'homme (1999: 319) contend that Chinese businessmen often spend considerable

time and effort to engage in networking activities.

The above five tables provide information from different aspects. In addition, the information about five aspects seems to deliver a consistent message that most of the sampled entrepreneurs engaged in networking practices extensively. This finding is consistent with the work of Wang and Shi (2006: 154) who also found the Chinese SMEs emphasize engaging in networking.

6.3.1.2 Identifying the level of business performance of the sampled SMEs
The purpose of this section was to define whether the sampled firms were successful compared with the same period of the previous year. On the vertical axis of this question, eight selected factors were listed. On the horizontal axis of this question, a 7-point Semantic scale was used where 7 was more positive, and 1 was more negative. Respondents were asked to tick accordingly.

In order to define the business performance of the sampled SMEs, there were eight factors that were selected from four aspects of the BSC. These eight factors are: the quantity of new products; the employees' working efficiency; the number of received customer complaints; the size of customer base; the number of employee training and development programmes; improvement in employee skill and capability; the turnover; and the profitability. These eight factors will be used as sub-dependent variables in the hypothesis testing section. The following eight tables show the change in each factor compared with the same period of the previous year:

Table 6.7: The information about new products

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly decreased	3	3.7	3.7	3.7
	Decreased	2	2.4	2.4	6.1
	Slightly decreased	8	9.8	9.8	15.9
	Neutral	15	18.3	18.3	34.1
	Slightly increased	23	28.0	28.0	62.2
	Increased	17	20.7	20.7	82.9
	Strongly increased	14	17.1	17.1	100.0
	Total	82	100.0	100.0	

The information in the above table shows that 65.8 % of the sampled SMEs had different degrees of increase in new product development compared with the same period in the previous year, and 15.9% of the sampled SMEs had different levels of decrease in new product development compared with the same period in the previous year. However, 18.3 % of the sampled SMEs stated that their numbers of new products were unchanged, compared with the same period in the previous year. Therefore, this information reveals that there were many more sampled SMEs that exhibited an increase in new products than there were sampled SMEs that exhibited a decrease in new products.

Table 6.8: The information about employees' working efficiency

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Unimproved	3	3.7	3.7	3.7
	Slightly unimproved	4	4.9	4.9	8.5
	Neutral	16	19.5	19.5	28.0
	Slightly improved	35	42.7	42.7	70.7
	Improved	15	18.3	18.3	89.0
	Strongly improved	9	11.0	11.0	100.0
	Total	82	100.0	100.0	

The information in the above table shows that more than 70 % of the sampled SMEs had different degrees of increase in the employees' working efficiency compared with the same period of the previous year, and only 8.5 % of the sampled SMEs had different levels of decrease in the employees' working efficiency compared with the same period of the previous year, and 19.5 % of the sampled SMEs thought that their employees' working efficiency was unchanged, compared with the same period in the previous year. In addition, although more than 70 % of the sampled SMEs thought that their employees' working efficiency increased compared with the previous year, about 59.3% of that total indicated only a slight increase in their employees' working efficiency. Nevertheless, this information also reveals that there were many more sampled SMEs that exhibited an increase in their employees' working efficiency than there were sampled SMEs that exhibited a decrease in their employees' working efficiency.

Table 6.9: The information about customer complaints

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Increased	1	1.2	1.2	1.2
	Slightly increased	4	4.9	4.9	6.1
	Neutral	11	13.4	13.4	19.5
	Slightly decreased	24	29.3	29.3	48.8
	Decreased	29	35.4	35.4	84.1
	Strongly decreased	13	15.9	15.9	100.0
	Total	82	100.0	100.0	

The information in the above table shows that about 81.5 % of the sampled SMEs had reduced the number of customer complaints compared with the same period in the previous year, and only 6.1 % of the sampled SMEs stated that their customer complaints increased compared with the same period in the previous year. However, 19.5 % of the sampled SMEs received almost the same number of customer complaints compared with the same period in the previous year. Therefore, this information reveals that the majority of the sampled SMEs delivered higher levels of

customer satisfaction to their customers compared with the same period in the previous year.

Table 6.10: The information about the size of customer base

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Slightly decreased	3	3.7	3.7	3.7
	Neutral	19	23.2	23.2	26.8
	Slightly increased	29	35.4	35.4	62.2
	Increased	15	18.3	18.3	80.5
	Strongly increased	16	19.5	19.5	100.0
	Total	82	100.0	100.0	

The information in the above table indicates that 73.2 % of the sampled SMEs increased their customer bases by different numbers compared with the same period in the previous year, and another 23.2 % of the sampled SMEs had an almost unchanged customer base compared with the same period of the previous year, and only 3.7 % of the sampled SMEs thought that their customer bases slightly decreased compared with the same period in the previous year. In addition, although more than 70 % of the sampled SMEs claimed that their customer bases increased compared with the previous year, almost half of that total indicated that there was only a slight increase in their customer bases. Nevertheless, this finding still reflects that almost all of the sampled SMEs either kept or increased their customer bases compared with the same period in the previous year.

Table 6.11: The information about the number of employee training programs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Decreased	1	1.2	1.2	1.2
	Slightly decreased	14	17.1	17.1	18.3
	Neutral	31	37.8	37.8	56.1
	Slightly increased	20	24.4	24.4	80.5
	Increased	4	4.9	4.9	85.4
	Strongly increased	12	14.6	14.6	100.0
	Total	82	100.0	100.0	

The information in the above table indicates that about 43.9 % of the sampled SMEs provided more employee training programmes to different extents compared with the same period in the previous year, and 18.3 % of the sampled SMEs provided fewer employee training programmes to different extents compared with the same period in the previous year. However, 37.8 % of the sampled SMEs claimed that they provided almost the same number of employee training programs compared with the same period in the previous year. Therefore, this information also reflects that more than half of the sampled SMEs did not increase the number of employee training programmes compared with the same period in the previous year.

Table 6.12: The information about improvement in employees' skills and capabilities

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Slightly decreased	8	9.8	9.8	9.8
	Neutral	23	28.0	28.0	37.8
	Slightly increased	28	34.1	34.1	72.0
	Increased	10	12.2	12.2	84.1
	Strongly increased	13	15.9	15.9	100.0
	Total	82	100.0	100.0	

The information in the above table indicates that 62.2 % of the sampled SMEs claimed that their employees' skill and capabilities were improved at different levels compared with the same period in the previous year, whereas, only 9.8 % of the sampled SMEs claimed that their employees' skill and capabilities were slightly decreased compared with the same period in the previous year. In addition, the rest, 28 %, expressed that their employees' skill and capabilities had neither improved nor declined compared with the same period in the previous year. This finding reflects that most of the sampled SMEs either at least maintained or improved their employees' skill and capabilities compared with the same period in the previous year.

Table 6.13: The information about turnover

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	10	12.2	12.2	12.2
	Slightly increased	25	30.5	30.5	42.7
	Increased	28	34.1	34.1	76.8
	Strongly increased	19	23.2	23.2	100.0
	Total	82	100.0	100.0	

The information in the above table indicates that only 12.2% of the sampled SMEs claimed that their turnover was unchanged compared with the same period in the previous year, and the rest, 87.8%, thought that their turnover increased to different extents compared with the same period in the previous year. This finding reflects that no sampled SMEs claimed that their turnover decreased compared with the same period in the previous year.

Table 6.14: The information about profitability

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Decreased	4	4.9	4.9	4.9
	Slightly decreased	10	12.2	12.2	17.1
	Neutral	23	28.0	28.0	45.1
	Slightly increased	20	24.4	24.4	69.5
	Increased	9	11.0	11.0	80.5
	Strongly increased	16	19.5	19.5	100.0
	Total	82	100.0	100.0	

The information in the above table indicates that about 54.9% of the sampled SMEs considered that their profitability increased to a certain extent compared with the same period in the previous year, and approximately 17.1% of the sampled SMEs considered that their profitability decreased to a certain extent compared with the same period in the previous year, and the rest, 28 %, claimed that their profitability was unchanged compared with the same period in the previous year. Moreover, this information also reveals that the sampled SMEs that exhibit an increase in their profitability are more numerous than the sampled SMEs that exhibit a decrease in

their profitability.

The information in Tables 6.7 to 6.14 shows that most of the sampled SMEs exhibit an improvement in the above eight success factors. Therefore, it can be concluded that most of the sampled SMEs have better business performances than in the same period in the previous year.

6.3.2 The second research problem: Which types of networking areas are perceived to be more important in improving business performance in the motorbike component SMEs of the main city zones in Chongqing?

In order to address the second research problem, the required information needs to be gathered from section two, three, and four of the questionnaire. The statistical results are shown as follows:

6.3.2.1 Engaged networking practices

This question was a closed-ended question that was used to ascertain which types of networking were engaged in by sampled owner-managers. Table 6.15 shows which types of networking practices are actually engaged in by the respondents.

Table 6.15: The description of the used networking types

	Engaging in Customer Networking	Engaging in Competitor Networking	Engaging in Supplier Networking	Engaging in Supporting Networking	Engaging in Personal Networking
Yes	100.0%	96.3%	98.8%	87.8%	97.6%
No		3.7%	1.2%	12.2%	2.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The information in the above table indicates that customer networking was engaged in by all the respondents; competitor, supplier, and personal networking were engaged in by almost all the respondents; and only 12.2 % of respondents did not engage in supporting networking. Therefore, this information reveals that most of the respondents (87.8%) engaged in almost all types of networking practices.

6.3.2.2 The level of the different types of networking

In this question, respondents were also asked to rate a number of factors according to their attitudes towards and frequency of each type of networking practice. Rating factors of this question was done according to a 7-point Semantic scale where 7 was more positive or frequent, and 1 was more negative or infrequent. The following two tables indicate the attitudes towards and the frequency of use of the different types of networking by the respondents. In order to measure the level of each type of networking practice that was engaged in, the two indicators will be used as independent variables in the hypothesis testing section.

Table 6.16: The attitudes of the different types of networking

		Attitude of Customer networking	Attitude of Competitor networking	Attitude of Supplier networking	Attitude of Supporting networking	Attitude of Personal networking
N	Valid	82	79	81	72	80
	Missing	0	3	1	10	2
Mean		6.15	5.13	5.86	4.90	5.56
Median		7.00	5.00	6.00	5.00	6.00
Mode		7	5	6	4	6
Sum		504	405	475	353	445

● The mean of the attitudes towards the different types of networking

The values of the means indicate that the respondents had the most desire to engage in customer networking, and the least desire to engage in supporting networking.

● The median of the attitudes towards the different types of networking

The values of the medians imply that more than half of the respondents indicated that they had extremely strong desires for customer networking, had strong desires for supplier and personal networking, and had moderate desires for competitor and supporting networking.

● The mode of the attitudes towards the different types of networking

The values of the modes also produce almost the same result as the values of the medians. It shows that the largest group of the respondents considered that they had extremely strong desires for customer networking, had strong desires for supplier and personal networking, and had moderate desires for competitor and supporting networking.

According to the values of the sums in the above table, the descending order of rating of the attitudes towards the five types of networking can be inferred as follows: customer networking, personal networking, supplier networking, competitor networking, supporting networking. This finding is supported by the findings of O'Donnell (2004: 214) that SMEs owner-managers often have a proactive attitude to engage in networking with their retained and potential customers; SMEs owner-managers often have a proactive attitude to engage in networking with current suppliers, but not potential suppliers; SMEs owner-managers often have a moderately proactive attitude to engage in networking with their home market competitors; SMEs owner-managers often have a moderately proactive attitude to engage in networking with supporting organisations. In addition, Vanhonacker et al. (2007: 183) find that the desire of independence accompanied by strong entrepreneurial spirit would motivate owner-managers to engage in networking with various networking participants.

Table 6.17: The frequency of the different types of networking

		Frequency of Customer networking	Frequency of Competitor networking	Frequency of Supplier networking	Frequency of Supporting networking	Frequency of Personal networking
N	Valid	82	79	81	72	80
	Missing	0	3	1	10	2
Mean		5.91	4.16	5.20	3.86	5.30
Median		6.00	4.00	5.00	3.50	5.00
Mode		7	3	5	2	4(a)
Sum		485	329	421	278	424

a Multiple modes exist. The smallest value is shown

- The mean of the frequencies towards the different types of networking

The values of means indicate that the respondents engaged in customer networking the most frequently, and engaged in supporting networking the least frequently.

- The median of the frequency of the different types of networking

The values of medians indicate that more than half of the respondents indicated that they frequently engaged in customer networking, less frequently engaged in supplier and personal networking, moderately frequently engaged in competitor networking, and slightly infrequently engaged in supporting networking.

- The mode of the frequencies towards the different types of networking

The values of modes show that the largest group of the respondents showed that they most frequently engaged in customer networking, frequently engaged in supplier networking, slightly frequently engaged in personal networking, slightly infrequently engaged in competitor networking, and infrequently engaged in supporting networking.

According to the values of the sums in the above table, the descending order of rating of the frequencies of the five types of networking can be inferred as follows: customer networking, personal networking, supplier networking, competitor networking, supporting networking. This finding is supported by the findings of O'Donnell (2004: 214) that SMEs owner-managers often extensively engage in networking with their retained and potential customers; SMEs owner-managers often extensively engage in networking with current suppliers, but not potential suppliers; SMEs owner-managers often moderately engage in networking with their home market competitors; SMEs owner-managers often moderately engage in networking with supporting organisations. In addition, Woo and Prud'homme (1999: 319) note that Chinese businessmen often expend considerable effort to develop *Guanxi* networks.

After the analysis, the owner-manager often had an positive attitude towards each type of networking at different levels, and they also frequently engaged in each type of networking to different extents.

6.3.2.3 Identifying the important resources

In the section of the questionnaire, four multiple choice questions were included. The purpose of this section was to answer the following research questions: how sampled owner-managers perceive the importance of resources for their enterprises; what the opinions are of sampled owner-managers pertaining to whether engaging in networking is helpful to obtain these vital resources; what kinds of major resources are vital to businesses performance; and how sampled owner-managers rank the vital resources according to their perceived importance. Therefore, it can be assumed that this section can help the researcher to understand the importance of resources to sampled SMEs and what kinds of resources are perceived to be vital to sampled SMEs.

6.3.2.3.1 The importance of resources for business operations

Table 6.18 provides information on perceptions about whether resources are vital for firms to perform.

Table 6.18: The importance of resources for business operations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Neutral	5	6.1	6.1	6.1
	Agree	37	45.1	45.1	51.2
	Strongly agree	40	48.8	48.8	100.0
	Total	82	100.0	100.0	

The information in the above table indicates that no respondent thought that networking was not important for business operations. In fact, the majority (93.9 %) of the respondents believed, even strongly believed, that networking was important

for business operations and the rest, 6.1 %, gave neutral responses. The finding implies that almost all of the respondents clearly understood that their businesses need to be supported by resources. Furthermore, this finding is also consistent with the findings of Premaratne (2001:363) that resources are vital for a firm to perform.

6.3.2.3.2 Obtaining resources through networking

Table 6.19 provides information on perceptions about whether networking practices are helpful to obtain resources.

Table 6.19: Are networking practices helpful to obtain important resources?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	1	1.2	1.2	1.2
	Neutral	9	11.0	11.0	12.2
	Agree	35	42.7	42.7	54.9
	Strongly agree	37	45.1	45.1	100.0
	Total	82	100.0	100.0	

The information in the above table indicates that the majority of the respondents believed, even strongly believed that networking was helpful to obtain the above vital resources; only 1.2 % of the respondents thought networking was unhelpful to obtain the above vital resources, and the rest, 11%, gave neutral responses. This finding further reflects that most of the respondents would like to engage in networking, in order to obtain the intended resources. This finding is supported by the findings of McAdam and Marlow (2008: 223), that networking is helpful to approach novel ideas and resources for strengthening entrepreneurial activities.

6.3.2.3.3 The rating of the important resources

In this research, twelve resources were listed in the questionnaire. The following two tables provide information about the rating of these resources in terms of the perception of the respondents.

Table 6.20: The information about important resources

	Financial Support	Operation Capability	Ability to Knowing Customer Needs	Professional advice	Supplier Cooperation	Competitor Cooperation
	%	%	%	%	%	%
Yes	15.9%	61.0%	68.3%	12.2%	61.0%	14.6%
No	84.1%	39.0%	31.7%	87.8%	39.0%	85.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Government Support	Innovation ability	Business Information	Moral Support	Customer Loyalty	Bridge for New Contact
	%	%	%	%	%	%
Yes	18.3%	52.4%	32.9%	4.9%	36.6%	45.1%
No	81.7%	47.6%	67.1%	95.1%	63.4%	54.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The above table lists twelve resources that were assumed to be thought as important resources by some of the respondents. The following resources (knowing customer needs, operation capability, supplier cooperation and innovation ability) were the most frequently thought to be important resources by the respondents; these resources (bridge for new contact, customer loyalty and business information) were frequently thought to be important resources by the respondents; these resources (government support, financial support, competitor cooperation and professional advice) were infrequently thought to be important resources by the respondents; and the resource (moral support) was the most infrequently thought to be important resources by the respondents.

Table 6.21: The rating of the important resources

		Financial Support	Operational Capability	Ability to Knowing Customer Needs	Professional Advices	Supplier Cooperation	Competitor Cooperation
N	Valid	13	52	56	10	50	11
	Missing	69	30	26	72	32	71
Mode		2	5	5	1(a)	2	1(a)
Sum		34	182	232	20	143	21

		Government Support	Innovation Ability	Business Information	Moral Support	Customer Loyalty	Bridge for new contacts
N	Valid	16	44	26	4	29	37
	Missing	66	38	56	78	53	45
Mode		5	4	1	1	3(a)	2
Sum		57	175	56	5	99	104

a Multiple modes exist. The smallest value is shown

The table above reveals similar results as the previous table. However, the above table presents some detailed information about these vital resources. According to the value of the sum, the rating of the above resources could be inferred as follows:

- Ability to know customer needs was the first most important resource;

- Operational capability was the second most important resource;

- Innovation ability was the third most important resource;

- Supplier cooperation was the fourth most important resource;

- Bridge for new contract was the fifth most important resource;

- Customer loyalty was the sixth most important resource;

- Government support was the seventh most important resource;

- Business information was the eighth most important resource;

- Financial support was the ninth most important resource;

- Competitor cooperation was the tenth most important resource;

- Professional advice was the eleventh most important resource;

- Moral support was the twelfth most important resource.

According to the value of the mode, one interesting finding was that, although government support was not frequently considered as an important resource, the largest group of the given respondents gave it the highest rank. Li and Zhang (2004: Online) state that the Chinese government agencies often have considerable power to allocate resources and approve projects. Thus, successfully building good relationships with government agencies can increase the chance of survival and success in China. (Lu & Meyer, 2006: Online, and Copp & Lvy, 2001: 347). However, few SMEs qualify to receive assistance from government agencies (O'Donnell, 2004: 214). It may imply that government support was not easy to obtain. However, this resource would be very useful if the respondents could successfully become part of this network.

6.2.3.2.4 The important networking activities for vital resources

In the previous section, twelve vital resources were listed and ranked according to their perceived importance. In this section, the aim is to show which types of networking are thought to be more effective to obtain particular vital resources.

Table 6.22: The important networking activities for obtaining financial support

	Financial support in Customer Networking	Financial support in Competitor Networking	Financial support in Supplier Networking	Financial support in Supporting Networking	Financial support in Personal Networking
Yes	4.9%	2.4%	6.1%	26.8%	17.1%
No	95.1%	97.6%	93.9%	73.2%	82.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The information in the above table shows that financial support could be obtained by using all of five types of networking practices. However, most of the respondents considered that supporting networking was the most effective to obtain financial resources, and competitor networking was the least effective to obtain financial resources. This finding is supported by the findings of Premaratne (2001: 364) that supporting networks are critically important for SMEs to obtain financial resources.

According to the information in the above table, it can be concluded that supporting networking is the most effective type of networking to obtain financial resources.

Table 6.23: The important networking activities for operational capability

	Operational capability in Customer networking	Operational capability in Competitor networking	Operational capability in Supplier networking	Operational capability in Supporting networking	Operational capability in Personal networking
Yes	36.6%	30.5%	39.0%	6.1%	1.2%
No	63.4%	69.5%	61.0%	93.9%	98.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The information in the above table indicates that operational capability also could be gained from all of the five types of networking practices. However, most of the respondents considered that customer, competitor, and supplier networking were more effective in order to gain operational capability, and that personal networking was the least effective to gain operational capability. This finding is supported by the findings of Mills et al. (2004: 1012) that supplier networking is very effective to enhance operational capabilities of SMEs. According to the information in the above table, it can be concluded that supplier networking is the most effective networking to gain operational capabilities.

Table 6.24: The important networking activities for knowing customer needs

	Knowing customer needs in Customer networking	Knowing customer needs in Competitor networking	Knowing customer needs in Supplier networking	Knowing customer needs in Supporting networking	Knowing customer needs in Personal networking
Yes	92.7%	2.4%		1.2%	1.2%
No	7.3%	97.6%	100.0%	98.8%	98.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The information in the above table reflects that almost all of the respondents thought that customer networking was the only networking activity for knowing customer needs, and supplier networking would give no idea about knowing customer needs.

This finding is supported by the findings of Li and Zhang (2004: Online), that customer networking is good for identifying customer needs. According to the information in the above table, it can be concluded that customer networking is the most effective networking to identify customer needs.

Table 6.25: The important networking activities for professional advice

	Professional advice in Customer networking	Professional advice in Competitor networking	Professional advice in Supplier networking	Professional advice in Supporting networking	Professional advice in Personal networking
Yes	13.4%	4.9%	6.1%	39.0%	6.1%
No	86.6%	95.1%	93.9%	61.0%	93.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The information in the above table indicates that professional advice also could be obtained from all of the five types of networking practices. Particularly, most of the respondents considered that supporting networking was the most effective to get professional advice, and the rest of networking practices were less useful to get professional advice. This finding is supported by the findings of Copp and Lvy (2001: 347) that engaging in supporting networks is an important channel to get professional advice. According to the information in the above table, it can be concluded that supporting networking is the most effective type of networking to obtain professional advice.

Table 6.26: The important networking activities for supplier cooperation

	Supplier cooperation in Customer networking	Supplier cooperation in Competitor networking	Supplier cooperation in Supplier networking	Supplier cooperation in Supporting networking	Supplier cooperation in Personal networking
Yes	7.3%	1.2%	87.8%	1.2%	
No	92.7%	98.8%	12.2%	98.8%	100.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The information in the above table reflects that the majority of the respondents considered that supplier networking was the most effective networking activity for supplier cooperation, and personal networking had no influence on supplier cooperation. This finding is supported by the findings of Mills et al. (2004: 1012) that networking with suppliers will facilitate the flow of materials, services, information, technologies, and knowledge between participants so that all networking members can benefit from such cooperative relationships. According to the information in the above table, it can be concluded that supplier networking is the most effective type of networking to get supplier cooperation.

Table 6.27: The important networking activities for competitor cooperation

	Competitor cooperation in Customer networking	Competitor cooperation in Competitor networking	Competitor cooperation in Supplier networking	Competitor cooperation in Supporting networking	Competitor cooperation in Personal networking
Yes		82. 9%		2. 4%	
No	100. 0%	17. 1%	100. 0%	97. 6%	100. 0%
Total	100. 0%	100. 0%	100. 0%	100. 0%	100. 0%

The information in the above table indicates that almost all of the respondents considered that competitor networking was the most effective networking activity for competitor cooperation. In addition, the respondents also thought that competitor cooperation cannot be obtained from customer, competitor, or personal networking. This finding is supported by the findings of Hong and Jeong (2006: 294), that many SMEs may proactively pursue collaboration with their competitors, in order to strengthen their bargaining power with big clients. Regarding the information in the above table, it can be concluded that competitor networking is the most effective type of networking to get competitor cooperation.

Table 6.28: The important networking activities for government support

	Government support in Customer networking	Government support in Competitor networking	Government support in Supplier networking	Government support in Supporting networking	Government support in Personal networking
Yes	2. 4%			25. 6%	2. 4%
No	97. 6%	100. 0%	100. 0%	74. 4%	97. 6%
Total	100. 0%	100. 0%	100. 0%	100. 0%	100. 0%

The information in the above table indicates that most of the respondents considered that supporting networking was the most effective to obtain government support, and a very few of the respondents considered customer and personal networking to be the least effective to obtain government support. In addition, the respondents also thought that the rest of networking practices could not help to obtain the resource. This finding is supported by the findings of Ramsden and Bennett (2005:231) that SMEs could obtain timely market information and/or subsidies by networking with supporting organisations such as government agencies. Li and Meyer (2006: Online) also support the idea that developing good relationships with government agencies can help SMEs to generate a competitive advantage. Regarding the information in the above table, it can be concluded that supporting networking is the most effective type of networking to obtain government support.

Table 6.29: The important networking activities for innovation ability

	Innovation ability in Customer networking	Innovation ability in Competitor networking	Innovation ability in Supplier networking	Innovation ability in Supporting networking	Innovation ability in Personal networking
Yes	40. 2%	26. 8%	37. 8%	2. 4%	
No	59. 8%	73. 2%	62. 2%	97. 6%	100. 0%
Total	100. 0%	100. 0%	100. 0%	100. 0%	100. 0%

The information in the above table indicates that customer and supplier networking practices were thought to be more effective to facilitate innovation ability, and that supporting networking was thought to be the least effective one. In addition, none of

the respondents thought that personal networking could facilitate the firms'
innovation abilities. This finding is supported by the findings of Mohannak (2007:
242) that the input of customers and suppliers can often facilitate innovative processes.
Regarding the information in the above table, it can be concluded that both customer
and supplier networking are the most effective types of networking to gain innovation
ability.

Table 6.30: The important networking activities for business information

	Business information in Customer networking	Business information in Competitor networking	Business information in Supplier networking	Business information in Supporting networking	Business information in Personal networking
Yes	34.1%	47.6%	14.6%	18.3%	34.1%
No	65.9%	52.4%	85.4%	81.7%	65.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The information in the above table indicates that business information also could be
obtained from all of the five types of networking practices. Particularly, most of the
respondents thought that competitor networking was the most useful to get business
information. They also considered that customer and personal networking worked
well to obtain business information. In addition, supplier and supporting networking
were thought to be important activities for acquiring business information. This
finding is supported by the findings of O'Donnell and Cummins (1999:87), that
competitor networking can often help entrepreneurs to acquire valuable information
from competing firms. Regarding the information in the above table, it can be
concluded that competitor networking is the most effective type of networking to
obtain business information.

Table 6.31: The important networking activities for moral support

	Moral support in Customer networking	Moral support in Competitor networking	Moral support in Supplier networking	Moral support in Supporting networking	Moral support in Personal networking
	%	%	%	%	%
Yes	8.5%	2.4%	3.7%	6.1%	45.1%
No	91.5%	97.6%	96.3%	93.9%	54.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The information in the above table indicates that, although respondents thought that moral support could be obtained from all of the five types of networking practices, personal networking was thought to be the most important. Furthermore, the rest of networking practices were thought not to be very effective in comparison with personal networking. As Fang (2006: 53) noted, Chinese people have a strong family orientation. Hence, the Chinese people normally feel there is an obligation to give support to their family members (Sahakijpicharn, 2007: Online). Regarding the information in the above table, it can be concluded that personal networking is the most effective type of networking to obtain moral support.

Table 6.32: The important networking activities for customer loyalty

	Customer loyalty in Customer networking	Customer loyalty in Competitor networking	Customer loyalty in Supplier networking	Customer loyalty in Supporting networking	Customer loyalty in Personal networking
Yes	82.9%		3.7%		2.4%
No	17.1%	100.0%	96.3%	100.0%	97.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The information in the above table indicates that the majority of the respondents considered that customer networking was the most effective networking practice to win customer loyalty, and a very few of the respondents considered supplier and personal networking to be helpful in wining customer loyalty. In addition, no respondents considered the rest of networking practices could obtain this resource. This finding is supported by the findings of Li and Zhang (2004: Online) that keeping

good relationships with target customers can enhance customer loyalty. Regarding the information in the above table, it can be concluded that customer networking is the most effective type of networking to enhance customer loyalty.

Table 6.33: The important networking activities for bridging new contacts

	Bridge for new contacts in Customer networking	Bridge for new contacts in Competitor networking	Bridge for new contacts in Supplier networking	Bridge for new contacts in Supporting networking	Bridge for new contacts in Personal networking
Yes	59.8%	23.2%	31.7%	30.5%	64.6%
No	40.2%	76.8%	68.3%	69.5%	35.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The information in the above table indicates that all of the five types of networking practices are thought to have a potential to know more new contacts. However, most of the respondents thought that personal networking was the most important one compared to other types of networking. Moreover, the findings also indicated that the rest of networking practices were also considered to be important for bridging new contacts. This finding is supported by the findings of Li and Wright (2000: 371) that personal networks contain indirect interpersonal ties that connect through intermediaries. It implies personal networking can bridge the gap between two unfamiliar people. Hence, personal networking has the potential to expand current networks. Regarding the information in the above table, it can be concluded that personal networking is the most effective type of networking to expand current networks.

Table 6.34 The most to the least effective networking activities for obtaining resources

The rank of important resources	Customer networking	Competitor networking	Supplier networking	Supporting networking	Personal networking
Knowing customer needs x 12	60	48	24	36	36
Operational capability x 11	44	33	55	22	11
Innovation ability x 10	50	30	40	20	10
Supplier cooperation x 9	36	27	45	27	18
Bridge for new contract x 8	32	8	24	16	40
Customer loyalty x 7	35	14	28	14	21
Government support x 6	24	18	18	30	24
Business information x 5	20	25	10	15	20
Financial support x 4	8	4	12	20	16
Competitor cooperation x 3	9	15	9	12	9
Professional advice x 2	8	4	6	10	6
Moral support x 1	4	1	2	3	5
Total value	330	227	273	225	216

The information in Tables 6.20 to 33 can then be summarised in Table 6. 34. The information in the first column was derived from the findings of Tables 6.20 and 6.21, which indicate the ranking of the twelve important resources. Therefore, the first most important resource should give a highest coefficient, and vice versa. For instance, the coefficient of the first most important resource should be 12. The information in the second to sixth columns was derived from the findings of Tables 6.22 to 6.33, which show the perceived ability of each type of networking to obtain the above resources. Rating factors of this question was done according to a 5-point Semantic scale where 5 was more effective to obtain a particular resource and 1 was more ineffective to obtain a particular resource. In addition, the figure in the above table was calculated by multiplying the ranking number by the relevant coefficient.

The result revealed that customer networking was perceived to be the most effective networking to obtain resources; supplier networking was perceived to be the second most effective networking to obtain resources; competitor networking was perceived to be the third most effective networking to obtain resources; supporting networking

was perceived to be the fourth most effective networking to obtain resources; personal networking was perceived to be the fifth most effective networking to obtain resources.

6.3.2.3.5 The perceived contributions of the five types of networking.

In this section, the aim is to ascertain how the respondents perceive the contributions of each type of networking, and whether the investment in networking practices has met the expectation of the respondents. Rating factors for this question was done according to a 5-point Likert scale, where 5 was very important and 1 was very unimportant.

Table 6.35: The contributions of the different types of networking

		Rank of the Contribution of Customer Networking	Rank of the Contribution of Competitor Networking	Rank of the Contribution of Supplier Networking	Rank of the Contribution of Supplier Networking	Rank of the Contribution of Personal Networking
N	Valid	82	79	81	72	80
	Missing	0	3	1	10	2
Mean		4.82	3.08	3.72	2.78	3.46
Median		5.00	3.00	4.00	3.00	4.00
Mode		5	3	4	3	4
Sum		395	243	301	200	277

● The mean of the contributions towards the different types of networking

The values of means indicate that the contribution of customer networking was perceived to be the most significant one, whereas, the contribution of supporting networking was perceived to be the least significant one.

● The median of the contributions towards the different types of networking

The values of medians show that more than half of the respondents perceived the contribution of customer networking to be very important, the contribution of supplier and personal networking to be important, and the contribution of competitor and supporting networking to be neither important nor unimportant.

● The mode of the contributions towards the different types of networking

The values of modes indicate that the largest group of the respondents thought that the contribution of customer networking was very important, the contribution of supplier and personal networking was important, and the contribution of competitor and supporting networking was neither important nor unimportant.

According to the value of sum in the above table, the descending order of rating of the contributions of the five types of networking can be inferred as follows: customer networking, supplier networking, personal networking ,competitor networking, supporting networking.

After the above analysis, the researcher may be able to rate the five types of networking for their perceived importance. First, the respondents perceived all types of networking to be important to a certain extent. However, one thing must be clarified before rating the five types of networking. O'Donnell et al. (2001: 754) assert that personal networking could extend to or have an influence on another four types of networking. For instance, customer networking may contain a certain level of personal networking, and the result of networking may be owing to the contribution of both customer and personal networking. Therefore, personal networking should be rated separately.

If personal networking is firstly isolated, the above tables produce a consistent result: customer, supplier, competitor, and supporting networking were perceived as being respectively the most important, the second most important, the third most important and the fourth most important. However, the respondents also thought that personal networking was one of the most significant types of networking practices.

6.3.3 Additional information about networking and business performance

Some additional information about networking and business performance is provided in this section. The following information is helpful to understand the perceptions of networking and how the sampled owner managers engaged in networking. In addition, the following information is important to ascertain the contributions of each type of networking towards the factors of success.

6.3.3.1 Major difficulties of engaging in networking and their countermeasures

In Section One, two open questions were posed to the respondents about the major difficulties of engaging in networking, and the methods of overcoming the difficulties. For the first question, there were three kinds of answers that were more frequently given:

- It is too time-consuming and difficult to understand the needs and preferences of networking actors.
- The internal *Guanxi* webs of networking firms are often complicated, especially in the SOEs.
- Engaging in networking is expensive and risky. This is because developing and maintaining networks requires spending lots of resources (time and money) in advance and there is a risk that the networks cannot guarantee the expected returns.

For the second question, there were also three kinds of answers that were more frequently given:

- If possible, one can try to ask some relevant middlemen to bridge the gap of trust and it can save one's resources.
- Try one's best to satisfy their needs, let one's networking participants know one is reliable.
- Know more networking actors from a variety of backgrounds, in order to offset the deficiencies of one's business network

6.3.3.2 The perception of return from networking

This question was also an open-ended question. The respondents were encouraged to express their views on whether the return of networking met their expectations

Table 6.36: The perception of return from networking

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	57	69.5	69.5	69.5
	No	23	28.0	28.0	97.6
	Missing Value	2	2.4	2.4	100.0
	Total	82	100.0	100.0	

The information in the above table indicates that nearly 70% of the respondents thought that networking had created the expected return for their businesses. These expected benefits often refer to the exchange of information and resources. However, most respondents pointed out that most of the expected return did not come from all the types of networking. In other words, some of the respondents were disappointed with some types of networking.

Another 28 % of respondents gave a negative answer. Most of the respondents stated that the return on networking was difficult to measure, because of the intangible nature of networking. In addition, most of them noted that, although the return of networking would take time to realise, they strongly believed that the investments would have been collected in the future. This finding is supported by the findings of O'Donnell and Cummins (1999:89), that spending (time and resources) on networking is a worthwhile investment by SMEs.

6.3.3.3 The preference towards networking practices

The table below provides some additional information pertaining to the preferences of the sampled entrepreneurs towards networking. Rating factors of this question was done according to a 7-point Semantic scale where 7 was more positive side and 1 was more negative side.

Table 6.37: The preference towards networking

	Developing Networking Depth		Developing Networking Breadth	
	Count	%	Count	%
Slightly disagree			3	3.7%
Neutral	6	7.3%	3	3.7%
Slightly agree	8	9.8%	21	25.6%
Agree	29	35.4%	26	31.7%
Strongly agree	39	47.6%	29	35.4%
Total	82	100.0%	82	100.0%

The above table shows that the majority of the respondents preferred to develop both the depth and the breadth of networks. This includes 83 % of the total respondents who had strong or very strong preferences in developing the depth of networks. However, only 67.1 % of the total respondents had similar levels of preferences in developing breadth of networks. Therefore, it can be concluded that, although the sampled owner-managers pay attention to developing both the depth and breadth of networks, they have a stronger preference for developing the depth of networks. As Watson (2007: 871) noted the depth of networks is more effective to organisational survival than the breadth of networks, whereas, the breadth of networks is more effective to organisational growth than the breadth of networks. This further means that the preference towards networking of the respondents could lead to the sampled SMEs being more successful. However, the respondents pay more attention to organisational survival than organisational growth.

6.3.3.4 Trade associations

O'Donnell et al. (1999: 87) suggest that the membership of trade associations is very helpful for entrepreneurs to engage in networking with their competitors. Thus, this question was used to examine whether the respondents joined any trade associations with the purpose of engaging in competitor networking for their businesses. . This question was also an open-ended question. The respondents were encouraged to express their views on whether they joined any trade associations with the purpose of engaging in competitor networking for their businesses.

Table 6.38: The information about firms joining trade associations

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	25	30.5	30.5	30.5
	No	50	61.0	61.0	91.5
	Missing Value	7	8.5	8.5	100.0
	Total	82	100.0	100.0	

The information in the above table indicates that only one third of the total respondents joined trade associations. Most respondents found that trade associations often provide benefits, such as knowing and making more friends in industry, and exchanging information, resources, and experiences. Although most of the respondents stated that they did not join any trade associations, some of the respondents noted that they knew and contacted their competitors informally. This finding is supported by the findings of Copp and Lvy (2001: 351) that, although trade associations can offer a variety of business support, SMEs in developing countries would not make use of them. Therefore, according to the information in the above table, most respondents preferred to contact their competitors informally.

6.3.3.5 The perceptions about networking and business performance

This question was an open-ended question that was used to ascertain whether and why networking had played an important role in the success of a respondent's business. The most frequent responses can be summarised as follows:

● Networking has a potential to increase the efficiency of overcoming difficulties

● In China, everybody believes in *Guanxi*. Without *Guanxi*, one cannot do business

● If all products have the similar value, the quality of networks will play a key role.

● It is an intangible competitive edge that can help a firm to obtain advantages.

Findings from the question reveal that networking is thought to play an important role in improving performance of businesses. This is the consensus perception of almost all respondents. This finding is supported by the findings of Pablos (2005:444) that

having *Guanxi* can be recognised as being a strategic resource of SMEs, which can lead to superior organisational performance.

6.3.3.6 Ascertaining the contributions of each type of networking towards the factors of success

The following eight success factors were perceived to be very important factors that could influence firms to be successful. This is because the eight success factors were selected from four aspects of the BSC. Thus, this question was used to ascertain the success factors that such practices were thought to contribute to most significantly. In this question, the eight selected factors were listed on the vertical axis. On the horizontal axis, the five types of networking were listed. Respondents were asked to tick the areas in which such networking practices contributed the most significantly.

Table 6.39: The contribution of each type of networking towards developing new products

	Customer networking	Competitor networking	Supplier networking	Supporting networking	Personal networking
Yes	65.9%	32.9%	41.5%	11.0%	3.7%
No	34.1%	67.1%	58.5%	89.0%	96.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The information in the above table indicates that the majority of the respondents considered that customer networking was effective to facilitate new product development. A big proportion of the respondents thought that competitor and supplier networking were also very useful to facilitate new product development. Nevertheless, very few of the respondents considered that supporting and personal networking might be helpful.

Table 6.40: The contribution of each type of networking towards employees' working efficiency

	Customer networking	Competitor networking	Supplier networking	Supporting networking	Personal networking
Yes	13.4%	54.9%	12.2%	8.5%	
No	86.6%	45.1%	87.8%	91.5%	100.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The information in the above table shows that most of the respondents considered that the competitor networking was important way to improve employees' working efficiency, and no respondents considered that personal networking could improve employees' working efficiency. In addition, a small proportion of the respondents thought that customer, supplier, and supporting networking were also helpful to improve employees' working efficiency.

Table 6.41: The contribution of each type of networking towards customer complaints

	Customer networking	Competitor networking	Supplier networking	Supporting networking	Personal networking
Yes	89.0%	3.7%	8.5%		4.9%
No	11.0%	96.3%	91.5%	100.0%	95.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The information in the above table shows that the majority of the respondents considered that customer complaints could be effectively reduced by engaging in customer networking, and no respondent thought that supporting networking had the function of reducing customer complaints. Nevertheless, only a few of the respondents considered that competitor, supplier, and personal networking might be helpful to reduce customer complaints.

Table 6.42: The contribution of each type of networking towards the size of customer base

	Customer networking	Competitor networking	Supplier networking	Supporting networking	Personal networking
Yes	85.4%	9.8%	8.5%	15.9%	47.6%
No	14.6%	90.2%	91.5%	84.1%	52.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The information in the above table indicates that it was thought that the size of customer base could be increased from all of five types of networking practices. Most of the given respondents perceived that customer and personal networking practices were much more effective than the rest of the networking practices.

Table 6.43: The contribution of each type of networking towards the employee training programmes

	Customer networking	Competitor networking	Supplier networking	Supporting networking	Personal networking
Yes	13.4%	31.7%	7.3%	42.7%	8.5%
No	86.6%	68.3%	92.7%	57.3%	91.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The information in the above table indicates that it was thought that the employee training programmes could be identified and undertaken through all the types of networking practices. Most of the respondents perceived that competitor and supporting networking practices were much more practical than the rest of the networking practices.

Table 6.44: The contribution of each type of networking towards the employee skills and capabilities improvement

	Customer networking	Competitor networking	Supplier networking	Supporting networking	Personal networking
Yes	15.9%	51.2%	14.6%	13.4%	1.2%
No	84.1%	48.8%	85.4%	86.6%	98.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The information in the above table indicates that it was thought that all of the five types of networking practices could improve employees' skills and capabilities. However, most of the respondents perceived that competitor networking was very effective and efficient to improve employees' skills and capabilities. Moreover, the finding also reveals that the rest of networking practices were also thought to be useful to achieve this factor, except personal networking.

Table 6.45: The contribution of each type of networking towards higher turnover

	Customer networking	Competitor networking	Supplier networking	Supporting networking	Personal networking
	%	%	%	%	%
Yes	78.0%	12.2%	8.5%	15.9%	40.2%
No	22.0%	87.8%	91.5%	84.1%	59.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The information in the above table indicates that the majority of the respondents considered that customer networking was effective to enhance firms' turnover. A big proportion of the respondents also perceived that personal networking was an important way to achieve higher turnover. A few respondents felt that the rest of the networking practices could also help firms to increase their turnover.

Table 6.46: The contribution of each type of networking towards higher profitability

	Customer networking	Competitor networking	Supplier networking	Supporting networking	Personal networking
	%	%	%	%	%
Yes	50.0%	13.4%	53.7%	1.2%	13.4%
No	50.0%	86.6%	46.3%	98.8%	86.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The information in the above table indicates that it was thought that all of the five types of networking practices could increase firms' profitability. However, most of the respondents thought that both customer and supplier networking practices were

very effective and efficient to improve organisational profitability, and a small proportion of the respondents considered that competitor and personal networking were also effective to improve organisational profitability. In addition, the information shows that it was thought that supporting networking did not have significant effect on firms' profitability.

Results presented in this section show that customer networking was thought to contribute the most significantly towards new product development, customer complaints, size of customer base, and higher turnover; competitor networking was thought to contribute the most significantly towards employees' working efficiency and the improvement of employee skills and capabilities; supplier networking was thought to contribute the most significantly towards profitability improvement; and supporting networking was thought to contribute the most significantly towards employee training programmes. In addition, although personal networking was not thought to make the most significant contribution in any of the above success factors, it was thought to make a considerable contribution in the factors of turnover improvement and the size of customer base.

6.4 Testing the hypotheses

In this section of the chapter, the focus is on testing the hypotheses. In order to test the hypotheses, statistical tools including correlation analysis and multiple regression analysis were used. Zikmund (2003: 556) states that regression and correlation are mathematically related and can be used to identify the linear relationship between a dependent variable and an independent variable. However, Cooper and Schindler (1998: 525) point out that correlation does not imply causation between two variables. Regression analysis can further ascertain the relationship between variables (Hussey & Hussey, 1997: 227). Therefore, regression analysis can be used to test and explain causal relationships between variables (Cooper & Schindler, 2001: 576). However, MRA can be undertaken only if the variables are in a linear relationship (Siegel, 2000: 479). Zikmund (2003: 576) notes that "multiple regression analysis is an extension of

bivariate regression analysis, which allows simultaneously investigation of the effect of two or more independent variables on a single, interval-scaled or ratio-scaled dependent variable". The purpose of using these statistical tools is to ascertain whether networking practices are positively associated with business performance of motorbike component SMEs in the main city zones of Chongqing. According to the data requirements and the objectives of the present study, correlation analysis and MRA are the most appropriate statistical tools for the research.

6.4.1 Bivariate correlation analysis

6.4.1.1 Ascertaining the relationship between networking and business performance

The aim of this analysis was to explore the relationship between networking and business performance. Table 6.47 shows results of a correlation analysis using Spearman's rank order. Cooper and Schindler (1998: 547) state that Spearman's rank correlation coefficient is a popular ordinal measure. Hussey and Hussey (1997: 230) specify that the "in order to calculate Spearman's rank correlation coefficient, the data must be *bivariate* and at least of *oridinal* status". Under the data requirements, Spearman's rank correlation coefficient was chosen for the present study. Furthermore, Hair et al. (2006: 553) state that "All values with Spearman's rank correlation coefficient fall between -1 to 1, where a value close to 1 indicates a more positive relationship and a value close to -1 indicates a more negative relationship"

Table 6.47: Bivariate correlation table for networking and business performance

		F1	F2	F3	F4	F5
Spearman's rho	F1.Networking Expense Ratio	1.000	.701(**)	.437(**)	.470(**)	.648(**)
		.	.000	.000	.000	.000
	F2.Number of Contacts	.701(**)	1.000	.397(**)	.416(**)	.582(**)
		.000	.	.000	.000	.000
	F3.Importance of networking	.437(**)	.397(**)	1.000	.656(**)	.518(**)
		.000	.000	.	.000	.000
	F4.Attitude towards Networking	.470(**)	.416(**)	.656(**)	1.000	.572(**)
		.000	.000	.000	.	.000
	F5.Appointment Frequency	.648(**)	.582(**)	.518(**)	.572(**)	1.000
		.000	.000	.000	.000	.
	The success of New products	.359(**)	.254(*)	.096	.227(*)	.363(**)
		.001	.021	.390	.040	.001
	The improvement of Employee's working efficiency	.305(**)	.242(*)	.249(*)	.381(**)	.340(**)
		.005	.029	.024	.000	.002
	The Received Customer Complaints	.471(**)	.369(**)	.078	.269(*)	.413(**)
		.000	.001	.485	.014	.000
	The Size of Customer Base	.407(**)	.390(**)	.100	.256(*)	.295(**)
		.000	.000	.372	.020	.007
	The Number of Employee training programs	.375(**)	.328(**)	.187	.221(*)	.256(*)
		.001	.003	.092	.046	.020
	The improvement of Employee Skills and Capabilities	.341(**)	.257(*)	.231(*)	.244(*)	.378(**)
		.002	.020	.036	.027	.000
	The higher Turnover	.555(**)	.530(**)	.366(**)	.363(**)	.481(**)
		.000	.000	.001	.001	.000
	The higher Profitability	.446(**)	.396(**)	.209	.259(*)	.273(*)
		.000	.000	.059	.019	.013

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Table 6.47 contains five independent variables and eight dependent variables, which were used to measure respectively the level of networking and business performance. The information in Table 6.47 firstly shows that the relationship between networking expenses and all dependent variables were significantly correlated at the $p < 0.01$ level

of statistical significance. This result shows that a strongly positive relationship exists between networking expenses ratio and each of dependent variables.

Secondly, the relationship between the number of contacts and all dependent variables was significantly correlated at either the $p < 0.01$ or the $p < 0.05$ level of statistical significance. This result shows that there is a strongly positive relationship between the number of contacts and five out of eight dependent variables (the number of received customer complaints, the size of customer base, the number of employee training programmes, higher turnover, and higher profitability), and that there is a moderately positive relationship between the number of contacts and the rest of the dependent variables.

Thirdly, the relationship between the importance of networking and higher turnover was significantly correlated at the $p < 0.01$ level of statistical significance. It was also found that the relationship between the importance of networking and both the improvement of employee working efficiency and the improvement of employee skills and capabilities was significantly correlated at the $p < 0.05$ level of statistical significance. This result shows that there is a strongly positive relationship between networking and higher turnover, and there is a moderately positive relationship between networking and the two dependent variables.

Fourthly, the relationship between the attitude towards networking and all dependent variables was significantly correlated at either the $p < 0.01$ level or the $p < 0.05$ level of statistical significance. This result indicates that there is a strongly positive relationship between the attitude towards networking and two out of eight dependent variables (the improvement of employee working efficiency and higher turnover), and there is a moderately positive relationship between the attitude towards networking and the rest of the dependent variables.

Lastly, the relationship between the appointment frequency in networking and all dependent variables was significantly correlated at either the $p < 0.01$ level or the $p < 0.05$ level of statistical significance. This result could be considered to show that there is a moderately positive relationship between the appointment frequency in networking and two out of eight dependent variables (the number of employee training programmes and higher profitability), and there is a strongly positive relationship between the appointment frequency in networking and the rest of the dependent variables.

It was found that the four independent variables have a significantly positive relationship with each of the dependent variables, within the range of $r = 0.221$ and $r = 0.555$, at either the $p < 0.01$ level or the $p < 0.05$ level of statistical significance. Therefore, it can be concluded that there is a significant positive relationship between networking and business performance.

6.4.1.2 Ascertaining the relationship between each type of networking and business performance

In the previous section, a significant positive relationship between networking and business performance has been identified. However, it is interesting to question that whether each type of networking has a significant relationship with business performance. Therefore, the aim of this analysis of the research data was to ascertain the relationship between each type of networking and business performance.

Table 6.48: Bivariate correlation table for each type of networking and business performance

	F1	F2	F3	F4	F5	F6	F7	F8	F9	F10
The success of New products	.449 (**)	.546 (**)	.285 (*)	.258 (*)	.247 (*)	.182	.182	.207	.455 (**)	.403 (**)
	.000	.000	.011	.022	.026	.103	.127	.082	.000	.000
The improvement of Employee's working efficiency	.559 (**)	.586 (**)	.350 (**)	.318 (**)	.466 (**)	.400 (**)	.347 (**)	.368 (**)	.552 (**)	.529 (**)
	.000	.000	.002	.004	.000	.000	.003	.001	.000	.000
The Received Customer Complaints	.231 (*)	.291 (**)	.471 (**)	.412 (**)	.256 (*)	.218	.337 (**)	.343 (**)	.437 (**)	.487 (**)
	.037	.008	.000	.000	.021	.050	.004	.003	.000	.000
The Size of Customer Base	.301 (**)	.371 (**)	.372 (**)	.392 (**)	.245 (*)	.294 (**)	.316 (**)	.397 (**)	.296 (**)	.381 (**)
	.006	.001	.001	.000	.028	.008	.007	.001	.008	.000
The Number of Employee training programs	.371 (**)	.362 (**)	.436 (**)	.429 (**)	.394 (**)	.382 (**)	.445 (**)	.442 (**)	.460 (**)	.417 (**)
	.001	.001	.000	.000	.000	.000	.000	.000	.000	.000
The Employee Skills and Capabilities	.479 (**)	.501 (**)	.340 (**)	.324 (**)	.450 (**)	.385 (**)	.338 (**)	.389 (**)	.525 (**)	.572 (**)
	.000	.000	.002	.004	.000	.000	.004	.001	.000	.000
The higher Turnover	.473 (**)	.540 (**)	.385 (**)	.328 (**)	.452 (**)	.336 (**)	.327 (**)	.357 (**)	.460 (**)	.643 (**)
	.000	.000	.000	.003	.000	.002	.005	.002	.000	.000
The higher Profitability	.276 (*)	.372 (**)	.384 (**)	.444 (**)	.294 (**)	.343 (**)	.457 (**)	.509 (**)	.268 (*)	.433 (**)
	.012	.001	.000	.000	.008	.002	.000	.000	.016	.000

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

F1= Attitude towards Customer networking	F2= Frequency of Customer networking
F3= Attitude towards Competitor networking	F4= Frequency of Competitor networking
F5= Attitude towards Supplier networking	F6= Frequency of Supplier networking
F7= Attitude towards Supporting networking	F8= Frequency of Supporting networking
F9= Attitude towards Personal networking	F10= Frequency of Personal networking

In Table 6.48, there were included ten independent variables and eight dependent variables. In these ten independent variables, every two independent variables were used to measure a type of networking with the order of customer, competitor, supplier, supporting, and personal networking. In addition, the eight dependent variables were still used to measure business performance.

The first column shows information about the relationship between attitude towards customer networking and all the dependent variables that were used to measure business performance. The results indicate that attitude towards customer networking was significantly correlated with all dependent variables at either the $p < 0.01$ level or the $p < 0.05$ level of statistical significance. The second column shows information about the relationship between frequency of customer networking and all the dependent variables. The results indicate that attitude towards customer networking was significantly correlated with all dependent variables at the $p < 0.01$ level of statistical significance.

The correlations relate to Hypothesis 1 that was to ascertain whether there is a significantly positive relationship between customer networking and business success of the motorbike components SMEs of the main city zones in Chongqing. All of the correlations in the first and second columns indicate either strongly or moderately a positive relationship between customer networking and business performance. Therefore, it can be concluded that customer networking can positively relate to business performance of the motorbike components SMEs of the main city zones in Chongqing.

Competitor networking. The third and fourth columns show respectively information about the relationship between attitude towards competitor networking and all the dependent variables, and the association between frequency of competitor networking and all the dependent variables. The results indicate that attitude towards and frequency of customer networking were significantly correlated with all

dependent variables at either the $p < 0.01$ level or the $p < 0.05$ level of statistical significance.

The correlations in the third and fourth columns relate to Hypothesis 2 that was to ascertain whether there is a significantly positive relationship between competitor networking and business performance of the motorbike components SMEs of the main city zones in Chongqing. Each of the independent variables is highly correlated with each of the dependent variables. The correlations in the third and fourth columns indicate a strongly positive relationship between competitor networking and business performance. Therefore, it can be concluded that competitor networking can positively relate to business performance of the motorbike components SMEs of the main city zones in Chongqing.

Supplier networking. The fifth column shows information about the relationship between attitude towards supplier networking and all the dependent variables. The results indicate that attitude towards supplier networking was significantly correlated with all dependent variables at either the $p < 0.01$ level or the $p < 0.05$ level of statistical significance. The sixth column shows information about the relationship between frequency of supplier networking and all the dependent variables. The results indicate that frequency of supplier networking was significantly correlated with almost all of the dependent variables at the $p < 0.01$ level of statistical significance.

The correlations in the fifth and sixth columns relate to Hypothesis 3 that was to ascertain whether there is a significantly positive relationship between supplier networking and business performance of the motorbike components SMEs of the main city zones in Chongqing. Each of the independent variables is highly correlated with the majority of the dependent variables. The above correlations indicate a strongly positive relationship between supplier networking and business performance. Therefore, it can be concluded that supplier networking can positively relate to business performance of the motorbike components SMEs of the main city zones in

Chongqing.

Supporting networking. The seventh and eighth columns show respectively information about the relationship between attitude towards supplier networking and all the dependent variables, and the association between frequency of supporting networking and all the dependent variables. The results indicate that, although both of the independent variables show a positive relation with the success of new product, the correlations were not significant. Nevertheless, both of the independent variables show significant correlation with the rest of the dependent variables at the $p < 0.01$ level of statistical significance.

The correlations in the seventh and eighth columns relate to Hypothesis 4 that was to ascertain whether there is a significantly positive relationship between supporting networking and business performance of the motorbike components SMEs of the main city zones in Chongqing. Each of the independent variables is highly correlated with most of the dependent variables. The above correlations indicate a strongly positive relationship between supporting networking and business performance. Therefore, it can be concluded that supporting networking can positively relate to business performance of the motorbike components SMEs of the main city zones in Chongqing.

Personal networking. The ninth column shows information about the relationship between attitude towards personal networking and all the dependent variables. The results indicate that attitude towards personal networking was significantly correlated with all dependent variables at either the $p < 0.01$ level or the $p < 0.05$ level of statistical significance. The last column shows information about the relationship between frequency of personal networking and all the dependent variables. The results indicate that attitude towards personal networking was significantly correlated with all dependent variables at the $p < 0.01$ level of statistical significance..

The correlations in the ninth and tenth columns relate to Hypothesis 5 that was to ascertain whether there is a significantly positive relationship between competitor networking and business performance of the motorbike components SMEs of the main city zones in Chongqing. Each of the independent variables is either highly or moderately correlated with each of the dependent variables. The above correlations indicate either a moderately and strongly positive relationship between personal networking and business performance. Therefore, it can be concluded that personal networking can positively relate to business performance of the motorbike components SMEs of the main city zones in Chongqing.

6.4.2 Stepwise regression

Stepwise regression is a statistical technique that takes advantage of two regression techniques, namely Forward selection and Backward elimination, to fit various multiple regression models in trying to assess the variation and explain the certain independent variables to a dependent variable.

Stepwise regression will fit the model in various orders of the independent variables and use the criteria of the grouping of independent variables that explain the highest amount of variation towards the response variable. Therefore, each of the dependent variables in the above table is tested. In addition, independent variables that do not contribute towards the model are excluded.

The analysis was carried out in SPSS and the aim was to assess which of the independent variables explain the response variable of each dependent variable. i.e. which independent variables have the most valid influence regarding the dependent variable in order to unveil any significant relationships.

6.4.2.1 Stepwise regression for general hypothesis

H_0: There is not a significantly positive relationship between networking practice (*guanxi*) and business performance of the motorbike component SMEs of the main city zones in Chongqing.

GH: There is a significantly positive relationship between networking practice (*guanxi*) and business performance of the motorbike component SMEs of the main city zones in Chongqing.

In testing the general hypothesis, the dependent and independent variables are shown in Table 6.49.

Table 6.49: The table of variables for General Hypothesis

Model	Independent variable	Dependent variable
1 to 8	Networking expenses ratio	a. Compared with the last year, the new product development
		b. Compared with the last year, the employees' working efficiency
		c. Compared with the last year, the received customer complaints
	Number of contacts	d. Compared with the last year, the size of customer base
		e. Compared with the last year, the number of employee training programmes
	Importance of networking	f. Compared with the last year, the employees' skills and capabilities improvement
	Attitudes towards networking	g. Compared with the last year, the turnover
		h. Compared with the last year, the profitability
	Appointment frequency	

The stepwise regression to be fitted is presented as follows:

- Models 1 to 8

Each dependent variable in Table 6.49 = $\beta_0 + \beta_1$networking expense ratio+ $\beta_2$number of contacts+ $\beta_3$network importance+ $\beta_4$attitude towards networking+ $\beta_5$appointment frequency+ε

Table. 6.50: Model Summary for General Hypothesis

Model		R	R Square	Adjusted R Square	Std. Error of the Estimate
1	1	.366(a)	0.134	0.123	1.418
2	1	.359(a)	0.129	0.118	1.095
3	1	.437(a)	0.191	0.181	1.024
	2	.494(b)	0.244	0.224	0.997
	3	.559(c)	0.312	0.286	0.956
4	1	.394(a)	0.156	0.145	1.048
	2	.447(b)	0.200	0.179	1.027
5	1	.345(a)	0.119	0.108	1.214
6	1	.329(a)	0.108	0.097	1.142
7	1	.557(a)	0.31	0.301	0.808
	2	.597(b)	0.356	0.34	0.786
8	1	.422(a)	0.178	0.168	1.32

Note:

Model		Predictors	Dependent variable
1	1	(Constant), Appointment Frequency	The Quantity of New products
2	1	(Constant), Attitude towards Networking	The Employee's working efficiency
3	1	(Constant), Networking Expense Ratio	
	2	(Constant), Networking Expense Ratio, Networking is important for business performance	
	3	(Constant), Networking Expense Ratio, Networking is important for business performance, Appointment Frequency	The Received Customer Complaints
4	1	(Constant), Networking Expense Ratio	
	2	(Constant), Networking Expense Ratio, Networking is important for business performance	The Size of Customer Base
5	1	(Constant), Networking Expense Ratio	The number of Employee training programs
6	1	(Constant), Appointment Frequency	Employee Skill and Capability Improvement
7	1	(Constant), Networking Expense Ratio	
	2	(Constant), Networking Expense Ratio, Number of Contacts	The Turnover
8	1	(Constant), Networking Expense Ratio	The Profitability

The results are summarised as follows:

Table 6.50 shows the R- square value and adjusted R-square value of each model. For Model 1, the R- square value is about 0.134, and the adjusted R-square value is about 0.123; that implies the independent variables are accounting for 12.3% of the variation regarding the dependent variable. For Model 2, the R- square value is about 0.129, and the adjusted R-square value is about 0.118; that implies the independent variables are accounting for 11.8% of the variation regarding the dependent variable. For Model 3, the R- square value is about 0.312, and the adjusted R-square value is about 0.286; that indicates the independent variables are accounting for 28.6% of the variation regarding the dependent variable. For Model 4, the R- square value is about 0.200, and the adjusted R-square value is about 0.179; that implies the independent variables are accounting for 17.9% of the variation regarding the dependent variable. For Model 5, the R- square value is about 0.119, and the adjusted R-square value is about 0.108; that implies the independent variables are accounting for 10.8% of the variation regarding the dependent variable. For Model 6, the R- square value is about 0.108, and the adjusted R-square value is about 0.097; that implies the independent variables are accounting for 9.7% of the variation regarding the dependent variable. For Model 7, the R- square value is about 0.356, and the adjusted R-square value is about 0.34; that implies the independent variables are accounting for 34% of the variation regarding the dependent variable. For Model 8, the R- square value is about 0.178, and the adjusted R-square value is about 0.168; that implies the independent variables are accounting for 16.8% of the variation regarding the dependent variable. Results presented in this section show that Model 7 is the best model. For Model 7, both the networking expense ratio and number of contacts are the adequate representations of the turnover.

Table: 6.51: ANOVA for General Hypothesis

Model			Sum of Squares	df	Mean Square	F	Sig.
1	1	Regression	24.853	1	24.853	12.353	.001(a)
		Residual	160.952	80	2.012		
		Total	185.805	81			
2	1	Regression	14.149	1	14.149	11.809	.001(a)
		Residual	95.851	80	1.198		
		Total	110	81			
3	1	Regression	19.816	1	19.816	18.894	.000(a)
		Residual	83.903	80	1.049		
		Total	103.72	81			
	2	Regression	25.264	2	12.632	12.72	.000(b)
		Residual	78.455	79	0.993		
		Total	103.72	81			
	3	Regression	32.393	3	10.798	11.808	.000(c)
		Residual	71.326	78	0.914		
		Total	103.72	81			
4	1	Regression	16.187	1	16.187	14.731	.000(a)
		Residual	87.91	80	1.099		
		Total	104.098	81			
	2	Regression	20.775	2	10.387	9.848	.000(b)
		Residual	83.323	79	1.055		
		Total	104.098	81			
5	1	Regression	15.972	1	15.972	10.835	.001(a)
		Residual	117.931	80	1.474		
		Total	133.902	81			
6	1	Regression	12.626	1	12.626	9.688	.003(a)
		Residual	104.264	80	1.303		
		Total	116.89	81			
7	1	Regression	23.485	1	23.485	35.944	.000(a)
		Residual	52.271	80	0.653		
		Total	75.756	81			
	2	Regression	26.972	2	13.486	21.84	.000(b)
		Residual	48.784	79	0.618		
		Total	75.756	81			
8	1	Regression	30.261	1	30.261	17.373	.000(a)
		Residual	139.348	80	1.742		
		Total	169.61	81			

Table 6.51 shows the results of ANOVA tests for each model. The regression ANOVA tests the validity of the regression model, and a p-value of less than 0.05 indicates a

significant regression model. It can be seen that the p-values in the table are all less than 0.05. Hence one can proceed towards the individual regression coefficients summarised in Table 6.52.

Table 6.52: Coefficients for General Hypothesis

Model			Unstandardized Coefficients		Standardized Coefficients	t	Sig(p-value)
			B	Std. Error	Beta		
1	1	(Constant)	2.44	0.731		3.34	0.001
		Appointment Frequency	0.463	0.132	0.366	3.52	0.001
2	1	(Constant)	2.09	0.855		2.44	0.017
		Attitude towards Networking	0.472	0.137	0.359	3.44	0.001
3	1	(Constant)	3.347	0.486		6.88	.000
		Networking Expense Ratio	0.613	0.141	0.437	4.35	.000
	2	(Constant)	5.114	0.891		5.74	.000
		Networking Expense Ratio	0.747	0.149	0.532	5.02	.000
		Networking is important for business performance	-0.343	0.146	-0.248	-2.3	0.022
	3	(Constant)	5.421	0.862		6.29	.000
		Networking Expense Ratio	0.509	0.166	0.363	3.07	0.003
		Networking is important for business performance	-0.57	0.162	-0.413	-3.5	0.001
		Appointment Frequency	0.361	0.129	0.382	2.79	0.007
4	1	(Constant)	3.41	0.498		6.85	.000
		Networking Expense Ratio	0.554	0.144	0.394	3.84	.000
	2	(Constant)	5.032	0.918		5.48	.000
		Networking Expense Ratio	0.677	0.153	0.482	4.42	.000
		Networking is important for business performance	-0.315	0.151	-0.227	-2.1	0.040
5	1	(Constant)	2.74	0.576		4.75	.000
		Networking Expense Ratio	0.55	0.167	0.345	3.29	0.001
6	1	(Constant)	3.173	0.589		5.39	.000
		Appointment Frequency	0.33	0.106	0.329	3.11	0.003
7	1	(Constant)	3.445	0.384		8.98	.000
		Networking Expense Ratio	0.667	0.111	0.557	6	.000
	2	(Constant)	3.127	0.396		7.89	.000
		Networking Expense Ratio	0.43	0.147	0.359	2.92	0.005
		Number of Contacts	0.285	0.12	0.292	2.38	0.020
8	1	(Constant)	2.289	0.627		3.65	.000
		Networking Expense Ratio	0.757	0.182	0.422	4.17	.000

The t-statistics in Table 6.52 test the following hypothesis when coefficients are all equal to zero i.e.

H_0: $\beta_i = 0$ for i= 0, 1 against GH: each coefficient is not equal to zero for Models 1 to 8

A p-value less than the chosen significance level of 0.05 would lead one to reject the H_0; quite clearly the null hypotheses are rejected, implying that the model that was built is clearly an adequate representation of the explanation of the dependent variables. For Model 1, the appointment frequency is an adequate representation of the new products development. For Model 2, the attitude towards networking is an adequate representation of employee working efficiency. For Model 3, the networking expense ratio, importance of networking and appointment frequency are the adequate representations of the received customer complaints. For Model 4, both the networking expense ratio and importance of networking are adequate representations of the size of customer base. For Model 5, the networking expense ratio is an adequate representation of the number of employee's training programs. For Model 6, the appointment frequency is an adequate representation of employees' skills and capabilities improvement. For Model 7, both the networking expense ratio and number of contacts are the adequate representations of the turnover. For Model 8, the networking expense ratio is an adequate representation of profitability.

The Models 1 to 8 are represented as eight sub-hypotheses that determine whether the general hypothesis should be supported. From Tables 6.49 to 6.52 and interpretations, it is clear that H_0 is rejected for all the above sub-hypotheses, and it is concluded that there is a significantly positive relationship between networking practices and business performance of the motorbike component SMEs of the main city zones in Chongqing. GH is therefore supported.

6.4.2.2 Stepwise regression for Hypothesis 1

H$_0$: There is not a significantly positive relationship between customer networking and business performance of the motorbike component SMEs of the main city zones in Chongqing.

H$_1$: There is not a significantly positive relationship between customer networking and business performance of the motorbike component SMEs of the main city zones in Chongqing.

In testing Hypothesis 1, the dependent and independent variables are shown in Table 6.53.

Table 6.53: The table of variables for Hypothesis 1

Model	Independent variable	Dependent variable
9 to 16	Attitude towards customer networking	a. Compared with the last year, the new product development
		b. Compared with the last year, the employees' working efficiency
		c. Compared with the last year, the received customer complaints
		d. Compared with the last year, the size of customer base
		e. Compared with the last year, the number of employee training programmes
	Frequency of customer networking	f. Compared with the last year, the employees' skills and capabilities improvement
		g. Compared with the last year, the turnover
		h. Compared with the last year, the profitability

The stepwise regression to be fitted is presented as follows:

● Models 9 to 16

Each dependent variable in Table 6.53 $=\beta_0+ \beta_1$ attitude towards customer networking $+ \beta_2$ frequency of customer networking $+\varepsilon$

Table: 6.54: Model Summary for Hypothesis 1

Model		R	R Square	Adjusted R Square	Std. Error of the Estimate
9	1	.614(a)	0.378	0.37	1.202
	2	.639(b)	0.408	0.393	1.180
10	1	.602(a)	0.363	0.355	0.936
11	1	.247(a)	0.061	0.049	1.103
12	1	.336(a)	0.113	0.102	1.075
13	1	.346(a)	0.12	0.109	1.214
14	1	.466(a)	0.217	0.207	1.069
15	1	.548(a)	0.300	0.292	0.814
16	1	.366(a)	0.134	0.123	1.355

Note:

Model		Predictors	Dependent variable
9	1	(Constant), Frequency of Customer networking	
	2	(Constant), Frequency of Customer networking, Attitude of Customer networking	The quantity of new products
10	1	(Constant), Attitude of Customer networking	The employee's working efficiency
11	1	(Constant), Frequency of Customer networking	The received customer complaints
12	1	(Constant), Frequency of Customer networking	The size of customer base
13	1	(Constant), Attitude of Customer networking	The number of employee training programmes
14	1	(Constant), Frequency of Customer networking	The employee skills and capabilities improvement
15	1	(Constant), Frequency of Customer networking	The turnover
16	1	(Constant), Frequency of Cusotmer networking	The profitability

The results are summarised as follows:

Table 6.54 shows the R-square value and the adjusted R-square value of each model. For Model 9, the R-square value is about 0.408, and the adjusted R-square value is about 0.393; that implies the independent variables are accounting for 39.3 % of the variation regarding the dependent variable. For Model 10, the R-square value is about 0.363, and the adjusted R-square value is about 0.355; that implies the independent variables are accounting for 35.5 % of the variation regarding the dependent variable. For Model 11, the R-square value is about 0.061, and the adjusted R-square value is about 0.049; that indicates the independent variables are accounting for 4.9% of the variation regarding the dependent variable. For Model 12, the R-square value is about

0.113, and the adjusted R-square value is about 0.102; that implies the independent variables are accounting for 10.2 % of the variation regarding the dependent variable. For Model 13, the R-square value is about 0.120, and the adjusted R-square value is about 0.109; that implies the independent variables are accounting for 10.9 % of the variation regarding the dependent variable. For Model 14, the R-square value is about 0.217, and the adjusted R-square value is about 0.207; that implies the independent variables are accounting for 20.7% of the variation regarding the dependent variable. For Model 15, the R-square value is about 0.300, and the adjusted R-square value is about 0.292; that implies the independent variables are accounting for 29.2% of the variation regarding the dependent variable. For Model 16, the R-square value is about 0.134, and the adjusted R-square value is about 0.123; that implies the independent variables are accounting for 12.3 % of the variation regarding the dependent variable. Results presented in this section show that Model 9 is the best model. For Model 9, both the frequency of and attitude towards customer networking are adequate representations of new products development.

Table: 6.55: ANOVA for Hypothesis 1

Model			Sum of Squares	df	Mean Square	F	Sig.
9	1	Regression	70.142	1	70.142	48.515	.000(a)
		Residual	115.662	80	1.446		
		Total	185.805	81			
	2	Regression	75.799	2	37.900	27.217	.000(b)
		Residual	110.006	79	1.392		
		Total	185.805	81			
10	1	Regression	39.931	1	39.931	45.590	.000(a)
		Residual	70.069	80	0.876		
		Total	110	81			
11	1	Regression	6.322	1	6.322	5.192	.025(a)
		Residual	97.398	80	1.217		
		Total	103.72	81			
12	1	Regression	11.722	1	11.722	10.151	.002(a)
		Residual	92.376	80	1.155		
		Total	104.098	81			
13	1	Regression	16.023	1	16.023	10.874	.001(a)
		Residual	117.879	80	1.473		
		Total	133.902	81			
14	1	Regression	25.387	1	25.387	22.195	.000(a)
		Residual	91.504	80	1.144		
		Total	116.89	81			
15	1	Regression	22.759	1	22.759	34.355	.000(a)
		Residual	52.997	80	0.662		
		Total	75.756	81			
16	1	Regression	22.78	1	22.78	12.412	.001(a)
		Residual	146.83	80	1.835		
		Total	169.61	81			

Table 6.55 shows the results of ANOVA tests for Models 9 to 16. The regression ANOVA tests the validity of the regression model and a p-value of less than 0.05 indicates a significant regression model. It can be seen that the p-values in the table are all less than 0.05. Hence we can proceed towards the individual regression coefficients summarised in Table 6.56

. **Table 6.56: Coefficients for Hypothesis 1**

Model			Unstandardized Coefficients		Standardized Coefficients	t	Sig(p-value)
			B	Std. Error	Beta		
9	1	(Constant)	0.474	0.656		0.722	0.472
		Frequency of Customer networking	0.757	0.109	0.614	6.965	0.000
	2	(Constant)	0.006	0.685		0.008	0.993
		Frequency of Customer networking	0.466	0.18	0.378	2.592	0.011
		Attitude of Customer networking	0.357	0.177	0.294	2.016	0.047
10	1	(Constant)	1.543	0.522		2.955	0.004
		Attitude of Customer networking	0.562	0.083	0.602	6.752	0.000
11	1	(Constant)	4.058	0.602		6.738	0.000
		Frequency of Customer networking	0.227	0.1	0.247	2.279	0.025
12	1	(Constant)	3.438	0.587		5.861	0.000
		Frequency of Customer networking	0.309	0.097	0.336	3.186	0.002
13	1	(Constant)	2.396	0.677		3.536	0.001
		Attitude of Customer networking	0.356	0.108	0.346	3.298	0.001
14	1	(Constant)	2.27	0.584		3.888	0.000
		Frequency of Customer networking	0.455	0.097	0.466	4.711	0.000
15	1	(Constant)	3.133	0.444		7.05	0.000
		Frequency of Customer networking	0.431	0.074	0.548	5.861	0.000
16	1	(Constant)	2.278	0.74		3.08	0.003
		Frequency of Customer networking	0.431	0.122	0.366	3.523	0.001

The t-statistics in Table 6.56 test the following hypothesis when coefficients are all equal to zero i.e.

H_0: $\beta_i = 0$ for i= 0, 1 against H1: each coefficient is not equal to zero for models 9 to 16.

A p-value less than the chosen significance level of 0.05 would lead one to reject the H_0; quite clearly the null hypotheses are rejected, implying that the model that was built is clearly an adequate representation of the explanation of the dependent variables For Model 9, both the frequency of and attitude towards customer networking are adequate representations of new products development. For Model 10, the attitude towards customer networking is an adequate representation of the employees working efficiency. For Model 11, the frequency of customer networking is an adequate representation of received customer complaints. For Model 12, the frequency of customer networking is an adequate representation of the size of customer base. For Model 13, the attitude towards customer networking is an adequate representation of the number of employee training programmes. For Model 14, the frequency of customer networking is an adequate representation of the employee skills and capabilities improvement. For Model 15, the frequency of customer networking is also an adequate representation of turnover. For Model 16, the frequency of customer networking is an adequate representation of profitability.

Models 9 to 16 are represented as eight sub-hypotheses that determine whether Hypothesis 1 should be supported. From Tables 6.53 to 6.56 and interpretations, it is clear that H_0 is rejected for all the above sub-hypotheses, and it is concluded that there is a significantly positive relationship between customer networking and business performance of the motorbike component SMEs of the main city zones in Chongqing. H_1 is therefore supported.

6.4.2.3 Stepwise Regression for hypothesis 2

H$_0$: There is not a significantly positive relationship between competitor networking and business performance of the motorbike component SMEs of the main city zones in Chongqing.

H$_2$: There is a significantly positive relationship between competitor networking and business performance of the motorbike component SMEs of the main city zones in Chongqing.

In testing the Hypothesis 2, the dependent and independent variables are shown in Table 6.57.

Table 6.57: The table of variables for Hypothesis 2

Model	Independent variable	Dependent variable
17 to 24	Attitude towards competitor networking	a. Compared with the last year, the new product development
		b. Compared with the last year, the employees' working efficiency
		c. Compared with the last year, the received customer complaints
		d. Compared with the last year, the size of customer base
		e. Compared with the last year, the num. of employee training programmes
	Frequency of competitor networking	f. Compared with the last year, the employees' skills and capabilities improvement
		g. Compared with the last year, the turnover
		h. Compared with the last year, the profitability

The stepwise regression to be fitted is presented as follows:

● Models 17 to 24

Each dependent variable in Table 6.57 $=\beta_0+ \beta_1$ attitude towards competitor networking $+ \beta_2$ frequency of competitor networking $+\varepsilon$

However, the result of Model 17 was found not to be significant and will not be reported here.

Table: 6.58: Model Summary for Hypothesis 2

Model		R	R Square	Adjusted R Square	Std. Error of the Estimate
18	1	.315(a)	0.099	0.087	1.057
19	1	.477(a)	0.227	0.217	0.947
20	1	.426(a)	0.181	0.171	1.036
21	1	.500(a)	0.25	0.24	1.11
22	1	.362(a)	0.131	0.12	1.124
23	1	.358(a)	0.128	0.117	0.902
24	1	.438(a)	0.192	0.182	1.331

Note:

Model		Predictors	Dependent variable
18	1	(Constant), Attitude of Competitor networking	The employee's working efficiency
19	1	(Constant), Attitude of Competitor networking	The received customer complaints
20	1	(Constant), Frequency of Competitor networking	The size of customer base
21	1	(Constant), Attitude of Competitor networking	The number of employee training programmes
22	1	(Constant), Frequency of Competitor networking	The employee skills and capabilities improvement
23	1	(Constant), Attitude of Competitor networking	The turnover
24	1	(Constant), Frequency of Competitor networking	The profitability

Table 6.58 shows the R-square value, and the adjusted R-square value of each model. For Model 18, the R-square value is about 0.099, and the adjusted R-square value is about 0.087; that implies the independent variables are accounting for 8.7 % of the variation regarding the dependent variable. For Model 19, the R-square value is about 0.227, and the adjusted R-square value is about 0.217; that implies the independent variables are accounting for 21.7 % of the variation regarding the dependent variable. For Model 20, the R-square value is about 0.181, and the adjusted R-square value is about 0.171; that indicates the independent variables are accounting for 17.1% of the variation regarding the dependent variable. For Model 21, the R-square value is about 0.250, and the adjusted R-square value is about 0.24; that implies the independent variables are accounting for 24 % of the variation regarding the dependent variable. For Model 22, the R-square value is about 0.131, and the adjusted R-square value is

about 0.12; that implies the independent variables are accounting for 12 % of the variation regarding the dependent variable. For Model 23, the R-square value is about 0.128, and the adjusted R-square value is about 0.117; that implies the independent variables are accounting for 11.7 % of the variation regarding the dependent variable. For Model 24, the R-square value is about 0.192, and the adjusted R-square value is about 0.182; that implies the independent variables are accounting for 18.2 % of the variation regarding the dependent variable. Results presented in this section show that Model 21 is the best model. For Model 21, the attitude towards competitor networking is an adequate representation of the number of employee training programmes.

Table: 6.59: ANOVA for Hypothesis 2

Model			Sum of Squares	df	Mean Square	F	Sig.
18	1	Regression	9.465	1	9.465	8.467	.005(a)
		Residual	86.079	77	1.118		
		Total	95.544	78			
19	1	Regression	20.314	1	20.314	22.652	.000(a)
		Residual	69.053	77	0.897		
		Total	89.367	78			
20	1	Regression	18.296	1	18.296	17.047	.000(a)
		Residual	82.641	77	1.073		
		Total	100.937	78			
21	1	Regression	31.665	1	31.665	25.68	.000(a)
		Residual	94.943	77	1.233		
		Total	126.608	78			
22	1	Regression	14.699	1	14.699	11.632	.001(a)
		Residual	97.301	77	1.264		
		Total	112.000	78			
23	1	Regression	9.208	1	9.208	11.314	.001(a)
		Residual	62.666	77	0.814		
		Total	71.873	78			
24	1	Regression	32.421	1	32.421	18.297	.000(a)
		Residual	136.439	77	1.772		
		Total	168.861	78			

Table 6.59 shows the results of ANOVA tests for Models 18 to 24. The regression ANOVA tests the validity of the regression model, and a p-value of less than 0.05 indicates a significant regression model. It can be seen that the p-values in the table are all less than 0.05. Hence one can proceed towards the individual regression coefficients summarised in Table 6.60.

Table 6.60: Coefficients for Hypothesis 2

Model			Unstandardized Coefficients		Standardized Coefficients	t	Sig(p-value)
			B	Std. Error	Beta		
18	1	(Constant)	3.616	0.516		7.014	0.000
		Attitude of Competitor networking	0.285	0.098	0.315	2.91	0.005
19	1	(Constant)	3.292	0.462		7.128	0.000
		Attitude of Competitor networking	0.417	0.088	0.477	4.759	0.000
20	1	(Constant)	4.076	0.308		13.23	0.000
		Frequency of Competitor networking	0.283	0.068	0.426	4.129	0.000
21	1	(Constant)	1.95	0.541		3.602	0.001
		Attitude of Competitor networking	0.521	0.103	0.5	5.068	0.000
22	1	(Constant)	3.945	0.334		11.8	0.000
		Frequency of Competitor networking	0.253	0.074	0.362	3.411	0.001
23	1	(Constant)	4.282	0.44		9.733	0.000
		Attitude of Competitor networking	0.281	0.083	0.358	3.364	0.001
24	1	(Constant)	3.268	0.396		8.255	0.000
		Frequency of Competitor networking	0.376	0.088	0.438	4.278	0.000

The t-statistics in Table 6.60 test the following hypothesis when coefficients are all equal to zero i.e.

H_0: $\beta_i = 0$ for i= 0, 1 against H2: each coefficient is not equal to zero for Model 18 to 24

A p-value less than the chosen significance level of 0.05 would lead one to reject the H_0; quite clearly the null hypotheses are rejected, implying that the model that was built is clearly an adequate representation of the explanation of the dependent variables For Model 18, the attitude towards competitor networking is an adequate representation of the employee working efficiency. For Model 19, the attitude towards competitor networking is an adequate representation of received customer complaints. For Model 20, the frequency of competitor networking is an adequate representation of the size of customer base. For Model 21, the attitude towards competitor networking is an adequate representation of the number of employee training programmes. For Model 22, the frequency of competitor networking is an adequate representation of employee skills and capabilities improvement. For Model 23, the attitude towards competitor networking is also an adequate representation of turnover. For Model 24, the frequency of competitor networking is an adequate representation of profitability.

The Models 18 to 24 are represented as seven sub-hypotheses that determine whether the Hypothesis 2 should be supported. From Tables 6.57 to 6.60 and interpretations, it is clear that H_0 is rejected for all the above sub-hypotheses, and it is concluded that there is a significantly positive relationship between competitor networking and business performance of the motorbike component SMEs of the main city zones in Chongqing. H_2 is therefore supported.

6.4.2.4 Stepwise regression for Hypothesis 3
H_0: There is not a significantly positive relationship between supplier networking and business performance of the motorbike component SMEs of the main city zones in Chongqing.

H_3: There is a significantly positive relationship between supplier networking and business performance of the motorbike component SMEs of the main city zones in Chongqing.

In testing the Hypothesis 3, the dependent and independent variables are shown in Table 6.61.

Table 6.61: The table of variables for Hypothesis 3

Model	Independent variable	Dependent variable
25 to 32	Attitude towards supplier networking	a. Compared with the last year, the new product development
		b. Compared with the last year, the employees' working efficiency
		c. Compared with the last year, the received customer complaints
		d. Compared with the last year, the size of customer base
		e. Compared with the last year, the num. of employee training programmes
	Frequency of supplier networking	f. Compared with the last year, the employees' skills and capabilities improvement
		g. Compared with the last year, the turnover
		h. Compared with the last year, the profitability

The stepwise regression to be fitted is presented as follows:

● Models 25 to 32

Each dependent variable in Table 6.61 $=\beta_0+ \beta_1$ attitude towards supplier networking $+ \beta_2$ frequency of supplier networking $+\varepsilon$

However, the results of Models 25 and 27 were found not to be significant and will not be reported here.

Table: 6.62: Model Summary for Hypothesis 3

Model		R	R Square	Adjusted R Square	Std. Error of the Estimate
26	1	.435(a)	0.19	0.179	1.043
28	2	.347(a)	0.121	0.109	1.061
29	1	.454(a)	0.206	0.196	1.159
	2	.499(b)	0.249	0.230	1.135
30	1	.448(a)	0.2	0.190	1.088
	2	.500(b)	0.25	0.230	1.060
31	1	.474(a)	0.225	0.215	0.846
32	1	.387(a)	0.15	0.139	1.348

Note:

Model		Predictors	Dependent variable
26	1	(Constant), Attitude of Supplier networking	The employee's working efficiency
28	1	(Constant), Frequency of Supplier networking	The size of customer base
29	1	(Constant), Frequency of Supplier networking	
	2	(Constant), Frequency of Supplier networking, Attitude of Supplier networking	The number of employee training programs
30	1	(Constant), Frequency of Supplier networking	
	2	(Constant), Frequency of Supplier networking, Attitude of Supplier networking	The employee skill and capability improvement
31	1	(Constant), Attitude of Supplier networking	The turnover
32	1	(Constant), Frequency of Supplier networking	The profitability

Table 6.62 shows the R-square value, and the adjusted R-square value of each model. For Model 26, the R-square value is 0.190, and the adjusted R-square value is about 0.179; that implies the independent variables are accounting for 17.9% of the variation regarding the dependent variable. For Model 28, the R-square value is 0.121, and the adjusted R-square value is about 0.109; that implies the independent variables are accounting for 10.9 % of the variation regarding the dependent variable. For Model 29, the R-square value is 0.249, and the adjusted R-square value is about 0.230; that indicates the independent variables are accounting for 23% of the variation regarding the dependent variable. For Model 30, the R-square value is 0.250, and the adjusted R-square value is about 0.230; that implies the independent variables are accounting for 23 % of the variation regarding the dependent variable. For Model 31, the R-square value is 0.225, and the adjusted R-square value is about 0.215; that implies the independent variables are accounting for 21.5 % of the variation regarding the dependent variable. For Model 32, the R-square value is 0.150, and the adjusted R-square value is about 0.139; that implies the independent variables are accounting for 13.9 % of the variation regarding the dependent variable. Results presented in this section show that Model 30 is the best model. For Model 30, the frequency of supplier networking is an adequate representation of the employee skills and capabilities improvement.

Table: 6.63: ANOVA for Hypothesis 3

Model			Sum of Squares	df	Mean Square	F	Sig.
26	1	Regression	20.084	1	20.084	18.478	.000(a)
		Residual	85.867	79	1.087		
		Total	105.951	80			
28	1	Regression	12.182	1	12.182	10.828	.001(a)
		Residual	88.879	79	1.125		
		Total	101.062	80			
29	1	Regression	27.558	1	27.558	20.506	.000(a)
		Residual	106.17	79	1.344		
		Total	133.728	80			
	2	Regression	33.308	2	16.654	12.936	.000(b)
		Residual	100.42	78	1.287		
		Total	133.728	80			
30	1	Regression	23.416	1	23.416	19.79	.000(a)
		Residual	93.473	79	1.183		
		Total	116.889	80			
	2	Regression	29.177	2	14.588	12.973	.000(b)
		Residual	87.712	78	1.125		
		Total	116.889	80			
31	1	Regression	16.364	1	16.364	22.871	.000(a)
		Residual	56.525	79	0.716		
		Total	72.889	80			
32	1	Regression	25.358	1	25.358	13.955	.000(a)
		Residual	143.555	79	1.817		
		Total	168.914	80			

Table 6.63 shows the results of ANOVA tests for Models 26, and 28 to 32. The regression ANOVA tests the validity of the regression model, and a p-value of less than 0.05 indicates a significant regression model. It can be seen that the p-values in the table are all less than 0.05. Hence one can proceed towards the individual regression coefficients summarised in Table 6.64.

Table 6.64: Coefficients for General Hypothesis 3

Model			Unstandardized Coefficients		Standardized Coefficients	t	Sig(p-value)
			B	Std. Error	Beta		
26	1	(Constant)	1.778	0.764		2.326	0.023
		Attitude of Supplier networking	0.554	0.129	0.435	4.299	0.000
28	1	(Constant)	3.44	0.562		6.127	0.000
		Frequency of Supplier networking	0.348	0.106	0.347	3.291	0.001
29	1	(Constant)	1.863	0.614		3.036	0.003
		Frequency of Supplier networking	0.523	0.115	0.454	4.528	0.000
	2	(Constant)	0.597	0.848		0.704	0.484
		Frequency of Supplier networking	0.368	0.135	0.32	2.735	0.008
		Attitude of Supplier networking	0.353	0.167	0.247	2.113	0.038
30	1	(Constant)	2.458	0.576		4.269	0.000
		Frequency of Supplier networking	0.482	0.108	0.448	4.449	0.000
	2	(Constant)	1.191	0.793		1.502	0.137
		Frequency of Supplier networking	0.327	0.126	0.304	2.6	0.011
		Attitude of Supplier networking	0.353	0.156	0.264	2.263	0.026
31	1	(Constant)	2.773	0.62		4.472	0.000
		Attitude of Supplier networking	0.5	0.105	0.474	4.782	0.000
32	1	(Constant)	2.233	0.714		3.129	0.002
		Frequency of Supplier networking	0.501	0.134	0.387	3.736	0.000

The t-statistics in Table 6.64 test the following hypothesis when coefficients are all equal to zero i.e.

H_0: $\beta_i = 0$ for i= 0, 1 against H3: each coefficient is not equal to zero for Models 26, and 28 to 32

A p-value less than the chosen significance level of 0.05 would lead one to reject the H_0; quite clearly the null hypotheses are rejected, implying that the model that was built is clearly an adequate representation of the explanation of the dependent variables. For Model 26, the attitude towards supplier networking is an adequate representation of the employee working efficiency. For Model 28, the frequency of supplier networking is an adequate representation of the size of customer base. For Model 29, the attitude towards supplier networking is an adequate representation of the number of employee training programmes. For Model 30, the frequency of supplier networking is an adequate representation of the employee skills and capabilities improvement. For Model 31, the attitude towards supplier networking is also an adequate representation of turnover. For Model 32, the frequency of supplier networking is an adequate representation of profitability.

The Models 26, and 28 to 32 are represented as six sub-hypotheses that determine whether the Hypothesis 3 should be supported. From Table 6.61 to 6.64 and interpretations, it is clear that H_0 is rejected for all the above sub-hypotheses, and it is concluded that there is a significantly positive relationship between supplier networking and business performance of the motorbike component SMEs of the main city zones in Chongqing. H_3 is therefore supported.

6.4.2.5 Stepwise regression for Hypothesis 4

H_0: There is not a significantly positive relationship between supporting networking and business performance of the motorbike component SMEs of the main city zones in Chongqing.

H_4: There is a significantly positive relationship between supporting networking and business performance of the motorbike component SMEs of the main city zones in Chongqing.

In testing the Hypothesis 4, the dependent and independent variables are shown in table 6.65.

Table 6.65: The table of variables for Hypothesis 4

Model	Independent variable	Dependent variable
33 to 40	Attitude towards supporting networking	a. Compared with the last year, the new product development b. Compared with the last year, the employees' working efficiency c. Compared with the last year, the received customer complaints d. Compared with the last year, the size of customer base e. Compared with the last year, the num. of employee training programmes
	Frequency of supporting networking	f. Compared with the last year, the employees' skills and capabilities improvement g. Compared with the last year, the turnover h. Compared with the last year, the profitability

The stepwise regression to be fitted is presented as follows:

- Models 33 to 40

Each dependent variable in Table 6.65 $=\beta_0+\beta_1$ attitude towards supporting networking $+ \beta_2$ frequency of supporting networking $+\varepsilon$

However, the result of Model 33 was found not to be significant and will not be reported here.

Table: 6.66: Model Summary for Hypothesis 4

Model		R	R Square	Adjusted R Square	Std. Error of the Estimate
34	1	.332(a)	0.11	0.097	1.076
35	1	.315(a)	0.099	0.086	1.04
36	1	.425(a)	0.181	0.169	0.997
37	1	.526(a)	0.276	0.266	1.088
38	1	.413(a)	0.171	0.159	1.118
39	1	.330(a)	0.109	0.096	0.883
40	1	.502(a)	0.252	0.241	1.232

Note:

Model		Predictors	Dependent variable
34	1	(Constant), Frequency of Supporting networking	The employee's working efficiency
35	2	(Constant), Attitude of Supporting networking	The received customer complaints
36	1	(Constant), Frequency of Supporting networking	The size of customer base
37	1	(Constant), Frequency of Supporting networking	The number of employee training programs
38	1	(Constant), Frequency of Supporting networking	The employee skills and capabilities improvement
39	1	(Constant), Frequency of Supporting networking	The turnover
40	1	(Constant), Frequency of Supporting networking	The profitability

Table 6.66 shows the R-square value, and the adjusted R-square value of each model. For Model 34, the R-square value is about 0.11, and the adjusted R-square value is about 0.097; that implies the independent variables are accounting for 9.7% of the variation regarding the dependent variable. For Model 35, the R-square value is about 0.099, and the adjusted R-square value is about 0.086; that implies the independent variables are accounting for 8.6 % of the variation regarding the dependent variable. For Model 36, the R-square value is about 0.181, and the adjusted R-square value is about 0.169; that indicates the independent variables are accounting for 16.9% of the variation regarding the dependent variable. For Model 37, the R-square value is about 0.276, and the adjusted R-square value is about 0.266; that implies the independent variables are accounting for 26.6 % of the variation regarding the dependent variable. For Model 38, the R-square value is about 0.171, and the adjusted R-square value is about 0.159; that implies the independent variables are accounting for 15.9 % of the variation regarding the dependent variable. For Model 39, the R-square value is about 0.109, and the adjusted R-square value is about 0.096; that implies the independent variables are accounting for 9.6 % of the variation regarding the dependent variable. For Model 40, the R-square value is about 0.252. and the adjusted R-square value is about 0.241; that implies the independent variables are accounting for 24.1 % of the

variation regarding the dependent variable. Results presented in this section show that Model 37 is the best model. For Model 37, the attitude towards supporting networking is an adequate representation of the number of employee training programmes.

Table: 6.67: ANOVA for Hypothesis 4

Model			Sum of Squares	df	Mean Square	F	Sig.
34	1	Regression	10.024	1	10.024	8.653	.004(a)
		Residual	81.087	70	1.158		
		Total	91.111	71			
35	1	Regression	8.335	1	8.335	7.712	.007(a)
		Residual	75.652	70	1.081		
		Total	83.986	71			
36	1	Regression	15.338	1	15.338	15.44	.000(a)
		Residual	69.537	70	0.993		
		Total	84.875	71			
37	1	Regression	31.618	1	31.618	26.722	.000(a)
		Residual	82.826	70	1.183		
		Total	114.444	71			
38	1	Regression	18.013	1	18.013	14.412	.000(a)
		Residual	87.487	70	1.25		
		Total	105.5	71			
39	1	Regression	6.668	1	6.668	8.548	.005(a)
		Residual	54.61	70	0.78		
		Total	61.278	71			
40	1	Regression	35.732	1	35.732	23.549	.000(a)
		Residual	106.213	70	1.517		
		Total	141.944	71			

Table 6.67 shows the results of ANOVA tests for Models 34 to 40. The regression ANOVA tests the validity of the regression model, and a p-value of less than 0.05 indicates a significant regression model. It can be seen that the p-values in the table are all less than 0.05. Hence one can proceed towards the individual regression coefficients summarised in Table 6.68.

Table 6.68: Coefficients for General Hypothesis 4

Model			Unstandardized Coefficients		Standardized Coefficients	t	Sig(p-value)
			B	Std. Error	Beta		
34	1	(Constant)	4.323	0.296		14.584	0.000
		Frequency of Supporting networking	0.204	0.069	0.332	2.942	0.004
35	1	(Constant)	4.185	0.484		8.641	0.000
		Attitude of Supporting networking	0.265	0.096	0.315	2.777	0.007
36	1	(Constant)	4.4	0.274		16.030	0.000
		Frequency of Supporting networking	0.252	0.064	0.425	3.929	0.000
37	1	(Constant)	3.323	0.3		11.091	0.000
		Frequency of Supporting networking	0.363	0.07	0.526	5.169	0.000
38	1	(Constant)	4.027	0.308		13.079	0.000
		Frequency of Supporting networking	0.274	0.072	0.413	3.796	0.000
39	1	(Constant)	5.163	0.243		21.224	0.000
		Frequency of Supporting networking	0.166	0.057	0.33	2.924	0.005
40	1	(Constant)	3.484	0.339		10.271	0.000
		Frequency of Supporting networking	0.385	0.079	0.502	4.853	0.000

The t-statistics in Table 6.68 test the following hypothesis when coefficients are all equal to zero i.e.

H_0: $\beta_i = 0$ for i= 0, 1 against H4: each coefficient is not equal to zero for Models 34 to 40

A p-value less than the chosen significance level of 0.05 would lead one to reject the H_0; quite clearly the null hypotheses are rejected, implying that the model that was built is clearly an adequate representation of the explanation of the dependent variables. For Model 34, the attitude towards supporting networking is an adequate representation of the employee working efficiency. For Model 35, the attitude towards

supporting networking is an adequate representation of the received customer complaints. For Model 36, the frequency of supporting networking is an adequate representation of the size of customer base. For Model 37, the attitude towards supporting networking is an adequate representation of the number of employee training programmes. For Model 38, the frequency of supporting networking is an adequate representation of the employee skills and capabilities improvement. For Model 39, the attitude towards supporting networking is also an adequate representation of turnover. For Model 40, the frequency of supporting networking is an adequate representation of profitability.

Models 34 to 40 are represented as seven sub-hypotheses that determine whether the Hypothesis 4 should be supported. From Tables 6.65 to 6.68 and interpretations, it is clear that H_0 is rejected for all the above sub-hypotheses, and it is concluded that there is a significantly positive relationship between supporting networking and business performance of the motorbike component SMEs of the main city zones in Chongqing. H_4 is therefore supported.

6.4.2.6 Stepwise regression for Hypothesis 5

H_0: There is not a significantly positive relationship between personal networking (*guanxi*) and business performance of the motorbike component SMEs of the main city zones in Chongqing.

H_5: There is a significantly positive relationship between personal networking (*guanxi*) and business performance of the motorbike component SMEs of the main city zones in Chongqing.

In testing the Hypothesis 5, the dependent and independent variables are shown in table 6.69.

Table 6.69: The table of variables for Hypothesis 5

Model	Independent variable	Dependent variable
33 to 40	Attitude towards personal networking	a. Compared with the last year, the new product development b. Compared with the last year, the employees' working efficiency c. Compared with the last year, the received customer complaints d. Compared with the last year, the size of customer base e. Compared with the last year, the num. of employee training programmes
	Frequency of personal networking	f. Compared with the last year, the employees' skill and capabilities improvement g. Compared with the last year, the turnover h. Compared with the last year, the profitability

The stepwise regression to be fitted is presented as follows:

● Model 41-48

Each dependent variable in Table 6.69 $= \beta_0 + \beta_1$ attitude towards personal networking $+ \beta_2$ frequency of personal networking $+ \varepsilon$

Table: 6.70: Model Summary for Hypothesis 5

Model		R	R Square	Adjusted R Square	Std. Error of the Estimate
41	1	.541(a)	0.293	0.284	1.291
42	1	.606(a)	0.367	0.359	0.94
43	1	.453(a)	0.205	0.195	1.017
44	1	.366(a)	0.134	0.123	1.059
45	1	.489(a)	0.239	0.229	1.141
46	1	.568(a)	0.323	0.314	1.003
	2	.603(b)	0.363	0.347	0.979
47	1	.631(a)	0.398	0.390	0.762
48	1	.424(a)	0.179	0.169	1.333

Note:

Model		Predictors	Dependent variable
41	1	(Constant), Attitude of Personal networking	The Quantity of New products
42	1	(Constant), Attitude of Personal networking	The Employee's working efficiency
43	1	(Constant), Frequency of Personal networking	The Received Customer Complaints
44	1	(Constant), Frequency of Personal networking	The Size of Customer Base
45	1	(Constant), Attitude of Personal networking	The number of Employee training programs
46	1	(Constant), Frequency of Personal networking	The employee skill and capability improvement
	2	(Constant), Frequency of Personal networking, Attitude of Personal networking	
47	1	(Constant), Frequency of Personal networking	The turnover
48	1	(Constant), Frequency of Personal networking	The profitability

The results are summarised as follows:

Table 6.70 shows the R-square value, and the adjusted R-square value of each model. For Model 41, the R-square value is about 0.293, and the adjusted R-square value is about 0.284; that implies the independent variables are accounting for 28.4% of the variation regarding the dependent variable. For Model 42, the R-square value is about 0.367, and the adjusted R-square value is about 0.359; that implies the independent variables are accounting for 35.9% of the variation regarding the dependent variable. For Model 43, the R-square value is about 0.205, and the adjusted R-square value is about 0.195; that indicates the independent variables are accounting for 19.5% of the variation regarding the dependent variable. For Model 44, the R-square value is about 0.134, and the adjusted R-square value is about 0.123; that implies the independent variables are accounting for 12.3% of the variation regarding the dependent variable. For Model 45, the R-square value is about 0.239, and the adjusted R-square value is about 0.229; that implies the independent variables are accounting for 22.9% of the variation regarding the dependent variable. For Model 46, the R-square value is about 0.363, and the adjusted R-square value is about 0.347; that implies the independent variables are accounting for 34.7% of the variation regarding the dependent variable. For Model 47, the R-square value is about 0.398, and the adjusted R-square value is about 0.390; that implies the independent variables are accounting for 39% of the variation regarding the dependent variable. For Model 48, the R-square value is about

0.179, and the adjusted R-square value is about 0.169; that implies the independent variables are accounting for 16.9% of the variation regarding the dependent variable. Results presented in this section show that Model 47 is the best model. For Model 47, the frequency of personal networking is an adequate representation of turnover.

Table: 6.71: ANOVA for Hypothesis 5

Model			Sum of Squares	df	Mean Square	F	Sig.
41	1	Regression	53.825	1	53.825	32.301	.000(a)
		Residual	129.975	78	1.666		
		Total	183.8	79			
42	1	Regression	40.003	1	40.003	45.232	.000(a)
		Residual	68.984	78	0.884		
		Total	108.988	79			
43	1	Regression	20.772	1	20.772	20.098	.000(a)
		Residual	80.616	78	1.034		
		Total	101.387	79			
44	1	Regression	13.521	1	13.521	12.055	.001(a)
		Residual	87.479	78	1.122		
		Total	101	79			
45	1	Regression	31.951	1	31.951	24.530	.000(a)
		Residual	101.599	78	1.303		
		Total	133.55	79			
46	1	Regression	37.399	1	37.399	37.208	.000(a)
		Residual	78.401	78	1.005		
		Total	115.8	79			
	1	Regression	42.057	2	21.028	21.957	.000(b)
		Residual	73.743	77	0.958		
		Total	115.8	79			
47	1	Regression	29.89	1	29.89	51.469	.000(a)
		Residual	45.298	78	0.581		
		Total	75.188	79			
48	1	Regression	30.315	1	30.315	17.064	.000(a)
		Residual	138.573	78	1.777		
		Total	168.887	79			

Table 6.71 shows the results of ANOVA tests for each model. The regression ANOVA tests the validity of the regression model, and a p-value of less than 0.05 indicates a significant regression model. It can be seen that the p-values in the table are all less

than 0.05. Hence one can proceed towards the individual regression coefficients summarised in the table 6.72.

Table 6.72: Coefficients for General Hypothesis 5

Model			Unstandardized Coefficients		Standardized Coefficients	t	Sig(p-value)
			B	Std. Error	Beta		
41	1	(Constant)	0.688	0.764		0.901	0.370
		Attitude of Personal networking	0.766	0.135	0.541	5.683	0.000
42	1	(Constant)	1.313	0.556		2.361	0.021
		Attitude of Personal networking	0.661	0.098	0.606	6.725	0.000
43	1	(Constant)	3.075	0.534		5.763	0.000
		Frequency of Personal networking	0.441	0.098	0.453	4.483	0.000
44	1	(Constant)	3.364	0.556		6.052	0.000
		Frequency of Personal networking	0.356	0.102	0.366	3.472	0.001
45	1	(Constant)	1.291	0.675		1.913	0.059
		Attitude of Personal networking	0.59	0.119	0.489	4.953	0.000
46	1	(Constant)	1.814	0.526		3.446	0.001
		Frequency of Personal networking	0.592	0.097	0.568	6.1	0.000
	2	(Constant)	1.119	0.603		1.856	0.067
		Frequency of Personal networking	0.407	0.126	0.391	3.225	0.002
		Attitude of Personal networking	0.301	0.136	0.268	2.205	0.030
47	1	(Constant)	2.884	0.4		7.209	0.000
		Frequency of Personal networking	0.529	0.074	0.631	7.174	0.000
48	1	(Constant)	2.014	0.7		2.878	0.005
		Frequency of Personal networking	0.533	0.129	0.424	4.131	0.000

The t-statistics in the table 6.72 test the following hypothesis when coefficients are all equal to zero i.e.

H_0: $\beta_i = 0$ for i= 0, 1 against H5:   each coefficient is not equal to zero for model 41 to model 48

A p-value less than the chosen significance level of 0.05 that would lead one to reject the H_0; quite clearly the null hypotheses are rejected, implying that the model that was built is clearly an adequate representation of the explanation of the dependent variables. For Model 41, the attitude towards personal networking is an adequate representation of new products development. For Model 42, the attitude towards personal networking is an adequate representation of the employee working efficiency. For Model 43, the frequency of personal networking is an adequate representation of the received customer complaints. For Model 44, the frequency of personal networking is an adequate representation of the size of customer base. For Model 45, the attitude towards personal networking is an adequate representation of the number of employee training programmes. For Model 46, both the attitude towards and frequency of personal networking are the adequate representations of the employee skills and capabilities improvement. For Model 47, the frequency of personal networking is an adequate representation of turnover. For Model 48, the frequency of personal networking is an adequate representation of profitability.

Models 41 to 48 are represented as eight sub-hypotheses that determine whether the Hypothesis 5 should be supported. From Tables 6.69 to 6.72 and interpretations, it is clear that H_0 is rejected for all the above sub-hypotheses, and it is concluded that there is a significantly positive relationship between personal networking (*Guanxi*) and business performance of the motorbike component SMEs of the main city zones in Chongqing. H_5 is therefore supported.

6.5. Reliability analysis

Cronbach's alpha

Cronbach's alpha was used to calculate how valid the results were and whether similar results would be achieved to generalise if the sample size was increased.

Cooper and Schindler (2001: 206) point out that a coefficient alpha of 0.6 or more is recognised as being a satisfactory internal consistency reliability. This implies, if a coefficient alpha is above 0.6, the same results would still be obtained even with a larger sample size. Therefore, the overall value of Cronbach's alpha is indicated as follows:

Table 6.73: Cronbach's Alpha

Cronbach's Alpha	N of Items
.824	152

The information in the above table shows that this is a good alpha value, and it leads one to conclude that one will get the same results if are carried out this survey with a larger sample size.

6.6 Summary pertaining to the research problems, objectives, and hypotheses

In this section, it is intended to summarise the findings that were related to the research problems, objectives, and hypotheses that were proposed in this research. Therefore, the relevant findings are summarised below:

The first problem of this research investigated what the relationship was between networking practices and business performance in the motorbike component SMEs of the main city zones in Chongqing. The following two sub-questions were identified:

- What was the level of networking that was engaged in by the sampled respondents?

- What was the level of business performance that was achieved by the sampled firms?

The primary purpose of Section one of the questionnaire was to tackle the issue of sub-question one of the first research problem. The level of networking was measured from five aspects. The combination of the results indicated that the majority of the

owner-managers considered networking practices to be important for business performance. Hence, it can be concluded that most of the owner-managers actively and extensively engaged in networking practices.

The primary purpose of Section four of the questionnaire was to investigate the issue of sub-question two of the first research problem. The level of business performance was measured from eight aspects. Results from Tables 6.7 to 6.14 showed that the performance of most sampled SMEs exhibited different extents of increase in the eight success factors, compared with the same period of the previous year. Therefore, the conclusion could be drawn as follows: compared with the same period of the previous year, the sampled SMEs exhibit relatively better performances.

The R-value of Table 6.50 indicated the relationship between the combined levels of networking and each success factor. Within the eight R-values, the level of networking indicated the most positive relationship was with the factor of turnover (R=0.597), and the least positive relationship was with the factor of employee skills and capability improvement (R=0.329). The average of the eight R-values would approximately show the relationship between networking and business performance. Therefore, the average R-value of 0.428 indicated a moderately strong relationship between networking practices and business performance. More importantly, the general hypothesis was tested by Models 1 to 8. The information generated from Table 6.51 indicated that the p-value is less than 0.05. Results indicated that there is a significantly positive relationship between networking practices and business performance in the motorbike component SMEs of the main city zones in Chongqing.

The second problem of this research was to investigate which types of networking areas were perceived to be more important to improving business performance in the motorbike component SMEs of the main city zones in Chongqing. The researcher adopted two different approaches to solve this problem.

In order to solve the second research problem, the first step is to identify whether each type of networking has a positive relationship with business performance. Findings from Tables 6.16 and 6.17 indicated that the owner-manager often had an active attitude towards each type of networking at different levels, and they also frequently engaged in each type of networking to different extents. Thereafter, the R-values of Tables 6.54, 58, 62, 66, and 70 indicated the relationship between the level of each type of networking and each success factor. More importantly, the hypotheses 1 to 5 were tested respectively by Models 9 to 16, 18 to 24, 25 to 32, 34 to 40, and 41 to 48. The information generated from Tables 6.55, 59, 63, 67, and 71 indicated that the p-value is less than 0.05. Results indicated that there is a significant positive relationship between each type of networking practice and business performance in the motorbike component SMEs of the main city zones in Chongqing. Findings from these tables indicated that all the R-values were positive. This implies that each type of networking has a significantly positive relationship with business performance.

The purpose of networking is to obtain required resources in order to perform better. In this research, twelve important resources were listed. According to information presented in Tables 6.20 and 6.21, one could rate these important resources from the first most important resource to the twelfth most important resource. Then, Tables 6.22 to 6.33 further revealed information about which types of networking were perceived to be more effective to obtain each of the important resources. A cross tabulation was used to aggregate the above information in Table 6.34. Findings from Table 6.34 indicated that customer, supplier, competitor, supporting, and personal networking were perceived respectively to be the first, second, third, fourth, and fifth most effective type of networking.

In order to confirm the conclusion of the second research problem, the results in Table 6.35 could also be used to check the reliability of the conclusion. The aim in this table was to ascertain how the respondents perceived the contributions of each type of networking. The findings from Table 6.35 indicated that customer, supplier,

competitor, personal, and supporting networking were perceived respectively to be the first, second, third, fourth, and fifth most contributive type of networking.

Regarding the conclusion of the second research problem, it can be found that there was little difference between the first approach and the second approach. However, personal networking (*guanxi*) can be at either a personal level or an organisational level and it can influence the performance of formal networking practices (Chen, 2006: Online, O'Donnell et al., 2001: 754). It may imply that personal networking is very important, but it may not be appropriate to rate it with other types of formal networking. This is because a part of the contributions made by other formal networking could be derived from the contributions made by personal networking. Therefore, it leads one to rate them separately. If this is so, the above two approaches can produce a consistent conclusion for the second research problem. The conclusion regarding the second research problem could be drawn as follows: In terms of the four types of formal networking, customer, supplier, competitor, and supporting networking were perceived respectively to be the first, second, third, and fourth most contributive and effective type of networking. However, the respondents also considered that personal networking was one of the most significant and essential networking practices.

6.7 Summary

Firstly, the sample profile was introduced in terms of the year of establishment and business location.

Secondly, descriptive statistics were extensively used, in order to better reveal the research results. Pertaining to descriptive statistics, the frequency, mean, mode, median, and sum were considered. The findings were summarised and discussed by highlighting the information that is closely related to the research objectives of the research.

Thirdly, correlation and MRA were used for hypothesis testing, in order to test the relationship between variables. The related results were interpreted and discussed.

Lastly, a reliability analysis was carried out, in order to establish whether the results were reliable.

Chapter 7: Recommendations and conclusion

7.1 Aim of the chapter

The following aspects are dealt with in this chapter: summary, recommendations, and limitations, and suggestions for further study. However, the most important aim is to provide some constructive recommendations that are based on the analysis of the findings and the current situation of the motorbike components SMEs of the main city zones in Chongqing.

This chapter begins with a brief summary. Then, a number of suggestions will be made with the aim of educating the owner-managers on how to more effectively and reasonably engage in networking practices, in order to achieve better business performances. Thereafter, the limitations of the study and suggestions for further study respectively will be outlined. Finally, conclusions will be drawn.

7.2 Summary of the Study

The Chongqing motorbike industry is the most important industry that sustains the economy of Chongqing (Liu & Wang, 2004: 24). Past research indicates that the recent recession in the motorbike industry results mainly from the unbalanced development of the motorbike industry and its component industry (Meng & Zhao, 2003: 8). The small and medium manufacturers of motorbike components in Chongqing are the most important elements that support the development of the motorbike industry (Tzswj, 2004: Online). However, the small and medium manufacturers of motorbike components in the main city zones in Chongqing experience unique difficulties and challenges that even lead many of them to leave the market. These difficulties and challenges could be approached from various perspectives. In this study, the hardships have been approached mainly from an entrepreneurial angle. The problem statement was "*What is the relationship between networking practice and business performance and which types of networking practices are perceived to be more important to improving business performance in*

the motorbike component SMEs of the main city zones in Chongqing?"

In Chapters Two and Three, the related literature pertaining to networking and *Guanxi* was reviewed. A literature review of the Chongqing motorbike industry and its component industry was presented in Chapter Four, in order to identify the major difficulties and challenges within both the industries. Thereafter, the research methodology and the research findings were dealt with respectively.

7.3 Summary of the results

The present research has identified that there is a significantly positive relationship between networking practices and business performance in the motorbike component SMEs of the main city zones in Chongqing. It was found that most of the sampled entrepreneurs engaged in networking practices extensively and their businesses obtained better business performance than in the same period in the previous year. Thus, it can be concluded that networking practices can lead to better business performance in this given area. This finding is consistent with the work of Wang and Shi (2006: 154).

It was also found that, although the sampled owner-managers pay attention to developing both the depth and breadth of networks, they have a stronger preference for developing the depth of networks. As Watson (2007: 871) noted, the depth of networks is more effective for organisational survival than the breadth of networks is, whereas the breadth of networks is more effective to organisational growth than the breadth of networks is. This further means that the preference towards networking of the respondents could lead to the sampled SMEs being more successful. However, the respondents pay more attention to organisational survival than organisational growth.

In addition, the general viewpoint of respondents was that successfully developing business networks was difficult. For instance, most respondents perceived that it is difficult to build trust between networking paticipants. However, most respondents

believed that good personal *Guanxi* can bridge the gap between networking participants. Therefore, it can be concluded that good personal *Guanxi* can facilitate the networking process. This finding is consistent with the work of Arias (1998: 146-150).

The present research has also identified that each type of networking has a significantly positive relationship with business performance. It was found that most of the sampled entrepreneurs engaged in almost all types of networking practices. It was also found that the descending order of rating of the attitudes towards and the frequencies of five types of networking was as follows: customer networking, personal networking, supplier networking, competitor networking, and supporting networking. This finding is consistent with the study of O'Donnell (2004:214) and Woo and Prud'homme (1999:319).

It was also found that each type of networking has its own significant function in improving some of the success factors. For instance, customer networking was thought to contribute the most significantly towards new product development, reduction in customer complaints, size of customer base, and higher turnover. This finding is consistent with the work of Wincent (2005:438) who found these different types of networking to be important and to have different roles to play to improve organisational performance. Premaratne (2001:364) also supports the idea that the different types of networks serve different functions.

O'Donnell et al. (1999: 87) suggest that membership in trade associations is very helpful for entrepreneurs to engage in networking with their competitors. There was a general phenomenon that, although most of the respondents recognised the benefits of joining a trade association, they did not do so. Most of the respondents stated that they preferred to contact their competitors informally. This finding is consistent with the study of Copp and Lvy (2001: 351) who found that, although trade associations can offer a variety of business support, SMEs in developing countries would not make use

of them.

The present research has also rated the different types of networking according to their effectiveness and contribution to business performance. Two different approaches were used to solve this problem. After the analysis, the two approaches produced a similar conclusion for this research problem. Therefore, the conclusion regarding this research problem can be drawn as follows: In terms of the four types of formal networking namely, customer, supplier, competitor, and supporting networking they were perceived respectively to be the first, second, third, and fourth, most contributive and effective type of networking. However, the respondents also considered that personal networking was one of the most significant and essential networking practices.

Although the present research rated the different types of networking according to their effectiveness and contribution to business performance, the respondents perceived all types of networking to be important to a certain extent. There was a consensus perception that networking or *Guanxi* is strongly believed in by Chinese people, and networking or *Guanxi* is thought to play an important role in improving performance of businesses.

7.4 Recommendations

According to the findings of the study, there are a number of recommendations that can be made. It can be expected that these recommendations can bring benefits to the motorbike component SMEs of the main city zones in Chongqing. It is suggested that the owner-managers should pay attention to these recommendations that could increase the possibility of good business performance.

7.4.1 Actively maintaining networking practices

Findings from this study have indicated that networking practices have a positive relationship with business performance. Therefore, it is suggested that the

owner-managers should proactively and extensively engage in networking practices. Furthermore, it is also suggested that the owner-managers should consciously pay attention to developing both the depth and breadth of networks. It is because the depth and breadth of inter-firm networks is vital to obtain innovative knowledge (Macpherson et al., 2003: 259)

7.4.2 Knowing the priority of networking practices

Findings from the study have revealed the ranking of five types of networking according to their effectiveness and their contributions. Therefore, it advisable that if the owner-managers do not have sufficient resources to engage in all types of networking practices, they should consider giving priority to certain networking practices. For instance, it would be preferable and commercially sensible to develop customer networking rather than supporting networking. This is because customer networking was thought to be more effective to obtain the vital resources than supporting networking. On the other hand, if the required resources can only be obtained from certain types of networking, the owner-managers should not follow the general ranking of networking. This is because each type of networking has its unique role to play to improve business performance (Wincent, 2005: 438). In addition, it must be kept in mind that the findings have indicated that personal networking plays a very important role in the Chinese business environment. Therefore, it is advisable that the depth and breadth of personal networks should be always maintained at a relatively good level.

7.4.3 Improving overall competitiveness in a collaborative way

Most manufacturers of motorbike components in Chongqing follow a "low-price" strategy to compete with their rivals. Past experience has demonstrated the "low-price" strategy is not a sustainable strategy. It is because the concept of low price often connects with the image of poor value. Although in Chapter Four a number of key problems were outlined from the literature, fundamentally, it can be said that the lack of innovation ability is the most serious problem that hampers the

development of the motorbike component industry. Therefore, innovation abilities need to be improved urgently. In order to achieve this, the SMEs require the enhancement of their value-added capabilities and products differentiation that is based on customer needs. (Hong & Jeong, 2006: 299).

Findings from the present research have indicated the following aspects: firstly, the respondents perceived that resources such as innovation abilities, ability to know customer needs, and operational capabilities are very important resources; secondly, the respondents perceived that, by networking with customers, suppliers, competitors, and other supporting organisations, it is feasible to obtain those important resources. Especially, customer and supplier networking practices are perceived to be very effective in becoming innovative. It can be concluded that the improvement of the ability to innovate may require much support from various sources. Mirta (2000: 228) contends that improving on innovation ability is a complicated dimension that results from the interaction of various aspects. Therefore, the improvement of the ability to innovate could be derived from the collective efforts of various networking participants.

Figure 7.1: The framework for driving innovation ability
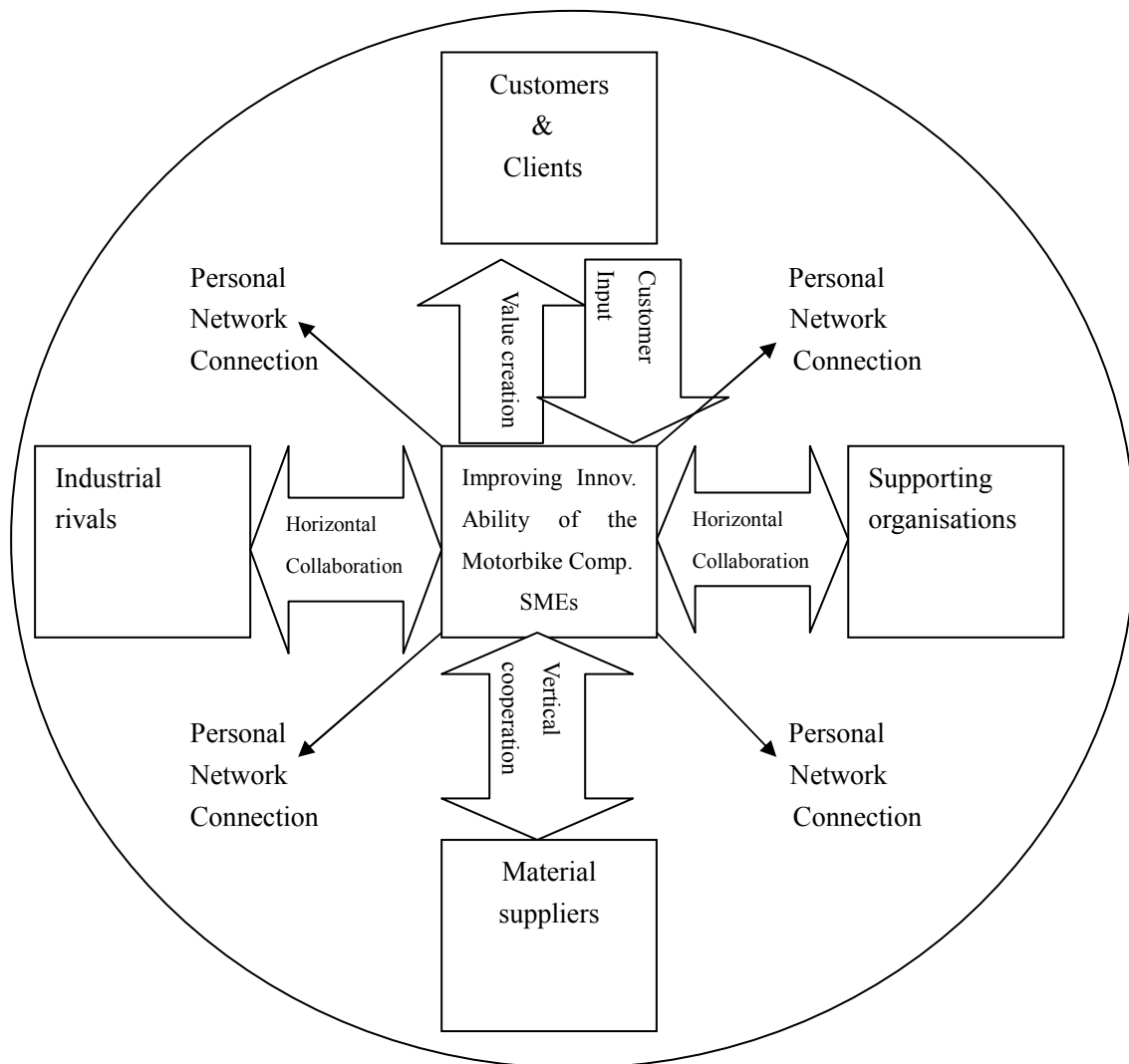
The above figure describes how the networking practices could facilitate and improve the ability of enterprises to innovate. The big circle represents the business environment of the motorbike components SMEs. The SMEs are at the centre of the big circle. All the relevant objects connect with each other within the business environment. The basic logical sequences behind this framework can be described as the following: firstly, in order to innovate, the SMEs should build good customer relationships to clearly understand customer needs and wants. Then, the SMEs disseminate the customer requirements to their suppliers in order to cooperatively meet the customer requirements. Meanwhile, the SMEs should also collaborate with

their competitors and the relevant supporting organisations in order to exchange the required resources and skills. Finally, the SMEs process all of the required resources into the final products. Therefore, it can be realised that all the value-added activities and the innovative processes result from the participation of both vertical and horizontal networks. Furthermore, the SMEs should also keep good *Guanxi* relationships with various networking participants in order to smooth the running of business operations. Arias (1999:146) states that good *Guanxi* relationships are the basis of other formal relationships in China.

7.4.3.1 Improving innovative ability through horizontal networking

Figure 7.1 shows that both industrial rivals and supporting organisations are the two main objects of participants in horizontal networking. Findings from the study have indicated that both industrial rivals and supporting organisations have a potential to attract complementary and supportive resources to the SMEs. Bernal et al. (2002: 250) comment that horizontal networks are often more reciprocal in natural than vertical networks are. It may imply that SMEs in such networks require more "exchangeable activities" than "collaborative activities". Therefore, horizontal networks can often provide various and complementary resources and capabilities that can improve SMEs competitiveness in the market-place. The following recommendations are made:

Firstly, the competing firms should mutually reinforce more cooperative attitudes towards formal collaborative activities. Chen, Wu and Deng (2006: 34) criticize the fact that each motorbike components SME in a cooperative network pays much attention to the distribution of the return, rather than concentrating on the ultimate goal of establishing the network. This requires the owner-managers to develop their mutual trust through personal networking and to focus on a long-term goal, rather than a short-term benefit. Once the owner-managers in competing firms have good *Guanxi*, other collaborative activities will become much easier. It is because mutual trust between rivals can be very important for collaboration between competing firms. Moreover, the trade association can provide such networking opportunities to the

owner-managers. Findings from the present research have also found that trade associations can often provide benefits, such as knowing and making more friends in industry.

Secondly, the SMEs could use a networking benchmarking technique. This technique lays emphasis on "mutual learning", rather than "learning from someone" (Kyro, 2006: 94). This would be feasible and beneficial to the motorbike component SMEs in Chongqing. This is because the SMEs would have the same motivation and aspiration to overcome the stumbling block of weak innovative ability.

Thirdly, the SMEs could form some kinds of strategic alliances to develop formal partnerships with the selected competitors who possess complementary resources and skills. It is believed that the collective power of several firms would be stronger than a single firm (McAdam and Marlow, 2008: 223). Therefore, the SMEs' owner-managers should proactively search for opportunities to develop such partnerships through networking practices.

Fourthly, the SMEs should also strengthen relationships with supporting organisations such as research institutions. For instance, they could sign formal agreements with such institutions to develop new projects. This could give the SMEs access to the latest technologies that would lead to more innovative products and the accumulation of technologies and experiences (McAam & Marlow, 2008: 222). Moreover, the SMEs should build connections with the related government agencies and proactively seek the cooperative opportunities with other industrial members, especially foreign makers of components who have abundant technological advantages. The government agencies should create opportunities for both parties and foster a favourable business environment for both the local SMEs and investors. In addition, the Chinese government should also promulgate a series of laws to protect the interests of joint-enterprises as these interests pertain to their innovative efforts.

7.4.3.2 Improving innovative ability though vertical networking

Figure 7.1 shows that both customers and suppliers are the two objects of participants in vertical networking. Customers and suppliers are both important elements that consist mainly of value chains. Findings from the study have indicated customers and suppliers are both major forces that attract innovative abilities to the SMEs. In contrast to horizontal networks, vertical networks lay emphasis on collaboration and coordination (Bernal et al., 2002: 250). Vertical networks can often cooperatively create value for the ultimate customer (Hong & Leong, 2006: 293). Therefore, the following recommendations are made:

Firstly, it is suggested that the SMEs could introduce the concept of value engineering and value analysis. More importantly, SMEs should be encouraged to invite the suppliers to participate in such programmes, in order to find more creative ways to produce products. This is because each supplier may specialize in a particular process. Thus, the involvement of the suppliers can often produce extraordinary results (Kotler & Armstrong, 2004: 28). Furthermore, any types of benchmarking techniques could also apply to suppliers, in order to encourage and mutually develop good practices.

Secondly, it is also advisable that the SMEs implement Just-In-Time techniques into their supplying system. From a supply chain point of view, implementing a JIT system can make buyers and suppliers build a close relationship. Thus, it can help a firm to eliminate wasted activities and free up capital that can reduce total costs of supply. Such harmonious and collaborative relationships between buyers and sellers are essential for innovative activities.

Thirdly, extensively developing good relationships with selected customers should be undertaken. This is because innovative products cannot succeed in the market without the firm knowing customer needs. Thus, clearly understanding customer needs becomes vital in the innovative process. It requires the SMEs to ascertain customer needs on an on-going basis through either periodically conducting formal market

research or regularly visiting customers. Then, the SMEs would be able to ascertain customer needs and market trends in advance.

Fourth, customer networking could also be seen as an important approach to help firms to position their products. This could be done by effectively using a combination of promotion tools that will always deliver a consistent and clear product positioning and image to target customers (Kotler & Armstrong, 2004: 468). This should be recognised as being a part of value creation activity. It is helpful not only to enhance the value and awareness of the brands, but also to create customer loyalty.

7.4.3.3. Maintaining good *Guanxi* with various networking actors

Although *Guanxi* initially originates from inter-personal relationships, *Guanxi* can be at a personal level or organisational level (Pablos, 2005: 444). O'Donnell et al. (2001: 754) point out that the actors in a personal network and an extended network often overlap. Therefore, they cannot be treated separately. This implies that personal networks could exist in any type of network. The findings have also indicated personal networking shows a significant relationship with business performance. Arias (1999: 146) asserts that the secret of developing and maintaining any type of formal network is to maintain good personal relationships with various networking participants. Arias (1998: 150) also contends that building good *Guanxi* is a prerequisite for establishing organisational networks in China. Therefore, it is advisable to engage in personal networks because this is vital to develop other types of formal networks and also important to obtain resources, even though the function of personal networking may be indirect.

7.4.4 Determining sustainable competitive advantage

Competitive advantage is critically important for the success of firms, no matter what the sizes of firms are (Thompson & Strickland, 2001: 149, and Lynch, 1997:803). Customer networking and competitor networking provide an excellent opportunity to the SMEs to obtain the required information. First, customer networking can help the

SMEs to identify the needs and wants of target customers. Second, competitor networking can help the SMEs to get useful information about their rivals. It can be said that understanding the needs of target customers and knowing the information about one's competitors is the most important component in determining competitive advantage. Therefore, the SMEs should properly utilise these types of networking.

7.3.5 Government actions

Zhang (2004:11) states that there are many firms in both the motorbike industry and its component industries, and most of them have weak competitive edge. Therefore, the Chongqing municipality should take the initiative to reform the Chongqing motorbike industry and its component enterprises through mergers, joint-ventures, and strategic alliances (Chen, Wu & Deng, 2006:36). This could strategically improve the holistic competitive edge of the Chongqing motorbike industry.

7.5 Limitations of the study

The major limitations the researcher experienced during this research process are outlined in the following sections.

7.5.1 Scarcity of literature

The researcher found that the secondary information pertaining to the Chongqing motorbike industry and its component industry was difficult to obtain. Especially hard to obtain was the information about the Chongqing motorbike component SMEs. The researcher devoted much effort to gather the above information. Most of the efforts were not fruitful. Only a few official reports were found in the municipal library when the researcher conducted the field work in Chongqing.

7.5.2 Time and cost constraints

Because of the time constraints, the researcher chose the research population and territory that are relatively familiar to him. Therefore, the field work was able to be completed within three months. Due to the cost constraints associated with travelling

and dining, the researcher confined the research population to within the main city zones of Chongqing. If sufficient time and financial resources had been available, the research population would have been extended to wider areas in Chongqing.

7.5.3 Difficulty in language translation

Many key processes of the research needed language translation either from Chinese to English or from English to Chinese. Firstly, the original questionnaire was developed in English. Thus, there was a need for translating this into Chinese. This was done by the researcher himself and checked by a qualified translator. Secondly, some useful Chinese books, journals, and official documents were quoted. In order to eliminate any linguistic and grammatical mistakes, a professional English editor was consulted.

7.5.4 Difficulty in data collection

The interviewing object is the owner-managers of the motorbike components SMEs. Without their acquaintances' recommendation, the owner-managers are often unwilling to participate in the research. Relatives and friends of the researcher gave much assistance in bridging the gap between the researcher and some sampled entrepreneurs. Without their extraordinary and warmhearted assistance, the field work could not have been completed on time, or could have even been abandoned.

7.5.5 Lack of generalisation

The findings of the present research are unique to small and medium manufacturers of motorbike components situated in the main city zones of Chongqing and may not be applicable to other businesses and areas. Therefore, the findings of the study are applicable only to this particular population that has been specified in the present study.

7.6 Suggestions for further study

In this study, it has been identified that there is a positive relationship between networking practices and business performance of the small and medium enterprises manufacturing motorbike components in the main city zones in Chongqing. This study further demonstrated that the five types of networking practices also show a positive relationship with business performance in the target area. In addition, this research has also ascertained the rate of the different types of networking according to their effectiveness and contribution. However, the results of the study are confined to this particular area and industry only. Hence, the following suggestions for further study are outlined:

First, further research on networking practices could be carried out by covering a wider population within the city, and even more clusters around China. This will either confirm or contradict the findings of this research. Therefore, a more accurate and reliable understanding could be constructed pertaining to how motorbike component SMEs could effectively engage in networking practices.

Second, a similar study could also be carried out by covering more industries within the SMEs sector, for instance, the food, tourism, and hi-tech industries. It would be interesting to compare the extent to which networking practices could contribute to business performance within different industries.

Third, a similar study could be carried out by identifying more networking indicators from various aspects, in order to more accurately measure the level of networking. Alternatively, further research could adopt another approach to determine the level of networking by thoroughly investigating the range and intensity of networks.

Fourth, further research on networking practices could investigate the question: "What is the optimum level of networking that the owner-managers ought to pursue?" Past research indicates that excessively engaging in networking practices may lead to

counter-productive results (Waston, 2007: 864). Therefore, it would be worthwhile to ascertain an optimal level of network networking practices that could produce better outcomes.

7.7 Conclusion

In today's competitive market-place, it is a huge challenge for enterprises to survive and succeed. This is especially true for SMEs. Judgment of enterprises' performance depends on how enterprises can effectively and efficiently transform resources, competences, and capabilities to value-added processes, in order to ultimately satisfy target customers (Kotler et al., 2004: 107, Thompson et al., 2006:95). However, the scarcity of resources, competences, and capabilities is always the stumbling-block that often hampers the development of SMEs (Premaratne, 2001:364). Since the lack of resources has become the common problem of the SMEs, they have learnt to exchange resources in a cooperative way in order to perform better. This activity is called networking. The notion of networking is similar to the 17th stratagem of the 36 Chinese stratagems, that says "toss out a brick to attract a piece of jade" (*Pao Zhuan Yi Yu*). It implies that a networking participant must "trade something of minor value for something of major value" (Fang, 2006: 53).

The small and medium manufacturers of motorbike components are experiencing huge challenges and pressure from the competitive- and macro-environment. The weak innovative ability of the SMEs not only has hampered the industry's development, but also has affected the development and holistic competitiveness of the Chongqing motorbike industry (Zhang & Xu, 2007: 150). Because of the close relationship between the two industries, a vicious circle starts to operate. Chen et al. (2006:34) point out that the most serious challenge for the Chongqing motorbike component industry is to improve innovative abilities that imply better product designs, managerial and production skills, and quality of products. Findings from this research have identified that the motorbike component SMEs of the main city zones in Chongqing have the potential to gain innovative abilities by engaging in

networking practices.

The focus of this research was to ascertain whether networking practices could contribute to the business performance of the motorbike component SMEs of the main city zones in Chongqing. This study has also ranked the types of networking practices in terms of their effectiveness and contributions. This implies that the SMEs could obtain the required resources by engaging in the relevant types of networking. This research has constructed a clear picture of how the SMEs could obtain needful resources through networking practices in a cost-effective manner.

It can be expected that the SMEs could gradually improve their business performance since the required resources and capabilities would become available. The consequence of the success of the SMEs sector could considerably facilitate the development of the motorbike component industry. The motorbike component industry could be transformed from a volume-based cluster to an innovation-based cluster. This may be a sustainable way for the motorbike component industry to develop in a holistic way that would in turn facilitate the flourishing of the Chongqing motorbike industry in the long-term.

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Appendix A— Informed Consent Form and Questionnaire

Informed Consent Form

I, Yifan Li, am a Master of commerce student of University of Kwazulu-Natal. The purpose of my research is to complete a dissertation for a Master of commerce degree. The aim of this research is to ascertain whether networking practice has a relationship with business performance in the motorbike component SMEs of the main city zones in Chongqing. It will be appreciated if you could kindly furnish me few details which would assist me in compiling my report. All information provided by you will be treated in the strictest of confidence and there would be anonymity. Participants in this research do so voluntarily and are free to withdraw from the interview should they so desire. If you decide to participate in this research, please complete the section below.

I……………………………………………………………………….(full names of participant) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

Signature of Participant   DATE

………………………………………………………………………………………

Researcher's Particulars: Yi-Fan Li   Supervisor: Mr S.S. Soni
9 Sandringham Avenu   School of Management Studies
Scottsville   UKZN - PMBurg
Pietermaritzburg   Golf Road
Tel: 726353382   Tel: 260 5735

Date:……………

Interviewee No:………

Research Topic:

Assessing the Relationship between networking and the business performance of

suppliers to the motorbike industry in the main city zones of Chongqing

with a special emphasis on *Guanxi*

Name of company

Year established

Business location

Dear: sir/madam

My name is Yifan Li, a master of commerce student at the University of KwaZulu-Natal, Pietermaritzburg campus. The aim of this research is to ascertain whether networking practice has a relationship with business performance in the motorbike component SMEs of the main city zones in Chongqing. I would greatly appreciate your assistance in completing the questionnaire. Your business's name will remain anonymous and will not be disclosed in this research. The information provided by you will be confidentially kept and will not be distributed to any third party. Moreover, participants in this research do so voluntarily and are free to withdraw from the interview should they so desire. Thanks for your time.

Section One: Information about the levels of networking

1. What percentage of your operating costs are made up of networking expenses?

   A. Less than 0.99%.   B. 1-2.99%.   C. 3-4.99%   D. 5-6.99%.

   E. More than 7%

2. Approximately, how many contacts do you have in your personal telephone book?

    A. Less than 99.   B. 100-199   C. 200-299

    D. 300-399   E. More than 400

3. please indicate with a tick （✓） below, the most appropriate indicators of networking levels in your business:

Factors	Indicators of networking levels							
		7	6	5	4	3	2	1	
Engaging in networking is important for your business performance	Agree								Disagree
Attitude towards networking	Active								Inactive
Frequency of appointments (ie. dinners, visits) with any networking actors	Frequent								Infrequent
Prefer to develop the depth (quality) of networks with networking actors	Agree								Disagree
Prefer to develop the width (quantity) of networks with networking actors	Agree								Disagree

4.1. What are the major difficulties when you engage in networking?

…………………………………………………………………………………………

    ………………………………………………………………………………….

4.2. What kinds of methods do you use to overcome the hardship?

…………………………………………………………………………………………

………………………………………………………………………………………….

Section Two: Information about resources

5. Resources are vital to your company to perform.

    A. Strongly disagree   B. Disagree   C. Neutral   D. Agree   E. Strongly agree

6. Please tick（✓）what kinds of major resources are vital to your business performance? (You may tick **more than one**).

A. Financial support		B. Operational capability		C. Knowing customer needs	
D. Professional advices		E. Supplier cooperation		F. Competitor cooperation	
G. Government support		H. Innovation ability		I. Business information	
J. Moral support		K. Customer loyalty		L. Bridge for new contacts	

If you have any comments, please name them:

……………………………………………………………………………………………

7. Please rank the vital resources that you have chosen in the previous question according to the following scale: (ie. A = 5)

Most Important =5.   Second Most Important = 4.   Third Most Important = 3

Fourth Most Important=2   Fifth Most Important=1

……………………………………………………………………………………………

8. Engaging in networking is helpful to obtain these vital resources that you have chosen in question 6.

A. Strongly disagree   B. Disagree   C. Neutral   D. Agree   E. Strongly agree

Section Three: Information about different types of networks

9. Please tick which types of networking you engage in.

Types networking	Yes	No
Customer networking (ie. networking with your customers)		
Competitor networking (ie. networking with your competitors)		
Supplier networking (ie. networking with your suppliers)		
Supporting networking (ie. networking with bank managers, professional consultants)		
Personal /guanxi networking (ie. networking with your family members, friends)		

10. Please indicate with a tick（✓）in the table below, the resources that are used by your business for each of the different types of networking used by it.

Resources	Types of networking				
	Customer networking	Competitor networking	Supplier networking	Supporting networking	Personal networking
Financial support					
Operational capability					
Knowing customer needs					
Professional advices					
Supplier cooperation					
Competitor cooperation					
Government support					
Innovation ability					
Business information					
Moral support					
Customer loyalty					
Bridge for new contracts					
Others (please specify)					

11. According to your answer to question 9, please tick（✓）what is your attitude towards different types of networking in the table below?

Types of networking	Attitude towards networking									
		7	6	5	4	3	2	1		
Customer networking →	Positive									Negative
Competitor networking →	Positive									Negative
Supplier networking →	Positive									Negative
Supporting networking →	Positive									Negative
Personal networking →	Positive									Negative

12. According to your answer to question 9, please tick（✓）how frequently you go for appointments (dinner visits) with your different types of networking participants.

Types of networking		Frequency of appointments								
			7	6	5	4	3	2	1	
Customer networking	⇒	Frequent								Infrequent
Competitor networking	⇒	Frequent								Infrequent
Supplier networking	⇒	Frequent								Infrequent
Supporting networking	⇒	Frequent								Infrequent
Personal networking	⇒	Frequent								Infrequent

13. In terms of the investment (financial resources, efforts) of the different types of networking, do you think you have received the intended returns? Please motivate your answer.

…………………………………………………………………………………………

14. Have you joined any trade associations with the purpose of engaging competitor networking for your business?

……………………………………………………………………………………..

If **yes**, have you benefited from doing this?

………………………………………………………………………...............

……………………………………………………………………………………..

15. Please rate the following five types of networking in terms of their contributions to your business according to the following scales?

Very important = 5.   Important = 4.   Neither important nor unimportant = 3

Unimportant= 2   Very unimportant = 1

Customer networking	Competitor networking	Supplier networking	Supporting networking	Personal networking

Please motivate your answer:

……………………………………………………………………………………………………

……………………………………………………………………………………………………

Section Four: Information about business performance

16. Compared with the same period of the last year, please tick the following sub-questions.

Factors		Indicator of business performance								
			7	6	5	4	3	2	1	
The quantity of new products	⟹	Increased								Decreased
The employees' working efficiency	⟹	Improved								Unimproved
The received customer complaints	⟹	Decreased								Increased
The size of customer base	⟹	Increased								Decreased
The number of employee training and development programs	⟹	Increased								Decreased
Improvement in employee skill and capability	⟹	Increased								Decreased
The turnover	⟹	Increased								Decreased
The profitability	⟹	Increased								Decreased

Others (please specify):

……………………………………………………………………………………………………

……………………………………………………………………………………………………

17. Do you think that networking has played an important role in the performance of your business?   Please motivate your answer.

…………………………………………………………………………………………

…………………………………………………………………………………………

18. Please indicate with a tick（✓）for each of the types of networking practices in the table below, the areas that such practices contributed to most significantly.

Success factors	Types of networking				
	Customer networking	Competitor networking	Supplier networking	Supporting networking	Personal networking
More new products					
Better employees working efficiency					
Less customer complaints					
More customer base					
More employee trainings and development programs					
Better employee skill and capability					
Higher in turnover					
Higher in profitability					
Others (please specify)					

Thanks for your participation!

Appendix B—Informed consent form and Questionnaire: Chinese version

问卷参与意向表

我叫李懿帆，是南非夸瓦祖鲁纳塔尔大学商学彼得马里兹堡校区商学院的在读硕士生。此课题的目的是为了探知重庆市主城区摩托车工业中配件企业的企业家的网络是否与其商业业绩有联系。对于您的参与和帮助，我深表感谢。对于贵公司商号会以匿名的方式保存，并不会以真实的商号在这篇调查中出现。对您提供的所有资料亦将会严密地保存，而且绝对不会向任何第三方透露。此外，作为被访问的您，可根据您自己的意愿，在任何时候参加或终止完成这张问卷。如果您决定参与这篇调查，请完成以下部分。

我...（参与者的全名）据此确定，我了解这份文件的内容和这篇课题的性质，所以我同意参加这个课题研究。

我了解我可根据自己的意愿，在任何时候终止完成这张问卷。

参与者的签名   日期

....

备注：

参与者在决定参加这次课题研究前，需给予参与者足够的时间阅读此问卷相关的内容

调查者：李懿帆   导师： 索尼

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日期：……………………

被访者编号：……………

<div align="center">研究题目</div>

<div align="center">对重庆市主城区摩托车工业中配件企业的企业家的网络关系与其企业业绩的关系——特别强调中国的"关系"</div>

企业名称：………………………………………………………..

建立年份：………………………………………………………..

厂址：………………………………………………………..

尊敬的先生/女士：

我叫李懿帆，是南非夸瓦祖鲁纳塔尔大学商学彼得马里兹堡校区的商学在读硕士生。此课题的目的是为了探知重庆市主城区摩托车工业中配件企业的企业家的网络是否与其商业上业绩有着联系。对于您的参与，我深表感谢。对于贵公司商号会以匿名的方式保存，并不会以真实的商号在这篇调查中出现。对您提供的所有资料亦将会严密地保存，而且绝对不会向任何第三方透露。 此外，作为被访问的您，可根据您自己的意愿，在任何时候参加或终止完成这张问卷。 再次感谢您宝贵的时间。

第一部分： 建立关系的程度

1. 从下列项选出，您建立和维系关系的费用大约占贵公司生产费用的百分比是多少？

A. 少于 0.99%　　B. 1 - 2.99%　　C.3 - 4.99%　　D.5 - 6.99%　　E. 大于 7%

2. 大约地说，您有多少联系人在你的个人电话本里？

A. 少于 99　　B. 100 - 199　　C.200 - 299　　D.300 - 399　　E. 大于 400

3. 请用对号（✓）选出下列指标中最能描述您建立和维系关系的选响：

因素	关系程度的显示								
		7	6	5	4	3	2	1	
拥有网络关系对商业的成功和生存是重要的。	同意								不同意
您对建立和维系关系的态度	积极的								怠惰的
和关系户活动（如用餐，送礼）的频率	频繁								不频繁
偏向和关系户着重建立关系的深度（质量）	同意								不同意
偏向和关系户着重建立关系的广度（数量）	同意								不同意

4.1 在您建立和维系关系的体验中， 最大的困难是那些？

……

……..

4.2 那么您通常会用什么方法去克服这些障碍？

……

……

第二部分：关于企业资源的信息

5. 企业资源对您公司的运营是至关重要的。

A. 非常地不赞同　　B. 不赞同　　　C. 中立　　D.赞同　　E. 非常地赞同

6. 请用对号（✓）选出那些主要的资源对贵公司的生存和成功是至关重要的？（可多选）

A. 资金援助		B. 企业运做能力		C. 理解顾客的需求
D. 专业人士或机构的建议		E. 供应商的协作		F. 竞争对手的协作
G. 政府的扶持		H. 创新能力		I. 商业讯息
J. 精神上的支持		K. 客户的忠诚度		L. 建立新关系的桥梁

如果您还有其它的见解，请列举出来：

……..

7. 请在前一题中你已经选出的答案中排列这些重要资源的重要性,根据以下的等级:(如 A=

  1)

  非常重要 = 5.   第二重要 = 4.   第三重要 = 3.   第四重要 = 2.   第五重要 = 1

  ………………………………………………………………………………………………………

8. 建立和维系关系有助于获取那些在题 6 中已选的重要资源。

A. 非常地不赞同   B. 不赞同   C. 中立   D.赞同   E. 非常地赞同

第三部分: 关于不同类型的网络关系的资料

9. 请勾出(✓) 您从事于下列那些网络关系的种类。

网络关系的种类	有	没有
客户网络关系 (如:建立与客户间的关系)		
竞争者网络关系 (如:建立与竞争者间的关系)		
供应商网络关系 (建立与供应商间的关系)		
相关支持型网络关系 (如:建立与银行经理,律师,专业顾问间的关系)		
私人关系 (如:建立与亲人和朋友间的关系)		

10. 请用对号在以下图表处勾出（√）下列哪些类型的网络关系可以从中获得您认为重要的资源。

资源种类	关系网络的类型				
	客户关系网络	竞争者关系网络	供应商关系网络	相关支持关系网络	私人关系网络
财政援助					
企业运做能力					
理解顾客的需求					
专业人士或机构的建议					
供应商的协作					
竞争对手的协作					
政府的扶持					
创新能力					
商业讯息					
精神上的支持					
客户的忠诚度					
建立新关系的桥梁					
其它 (请说明)					

11. 根据您在第 9 题所选的答案， 请用对号 （√）勾出您对建立和维系这些关系网络的态度？

关系网络的类型		对建立和维系关系的态度								
			7	6	5	4	3	2	1	
客户关系网络	⇒	积极的								消极的
竞争者关系网络	⇒	积极的								消极的
供应商关系网络	⇒	积极的								消极的
相关支持关系网络	⇒	积极的								消极的
私人关系网络	⇒	积极的								消极的

12. 根据您在第 9 题中所选的答案中，请用对号（✓）勾出您对您现在建立和维系的这几种
类型的关系网络的频率 （如： 参加聚会或赠送礼品）

关系网络的类型	交际的频率									
		7	6	5	4	3	2	1		
客户关系网络	⇒	频繁								不频繁
竞争者关系网络	⇒	频繁								不频繁
供应商关系网络	⇒	频繁								不频繁
相关支持关系网络	⇒	频繁								不频繁
私人关系网络	⇒	频繁								不频繁

13. 对于您现在已建立和维系的这几种网络关系中，您认为您对这些网络关系的投资（时间，
人力和财力的综合投资）是否已经取得了您所期望的回报。请纤细说明：

……

………………………………………………………………………………………………………

14. 您是否抱有能更好的与您公司的竞争对手建立和保持良好的网络关系而加入相关的同
业协会？

……

如果有， 您是否受益于此？

……

………………………………………………………………………………………………………

15. 根据下列的等级标准，请评估下列五种类型的网络关系根据它们对公司业绩的贡献。

非常重要 = 5　　　重要 = 4　　　中立 = 3　　　不重要 = 2　　　非常不重要 = 1
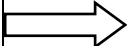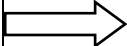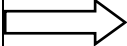
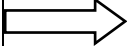| 客户关系网络	竞争者关系网络	供应商关系网络	相关支持关系网络	私人关系网络
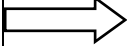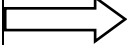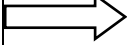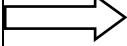
请简述您做此选择的原因：

……

　　………

第四部分：　关于商业业绩的资料

16. 与去年同期相比较，请用对号（✓）选出以下的问题。

因素		商业业绩的衡量标准							
		7	6	5	4	3	2	1	
新产品的数量	⇒	增加的							减少的
职员的工作效率	⇒	有提高的							有退步的
客户的抱怨	⇒	减少的							增加的
客户的数量	⇒	增加的							减少的
职员培训和发展项目的数量	⇒	增加的							减少的
员工从业技巧和能力的提高	⇒	增加的							减少的
销售额	⇒	增加的							减少的
利润率	⇒	增加的							减少的

如有其它的因素（请详解）：

……

……

17. 您认为网络关系是否对企业的成功扮演了一个重要的角色？ 请对您的回答作出解释。

……

……

18. 请用对号（√）选出下列每一类型的网络关系能够获取下列那些成功的因素。

成功因素	关系网络的类型				
	客户关系网络	竞争者关系网络	供应商关系网络	相关支持关系网络	私人关系网络
更多的新产品					
更好的员工工作效率					
更少的客户的抱怨					
更多的客户群体					
更多员工培训和发展的项目					
更好的员工从业技巧和能力					
更高的销售额					
更高的利润率					
其它 (请列出)					

再次感谢您的合作！