MARKET RESEARCH IN CHINA: THE IMPACT OF GUANXI ON B2B RESEARCH

by

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ABSTRACT

The practice of market research in China faces both challenges experienced in other developing markets and socio-cultural constraints unique to China. This paper provides an overview of the development and growth of the market research industry in China with a focus specifically on recent growth of B2B (business-to-business) research. Interviews with research professionals show that B2B research, is impacted by an inherent aversion among Chinese to share information outside of trusted networks. Interviews confirm that guanxi, an intricate Chinese personal network system, assists the B2B research process, specifically in recruiting high level experts and business professionals for primary research purposes. Further use of guanxi can positively impact data reliability. A brief review of the study of social capital and guanxi is also provided to show how guanxi is developed and applied to business transactions in China, including those of the market research industry.

Keywords:

Market research, business-to-business research, China, guanxi, business networks.
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# TABLE OF CONTENTS

Approval .......................................................................................................................... ii
Abstract ........................................................................................................................... iii
Acknowledgements ......................................................................................................... iv
Table of Contents ............................................................................................................ v
List of Figures .................................................................................................................. vii

1.0 Introduction ............................................................................................................... 1

2.0 The Market Research Industry in China ................................................................. 7
  2.1 Origins of Market Research in China ..................................................................... 9
  2.2 Growth Rates ....................................................................................................... 11
  2.3 Research Firms .................................................................................................... 16

3.0 Regulatory Constraints ............................................................................................ 18

4.0 The Research Process in China: Key Challenges ................................................... 21
  4.1 Sampling .............................................................................................................. 22
  4.2 A Developing Infrastructure ................................................................................ 24
  4.3 Interview Methodologies .................................................................................... 25
  4.4 Quality Control ................................................................................................... 27
  4.5 Information Sharing in China ............................................................................. 28
  4.6 Challenges Specific to B2B Research .................................................................. 29

5.0 Recruiting for Market Research: Specific Challenges for B2B Research in China .... 31
  5.1 Recruiting B2B Market Research Participants in China ....................................... 33

6.0 Guanxi: China’s Social Capital ............................................................................... 36
  6.1 Social Capital ...................................................................................................... 36
  6.2 The Origins of Guanxi ....................................................................................... 39
  6.3 Establishing Guanxi ............................................................................................ 41
  6.4 How Guanxi Differs from Western Networks ....................................................... 42
  6.5 Guanxi and Business in China ............................................................................ 43

7.0 Applying Guanxi to B2B Research Recruiting in China ........................................ 46

8.0 Concluding Remarks .............................................................................................. 55

Appendices ..................................................................................................................... 57
  Appendix A: Research Methodology ......................................................................... 57
  Appendix B: Interview Guide ..................................................................................... 59
LIST OF FIGURES

Figure 1: Market Research Value 1999 - 2004.........................................................8

Figure 2: Forecast for Market Research Value in China 2004 - 2008...........12

Figure 3: Segmentation of Market Research Conducted in China in 2003..13

Figure 4: Growth Projection for B2B Research.......................................................14

Figure 5: The Recruiting Process................................................................. 32
1.0 INTRODUCTION

In 1978, when China reopened its doors to the rest of the world it revealed one billion potential consumers to the global economy. Western consumer goods manufacturers who had long coveted this market could finally realize the opportunity to enter the most populous economy in the world. Today, interest in the Chinese market continues to strengthen with real GDP growth rates averaging ten percent annually over the past decade, reaching a high of eleven and a half percent in 2007. (China Statistical Yearbook 2008) China’s phenomenal and unprecedented economic transformation from a centrally planned economy to a highly competitive market economy has significant implications for marketing in China. For companies doing business in China today, market research* can be the key to avoiding costly investment mistakes and lost opportunities.

Market research has significantly contributed to market expansion and the economic development of China during the past two decades. It has assisted both Western and domestic organizations in determining areas of competitive advantage, understanding consumer and customer preference and ultimately gaining market share.

China continues to attract multinational companies (MNCs), introducing wide selections of branded consumer goods from carbonated drinks to shampoo to cars and simultaneously encouraging a surge in domestic consumer product
manufacturers. As the Chinese economy and market activity mature, businesses operating in China have an increasing need for more sophisticated business tools and services. More and more Western organizations are entering the market to meet this need. Competition for both consumers and businesses continues to reach new heights every year in China. To keep up with this competition companies require market intelligence including an understanding of opinions, perceptions and preferences and how they can impact business. As a result, primary business-to-business (B2B) market research is experiencing rapid growth.

Socio-cultural factors influence how market research, including B2B research, is conducted in different countries. These factors include the tendency of people to participate, the propensity to share information and the willingness, or unwillingness, to share opinions. The practice of market research in China is certainly impacted by these factors especially the, originally Communist, tendency to ‘guard’ information about its economy and citizens. This inherent suspicion with regards to sharing information is rooted in Chinese culture and further reinforced during years of fear with the Cultural Revolution. Information-sharing is highly closed in China and greatly impacts market research.

This paper provides an overview of the development and growth of the market research industry in China with a focus on B2B research. Its purpose is to explore the role that B2B research plays in China today and identify key challenges based on socio-cultural factors that B2B market researchers face when applying this Western-rooted business practice in Chinese society. Primary research
conducted for this paper demonstrates that 

Guanxi, Chinese personal network system, can also assist B2B market researchers to recruit industry experts and businesspeople required for participation and also impact the reliability of data gathered.

Guanxi is a Chinese term generally translated as “networks” or “connections.” It refers to one’s network of personal connections or contacts that s/he can employ to get something done. Guanxi is composed of the Chinese characters for guan (gate) and xi (connection). The idea being that one must pass through a gate in order to become connected to the network. (Wang 2007:81) The concept of guanxi is most simply defined as an interdependent personal relationship or connection between two people which is characterized by favour and trust. In a guanxi relationship each of the individuals involved can prevail upon the other to provide or request a favour or service. In his recent book, Guanxi and Business, Yadong Luo (2007) provides a clear definition of guanxi as it relates to Chinese business.

[Guanxi] refers to the concept of drawing on connections in order to secure favours in personal relations. It forms an intricate, pervasive relational network which the Chinese cultivate energetically, subtly, and imaginatively. It contains implicit mutual obligations, assurances and understanding, and governs Chinese attitudes toward long-term social and business relationships. Broadly, guanxi means interpersonal linkages with the implications of continued exchange of favours. Guanxi is therefore more than a friendship or simple interpersonal relationship: it includes reciprocal obligations to respond to requests for assistance. Unlike
inter-firm networking in the West, however, this reciprocity is implicit, without time specifications, not necessarily equivalent, and only socially binding. (2007:2)

While social networks exist in any country or culture guanxi plays an even more critical role in business practice in China as it fills a lack of existing legal contract structure and open information systems. Guanxi influences insider business practices in China and can be effective in reaching business goals, particularly when business infrastructures are not as functional as they may be in the developed world. (Wilson 2008:26)

Guanxi plays a role in B2B market research as those conducting it can employ their networks to recruit individuals for research projects and also source secondary market or industry information from connections they may have within local government offices, government ministries or industry associations. Using guanxi can also impact the reliability of the data that is collected.

Interviews were conducted with twenty-five market research professionals to accomplish this study. Participants were required to have significant knowledge in the B2B research industry in China and responsibility for conducting or commissioning research or work on behalf of the industry. Findings from the research assisted the author of this paper to gather deeper insights about the process of B2B research in China, fill gaps in data on the industry and confirm existing literature, confirm that recruiting is one of the largest challenges of conducting B2B research in China, and identify that guanxi can and does impact B2B market research in China.
This paper also provides an overview of the elements and origins of *guanxi* to better understand how it is developed and define the role that it plays in Chinese society at large. A brief look at the study of social capital also helps to demonstrate the value of networks in society, how *guanxi* differs from Western networks and how it impacts business, in this case market research, in China.

While findings from the research conducted are qualitative in nature and not statistically representative of the Chinese market research industry, qualitative in-depth interviews enabled the author to probe for more in-depth insights with individuals representing different companies with varying industry specializations, locations and depth of experience in recruiting in China for B2B research. Further, given the newness of the practice of B2B market research in China, the number of market research professionals with a deep understanding and experience in this area remains limited.

Definitions: The Market Research Society of the United Kingdom (MRS) provides the following definitions for market research and business-to-business research in the MRS Business-to-business Research Guidelines of 2006 (www.mrs.org.uk)

* **Market research** – Research is the collection and analysis of data from a sample or consensus of individuals or organisations relating to their characteristics, behaviour, attitudes, opinions or possessions. It includes all forms of opinion and social research such as consumer and industrial surveys,
psychological investigations, qualitative interviews and group discussions, observational, ethnographic, and panel studies.

**Business-to-business research** is defined as research that seeks to examine the behaviour of companies, business or corporate structures through interviewing one or more individuals within organisations. It can involve the use of all established research technologies and methodologies but amongst respondents recruited by virtue of their role in an organisation rather than their status or category as an actual or potential consumer.
2.0 THE MARKET RESEARCH INDUSTRY IN CHINA

Despite China’s rise out of poverty since opening its doors in 1979, by 1990 little had been established in the way of an indigenous market research industry to “underpin the transition to a market economy.” (Parnell 2002: 84) It was not until the 1990’s that China developed a true marketing direction with integrated marketing strategies and profit goals. (Lee, Saklani and Tatterson 2002:12) Then, as competition increased and customer satisfaction became more important for economic success, market research started to become a more standard practice in China. According to Datamonitor reports on the market industry in China published in 2003 and 2004, the total spend on market research in China reached approximately 490 million US dollars in 2004 and, although this is low relative to more established markets like Japan (USD 1.2 billion), double digit growth rates of more than twenty percent indicate boom times for the market research industry in China.

To put the size of China’s market research industry into context, worldwide market research revenues reached over twenty billion USD in 2004. (See Figure 1) Asia accounted for just fourteen percent of those total global billings, while China, Asia’s fastest growing market, made up less than one percent. That said, annual growth rates for the industry in China were averaging thirty percent in the late 1990’s and 2000 to 2004 compared to just over eight percent growth for the global market and just one to two per cent in Japan. (Datamonitor 2004) Datamonitor projections put continued growth for China at twenty percent for 2004 to 2008.
It is estimated that there are at least four to five hundred market research firms operating in China today. For the most part, these are small firms with annual billings between $10,000 and $50,000 that focus on field services and data collection. (Lee, Saklani and Tatterson 2002:12) The industry, still in its infancy stage, has become highly competitive, much like many other industries in China. Research agencies are found in all the major cities in China.

B2B research is still relatively new in China. Interviews with market research professionals indicate that this type of research started to surface formally about ten years ago. Estimates put B2B research at approximately twenty-five percent of overall market research with an expectation that B2B market research will grow at a faster rate than the overall industry. (Harrison 2006:2)
2.1 Origins of Market Research in China

China's open door policy resulted in a surge of foreign capital into the economy. In the early 1980s the only real point of contact for market research was the International Trade Research Institute and its consultant arm, the Centre for Market and Trade Development. Commercial operations with western companies started in Guangzhou with the establishment of the Guangzhou Market Research Company (GMR) in 1988. GMR was developed by the marketing department of the Guangzhou Soft Science Company. Employees of GMR moved on to establish the first privately owned research firm in China in 1990, the South China Marketing Research Company Ltd. (Lee, Saklani and Tatterson 2002:12) Then the Far-East Marketing Research Company was founded in 1992, again by ex-GMR employees. Next the East Marketing Research Co. Ltd, the Guandong General Marketing Research Ltd., and Market Insight. These companies mark the beginning of a burgeoning industry and the development of local market research talent in China. By 2001 the number of firms engaging in and selling market research functions had grown to an estimated five hundred. (Lee, Saklani and Tatterson 2002:12)

The Hong Kong Connection

Before GMR established itself, Hong Kong had been the major conduit to gaining primary research. (Lee and Wong 1996) Hong Kong research firms provided the benefits of understanding the culture and language of China, with experience also of Western business practices and an appreciation for the research needs of their Western international clients doing business in China.
Hong Kong played a significant role in developing market research infrastructure in China and continues to play a role as host to many of the Asian headquarters for international research agencies.

In these early days, research was basic and comprised primarily of studies on investment potential, market entry or the sale of industrial machinery. From these basic studies grew a range of research projects and methodological applications from focus groups to product placement tests, usage and attitude studies, omnibus surveys and media research to feed the demands of Western companies and, more recently, domestic organizations.

None of this success would have happened without Western consumer giants like the Proctor & Gambles (P&G), Krafts and Unilevers of the world who are major purchasers and users of research. (Lee, Saklani and Tatteron 2002: 13) P&G not only provided GMR with a majority of its revenues (more than ninety percent in the early 90’s) but also supported the growth of their business and therefore the market research industry as a whole, with software, hardware and professional training. (Lee, Saklani and Tatteron 2002: 13) P&G’s training represented the bulk of professional training for GMR and the other early firms that were subsequently set-up in China by ex-GMR employees.

It is difficult to pinpoint where the B2B market research industry sprouted. What is clear is that it is being driven by the increasing interest among Western businesses to sell their business products and services to companies based in China and by their need for understanding the views of businesspeople, either as opinion leaders in an industry or as customers or potential customers of their
products and services. According to interviews conducted for the purpose of this paper, the industries driving demand for B2B research in China include information technology, healthcare, energy products, medical devices, professional services, and financial services, petrochemicals, manufacturing machinery, business machines and business software.

Market expansion is also a driving force. As manufacturing markets along the coast develop and mature and become more expensive to operate in, the more basic manufacturing facilities are moving inland. This expansion is leading development in other cities throughout China and creating a need for market research in these new markets as well.

2.2 Growth Rates

Although China is still a small market for formal research relative to the developed world, it is enjoying the world’s most impressive continued annual rates of growth. Growth rates are now starting to cool down, but remain significant with double-digit increases. According to an industry profile developed by Datamonitor in 2004 market research was predicted to grow at an average rate of twenty percent from 2004 through 2008. (See figure 2)
According to Datamonitor, market research in China to date has been primarily focused on research for the manufacturing sector and the media and advertising companies. (See figure 3) Foreign consumer-products giants such as U.S. food and shampoo maker P&G and Anglo-Dutch food and detergent maker, Unilever, are among the biggest advertisers in China. (Leggett 2000: A.2) That said much of the recent growth in advertising and advertising research is coming from an increase in spending on advertising by domestic Chinese brands racing to entrench their own products into the minds of Chinese consumers before foreign competition increases.
According to interviews conducted for this paper, recent revenues continue to grow with the increase in inquiries for market research from domestic companies plus the growth in B2B research. It is difficult to find documented figures for the size of the B2B market research industry in China. Sources like Datamonitor which published comprehensive reports on the industry in 2003 and 2004 do not split out revenues for B2B research from B2C (business-to-consumer.) Matthew Harrison of B2B International, a UK-based research firm specializing in B2B research notes in his white paper, “Market Research in China”, that while B2B research makes up approximately ten percent of the market research billings in more developed markets, it makes up twenty-five percent or more of total billings in China. Further, Harrison estimates per annum growth at twenty-five percent for the next few years. These estimates are consistent with those given by other research professionals interviewed for this
paper. Furthermore, based on Datamonitor projections for the overall industry billings of approximately 800 million US dollars in 2007, B2B billings should have reached approximately 200 million US dollars. And, at a conservative estimate of twenty-five percent annual increase, B2B research will see nearly 400 million US dollars in billings for 2010, which is nearly double the estimated figures for 2007 and will account for thirty-five percent of the overall industry.

**Figure 4: Growth Projection for B2B Research** (Based on projections from Datamonitor 2004 and Harrison 2006)

![Growth Projection for B2B vs. Total Market Research in China (Revenue in Millions)](image)

In response to the increasing demand in this area of market research, agencies are establishing B2B research divisions. Many global research firms like Synovate, TNS and Acorn have set up B2B divisions for China. More agencies focusing solely on this area of research are sprouting up in the main city centres, mainly Shanghai and Beijing, and include B2B International which opened its doors in Shanghai in late 2007, Amber China Industry Insights which has been operating since 2004 and PSYMA, a German B2B research firm. The
All China Market Research Company (ACMR), a subsidiary of the State Statistical Bureau of China, offers access to Chinese regulators and legislators whose opinions are often required for B2B research. (Harrison 2006:4)

ESOMAR, the World Researchers’ Association provides an online directory of their member agencies around the world. This directory lists forty-eight research agencies in China of which forty-one claim to offer B2B capabilities while seventeen say that they specialise in the area.

**Increasing Domestic Demand**

Large Western multinationals continue to provide the market research agencies with their bread and butter work, but as the economy opens further and continues to grow, the rapid expansion in market research is also being fuelled by greater domestic demand (Bowman 2005: 4). Local brands are increasingly aware of the critical role research can play in building awareness, developing products and growing market share. They still do not fully understand the value and application of research and have yet to work market research into their overall annual budgets. However, there is a growing awareness that they too need some expert help in gaining insights into the minds and lifestyles of their consumers and customers if they are to be competitive with other domestic firms and multinational companies. (Bowman 2005:4)

Winning local client business requires relationship building by the research firms as well as the ability to prove their ability to deliver value for money. Generally, this means more handholding through the entire process. Local clients may even require assistance with writing their initial brief for the research
and often need help defining the purpose and objectives for the research they are commissioning. (Bowman 2005:5) Further, there is an apparent inability and lack of experience within most of the local Chinese companies to make good use of market research. One interview respondent from China noted, “More and more Chinese companies are buying research but they don't really understand how it can help them make business decisions. We have to help them apply the research.” Local companies may manage to act on tactical research results like those on which advertisements work and which don't, but they are likely to struggle with more strategic branding or usage and attitude research. That said, it is anticipated that they will develop an ability to apply more sophisticated research data, especially the bigger local companies, many of which are recruiting staff from the multinationals as well as Western university graduates who bring an understanding of the strategic role of research. “Chinese companies are hiring people with MBAs from abroad. They are the ones demanding more market research for business strategy and decision making,” said one research professional based in China.

2.3 Research Firms

Today, some claim the actual number is likely more than 1,000 made up primarily of local fieldwork and data collection agencies and small consultancies. (Harrison 2006:5) Many of the multinational marketing research companies are represented in China in today and include Millward Brown ACSR, The Nielsen Company, Taylor Nelson Sofres (TNS), Ipsos China and Synovate. These large
full-service research firms bring the capital and new techniques needed and stimulate the development of the industry in China.

According to Alicia Kan in her *Hong Kong iMail* article in January 2001, while the multinational firms have clearly helped to develop the market, low set-up costs and high profitability of the industry led to an alarming increase in the establishment of small private market research firms in the late 90's. This rapid growth in the number of firms in China created competition for the multinational agencies and a need to cut fees to compete. Not surprisingly, this increase has had an impact on the quality of research provided. Firms have been set up despite their lack of qualifications, experience and training. Local research agencies tend to argue that their market knowledge and cultural understanding gives them an edge over the large research groups. They can use their relationships and connections (*guanxi*) to decrease the time and ultimately cost for conducting research. Foreign-owned research companies claim that local firms compete on price, usually at the expense of quality and integrity in the research. (Savage 2004:24) One interview participant for this paper believes that "the poorer quality of research being put out by many of the unqualified market research firms will quell overall growth of research companies in the near future; the poor quality of the research supplied by some local agencies leads to further scepticism among domestic Chinese companies about using research." Joint ventures with international research firms and local firms combine strong research skills and experience with local knowledge and *guanxi* bringing the best of both worlds to the future development of the industry.
3.0 REGULATORY CONSTRAINTS

China only allowed foreign companies to collect consumer data starting in 1989. Before that, Beijing considered market research, such as interviewing consumers, a mild form of spying. (Leggett 2000:A.12) Out of a fear that some surveys step into politically sensitive areas (e.g.: confidence in the government and the economy) or could reveal regional weaknesses through multi-provincial studies, the government started implementing regulations to rein in the market research industry. (Leggett 2000:A.12) In August, 1999, the State Statistical Bureau (SSB) started requiring market research firms to submit questionnaires for approval prior to conducting primary research and to share results once the survey was completed. The approval process, much to the dismay of Western clients, held up surveys and delivery of results. However, the exploding growth in market research resulted in an overload of surveys being submitted and the SSB was unable to keep up or continue to enforce these regulations. In October 2001 the SSB changed the rules and announced that research firms conducting market research for foreign companies must, from then on, be officially licensed. They claimed the right to halt any such projects deemed harmful to national security. (Leggett 2000:A.12)

The new rules, still in effect today, require companies conducting research for foreign companies to have a license to operate, and also require these firms to provide the SSB with a detailed list of their research projects every two months. The SSB required that questions used in opinion polls be screened by authorities first. Questions about politics, social issues and sex are still often a
no-go zone. The good news is that these rules and regulations are less
restrictive than those set previously. (Leggett 2000:A.12) Interestingly, it is
believed by some of the market researchers in China interviewed, that
government regulations have legitimized market research in China and led to
better response rates and a greater willingness to participate in market research.

According to a representative from one of the first firms to receive a
license, and who gave an interview for this paper, the SSB has awarded
approximately one hundred licenses. “It was done in four or five waves starting
in 2001 when they awarded twenty firms with licenses. Then they awarded
another twenty to thirty in the second wave and so on until they reached
approximately one hundred I believe.” As a result of license requirements, many
international market research firms have entered into joint ventures with locally
licensed companies in order to have access to their licenses and enable them to
operate in China. It is also presumed that the requirement for licenses has cut
down on the total number of firms operating in China.

The regulatory situation for the market research industry is indicative of
much of the other rhetorical regulations set in China that never seem to be
actively enforced. And, like other regulations, those set by the SSB remain
vague enough to allow for subjective interpretation at any time. (Leggett 2000:
A.12)

It appears that not all research firms are concerned with having a license
to conduct research. According to interviews conducted for this paper, some
research firms with no representation in China actively conduct research there
but from outside of the country via phone and Internet interviewing methods.
These firms have Chinese speaking field staff that can conduct interviews over
the phone and some are building their own Internet panels of respondents
specifically for B2B research purposes.
4.0 THE RESEARCH PROCESS IN CHINA: KEY CHALLENGES

Communist regulation is just one of the researchers’ challenges in China. The sheer size and diversity of China with more than fifty-six dialects and regional sets of customs can be daunting to a researcher attempting to provide data on a national scale. Infrastructure such as telephone and Internet penetration is developing quite slowly and only in the main cities so data collection for most market research studies continue to primarily rely on face-to-face, door-to-door interviewing. This can be time consuming and costly. Quality control can also be a greater challenge without the technological applications used in more developed markets. In addition, research firms struggle to find skilled research staff, especially as demand increases. An inherently low tendency to share information outside of one’s inner circle in China, as has been previously discussed, places further challenges on the research process particularly in finding and recruiting qualified participants and ensuring reliability of data that is shared.
One interview participant based in the US sums up some of the frustrations of conducting market research in China.

“One of the key challenges for major multinational corporations is that you can never get the total China picture. And, tracking research has been difficult in China because of the instability in sample source and methodology and lack of overall capabilities of the people. But that is definitely changing, as these big Western companies that rely on tracking research for metrics are pushing local suppliers to provide those services reliably. I think we'll see a change there.”

4.1 Sampling

For the most part, market researchers confine their research to Chinese urban centres. Consumer surveys trying to project statistical data nationwide generally cover only the major cities. Big business is conducted in the main centres of Guangzhou, Tianjin, Shanghai and Beijing so B2B research in this sector tends to be concentrated in the four centres. However, as wealth and industry spread across China there is an increasing interest to better understand consumption behaviours of people living in the countryside. And, as manufacturing extends into more cities throughout China so does the need to conduct research among the people in those facilities and the businesses serving them.

Despite China's daunting size, every household is required to be registered with its Resident Committee. These records form the foundation for developing probability samples for consumer research. Omnibus studies can organize their samples by Administrative Districts, Administrative Streets and then by Resident Committees. But, while this is ideal for random consumer sampling, finding samples that meet specific requirements such as household
income or purchasing patterns can be next to impossible given the lack of further data on each household. According to interviews conducted with researchers in the West, it is uncertain whether demographic data on individuals are non-existent or simply unavailable to market research firms, especially when the research is being conducted for foreign firms. And, as the validity of market research hinges on interviewers speaking to enough people from the target audience the research buyer is interested in, sampling continues to be a more critical issue in conducting quality research in China than in more developed markets. A market research representative of a Western-based global corporation that relies on B2B market research in many countries including China confirms this,

"China's size is daunting. Market researchers have not even begun to understand what is representative in that market. So, we don't really have answers to questions like 'What provinces do we sample?' or 'Do we care about the rural population?'"

Sampling is further challenged by the difficulty of persuading people to be interviewed in China. People remain sceptical, probably as a result of the newness of the practice in China and their reluctance to share personal data and opinions. This issue becomes even more acute when a research program is faced with tight project timelines and budgets. (Savage 2004:25) Recruiting can be the most time consuming task for market researchers in China. (Lee and Wong 1996) Respondent panels (samples) available for purchase are minimal so international research firms and leading multinational companies are starting to build their own. (Section 5 discusses the practice of recruiting.)
4.2 A Developing Infrastructure

Infrastructure that can greatly facilitate market research remains relatively undeveloped in China. Low telephone and Internet penetration per capita has made it more difficult to replace the face-to-face door-to-door methodology outside of the main urban centres. Yet, as penetration expands so too does the use of telephone interviewing which also facilitates the application of market research technologies like Computer Aided Telephone Interviewing (CATI). CATI enables supervisors to monitor the interviewees and even listen in on telephone interviews, facilitating quality control. Underdeveloped infrastructure means these control measures do not exist in China to nearly the same degree as they do in the West. That said, according to interviews with research professionals, there are signs of improvement in monitoring and quality control.

Internet interviewing is growing with demand from Western clients for online methodologies. However, with Internet penetration at just more than one percent for the country, uptake of this newest methodology is, so far, significantly slower in China than it has been in North America or Europe. According to Chinese research professionals, Internet surveys are still prohibitive and costly. Low Internet penetration means that respondents often have to be recruited to a central location such as an Internet café in order to access the Internet to conduct the online surveys, which means more time and money to get the research done.

An increase in Internet and phone penetration will eventually result in lower costs to conduct research. Researchers believe that Internet surveys will
grow at a faster pace than phone interviewing in part due a cultural aversion to providing personal information over the phone but also as a result of Western demand for research conducted via the Internet. Internet surveys provide the ability to get results faster and also to view them real time. Internet surveying will likely be a strong preference for B2B research as this sort of research generally requires participation by people who have access to the Internet at work. A number of Western research professionals mention significant efforts by their companies to develop their own on-line panels of professionals for B2B research.

4.3 Interview Methodologies

Although infrastructure in China is developing and new methodologies are being explored, face-to-face interviewing continues to be the most frequently used method for conducting primary research in both B2C and B2B research. Despite the effectiveness of this methodology, particularly in developing markets, it has its drawbacks. First, this methodology requires the interviewer to visit the respondents either in their homes or places of work, adding significantly to overall costs with added traveling time and expenses. Secondly, it does not allow for much control or monitoring.

There are conflicting reports about the ability of researchers to get respondents to agree to face-to-face interviews. Some reports say that as long as you have a local partner with good local connections, guanxi, the problems will be minimal, whereas others indicate a general unwillingness of potential...
respondents to cooperate due to suspicion about why research is being conducted and scepticism over the degree of confidentiality.

Most of the primary research conducted for B2B projects is still qualitative and comprised primarily of in-depth interviews conducted at the participant’s place of work. According to interviews conducted for this paper, high-level respondents such as industry experts, business executives and doctors still prefer face-to-face meetings; it shows an element of respect. While not all Western researchers, many China-based firms insist that the only way to effectively conduct B2B in-depth interviews is face-to-face. Another argument in favour of this method is that “if the interview is more than twenty minutes, it is going to be hard to keep the person on the phone. It is much easier to keep their attention longer if you are with them, makes it harder for them to leave.” But, as with B2C research, as people become more familiar with the practice of market research and needs expand to the outlying cities, more interviews are likely to be conducted over the phone and Internet. Many foreign research firms conduct phone interviews from abroad using Chinese speaking interviewers and, although they report having lower response rates in China than elsewhere, they are managing to get the research done.

Mail surveying is rarely used in China. When it is, according to one interview “surveys are often returned incomplete.” As the market research industry is still new in China, it is likely that people often do not know what is being required of them when they receive a self-administered survey. Further, lingering memories of the Cultural Revolution likely has an impact on the general
unwillingness to commit any personal information to paper, even if anonymity is promised.

4.4 Quality Control

The quality of research can certainly be affected by all of these challenges. Stories about sloppy quality control and fraudulent interviewers undermine the integrity of market research in China. (Kahn 2003:B1) Some buyers remain doubtful about the quality of the research and the value it brings. Rigorous quality controls are simply not yet the norm in China and standards have been allowed to slip. (Savage 2004:25) Research buyers need to be aware of the potential for inaccurate data. Careful monitoring of the paper trail associated with traditional face-to-face interviewing is often the only way to ensure the quality of data. This process can be extremely time-consuming for research agencies. Millward Brown, a leading global research firm, employs a team of four at its Asia-Pacific headquarters in Hong Kong that does nothing but check the quality of interviews bought from suppliers. (Savage 2004:25)

The Chinese Marketing Research Association (CMRA) is sufficiently concerned about the possibility of agencies bending the rules on monitoring and quality control in order to stay competitive. (Savage 2004:25) And consideration is being given to setting minimum rates for different research techniques, in conjunction with the Chinese Government, to discourage fraud. Concerns about the reliability of fieldwork will probably disappear as more surveys are carried out using more sophisticated methods such as the phone and Internet. It is much easier to monitor phone interviews and easier still to monitor surveys conducted
with the aid of computers, whether they are on the street, on the telephone or via the web.

Further, the market research industry will continue to take a greater interest in itself. The establishment of the national industry association, The China Market Research Association (CMRA) in April 2001 has historical significance for the development of China's market research industry. Two hundred and forty members joined CMRA on its first day of operation, a sign that China's market information, survey research and consultant industry is maturing and gradually moving towards international standards. (Asiainfo 2001:1) It is anticipated that the industry in China will become more standardized as the association sets more professional regulations for the practice of market research and more joint ventures are formed between multinational and local market research firms.

4.5 Information Sharing in China

One might reasonably assume that advancements in information technology today would ensure access to information. However, studies show, however, that information sharing is associated with cultural factors as well as with the ease of transferring that information. The level of trust between parties can influence how information is shared. This is particularly the case in China where, as mentioned earlier, information is often guarded. Parties within the same *guanxi* network are more likely to share information than those without.

Seung Kyoon Shin, Ishman and Sanders investigated the influence of *guanxi*, collectivism, and Confucian dynamism on information sharing among
both internal and external networks in China. They surveyed one hundred and forty high-level managers, general managers and deputy managers in China. Results showed that all three factors influence information sharing among internal networks but that guanxi had the greatest impact. (Shin, Ishman and Sanders 2007:171) Furthermore, guanxi was shown to be the only statistically meaningful factor operating across group boundaries, having a moderate influence on external information sharing as well. (Shin, Ishman and Sanders 2007:172)

4.6 Challenges Specific to B2B Research

International researchers have questioned the ability to conduct B2B research effectively in China. B2B research generally requires a combination of secondary and primary data collection to answer questions about market size, market demand, distribution channels, the competitive landscape, key market drivers and market restrictions. Secondary research can help researchers to develop a picture of the macro business landscape, highlight opportunities, identify other factors that may require further exploration, and determine what information is required via primary research. Primary research, generally in-depth interviews or surveys conducted with industry experts, can be applied to close any information gaps identified by secondary research as well as provide valuable insights sought by the specific client. While in the more developed markets of the West primary B2B research focuses more on gathering opinions on products and understanding market demand and product development and
marketing strategies, much of primary B2B interviewing in China is still focused on basic market assessments and understanding the competitive landscape.

Industry information has become more available with China’s economic reform, accession to WTO and efforts to create greater transparency. In addition, while secondary information is increasingly available, as confirmed by interviews for this paper, it is often incomplete and inconsistent. Inconsistencies and gaps in the data available can make it extremely difficult for market researchers to provide their clients with a nation-wide picture of their industries. Further, much of the information that is available is based on the production side providing little insight into demand of end-users, distribution or competitive environments. (Yong 2005:221) Interviews with industry experts are often necessary to validate secondary industry data in addition to filling the gaps.

Regardless of the purpose of the primary research interviews, conducting interviews with industry experts requires researchers to identify and recruit the right people. In China, this task faces a lack of existing lists of industry people and companies, not to mention an overarching reluctance to share company information. These issues create significant challenges for recruiters trying to locate and recruit suitable participants for B2B market research in China.
5.0 RECRUITING FOR MARKET RESEARCH: SPECIFIC CHALLENGES FOR B2B RESEARCH IN CHINA

A major challenge for research anywhere, and particularly qualitative research, is finding the right people, people who matter to the research. Recruiting can be the least appreciated task of research and yet the most critical for the outcome of the research. According to some of the market research professionals interviewed for this paper, clients rarely concern themselves with how this part of the research process is accomplished, until it goes wrong. Yet, recruiting is the basis for all research because without the right people, the data will provide the required insights.

As outlined by the Qualitative Research Recruitment Best Practices and Guidelines, a document produced by the Association of Qualitative Research (AQR) in consultation with the Market Research Society (MRS) in the UK, recruitment is, for the most part, a top-down process. (See figure 4 for an illustration of the recruitment process.) The client is the starting point. The client commissions the research and specifies the type of participants to be researched for their opinions, behaviour, perceptions, etc. This request is then filtered down to the research agency where that agency’s field department, or an external supplier, is tasked with finding those participants.
Recruitment in mature markets, such as North America and the UK, is expected to adhere to Data Protection Acts and codes of conduct such as those developed by the Market Research Society (MRS) and ESOMAR, the World Association of Opinion and Marketing Research Professionals (formerly European Society for Opinion and Marketing Research.)

These outline expectations and rules for each of the key participants in the recruiting process: clients, field staff, researchers and recruiters. According to interviews with researchers in China and in the West, such guidelines are not actively enforced. However, they say that the China Market Research Association recommends adherence to guidelines and codes of conduct set out by ESOMAR. Most of the larger market research firms in China are members of ESOMAR and claim to adhere to their code of ethics and conduct.
5.1 Recruiting B2B Market Research Participants in China

The Best Practice Rules and Guidelines for qualitative recruitment, referred to above, state that the client should "have a full understanding of the qualitative research process" which includes specific aspects of recruiting. This is not necessarily the case when Western organizations are looking to have research conducted in China. According to several of the interviews with China-based market researchers, Western clients tend to concern themselves only with end-results; "they have minimal understanding of how the recruiting process in China works."

In more developed markets, researchers are often supplied with or have access to reliable lists of people from which they can recruit participants for the research they are commissioned to conduct. When a client does not provide a list some information may be available through industry associations or references such as Dun and Bradstreet, which publishes the world's largest database of business information. Access to information, expected in OECD countries, is not available in China. Following is a quote from a senior market research professional in the US.

"The hardest thing about doing research in China is that we don't have the same market research infrastructure that we do in the US or the UK. In the G7, you can buy lists easily and use them knowing they are reliable and representative. No such animal exists in China. That is logistically a challenge. I wonder what I'm looking at when I get results—just how representative and stable are they?"
That said, a China-based researcher claimed that good lists are in fact available for purchase in China, although the sources of these lists are often unknown.

“We don’t really know how the providers of some of these lists get their information. So you can buy them but it really depends what lines you want to cross to buy and use these lists.”

Recruiters in the West also have access to more creative and resourceful on-line methods to recruit. They are finding people in special on-line groups or chat rooms or on blogs and can advertise for participants on-line. However, in China, where people are still relatively hesitant about sharing personal information, these methods are not readily available. The Chinese are still sceptical about opening themselves to an interview for B2B research and reluctant to share company information.

Further, it can be difficult to identify who the right people to recruit are. Even in cases where the client provides a list of company names and titles of individuals to be interviewed, it is often difficult to determine what an individual does and whether he/she is, in fact, a good potential respondent. Professional titles, according to China-based market research professionals interviewed, can often be “misleading.” This is particularly the case with identifying the right people to recruit from state-owned companies in China. In China, it is not rare for someone to be promoted to department head simply because of seniority. Researchers interviewed said that this is often the case in state-owned companies and find that company knowledge sits with mid-level personnel. Recruiters anywhere need to be very resourceful, but even more so in China. A good recruiter may be able to get ‘inside’ a company, such as the one just
referred to and get information from an employee about who the best people to talk to about a specific area would be. This requires solid connections to people on the “inside” as well as definite skills in contacting people and building those connections. In China, the best recruiter may be the person with the most contacts or guanxi.

To understand how using guanxi can help market researchers ensure the sharing of information and overcome some of the challenges of recruiting, it is helpful to consider the role of guanxi in Chinese society first. Numerous studies have shown guanxi to be a source of social capital unique to China. It has survived and transformed over time and is considered to be a major facilitator for business transactions in China today. Guanxi enables businesses to operate efficiently in a market void of Western-style property rights and strong legal contract systems. (Lo and Otis 2003: 146; Wilson 2008: 32) Moreover, to understand the role of guanxi in Chinese society today, it is important to understand its unique aspects and origination.
6.0 GUANXI: CHINA'S SOCIAL CAPITAL

Guanxi is China's manifestation of social capital (the value provided through social networks, which can be drawn on for personal or economic gain.) Social capital exists in all cultures and the concept of utilising social capital to one's advantage is not unique to Chinese society or to guanxi. What is special about guanxi, is that it is “ubiquitous and plays a fundamental role in daily Chinese life.” (Luo 2007:2) The important instrumental value of guanxi in China is its embodiment of “reciprocal obligations of the parties involved with respect to the acquisition of resources.” (Tsang 1998:65) Moreover, although guanxi exists at the individual level, as will be discussed further, it is also regularly applied at the organizational level, often to the advantage of business transactions. In a fast growing market hindered by poorly laid out property rights, an underdeveloped market structure and poor political stability, guanxi provides a valuable and effective channel for business practices in China, including market research.

6.1 Social Capital

Social capital is a core concept applied in the fields of business, economics, sociology, organizational behavior and political science. Put simply, social capital refers to resources that an individual commands by virtue of his or her position in a structure of social relationships. Francis Fukuyama argued that social capital is required for the success of a country's economy and that
generating value through institutional or individualized networks and practices of reciprocity and mutuality can be central to business, economic progress and market development. (Fukuyama 1995:90)

Understanding social capital can help to explain how some people and organizations achieve greater success than other people and other organizations. An obvious example is the position someone may gain in work as a result of where he or she was educated, when the social relationships formed at university may matter much more than academic performance. Social capital is ultimately one's accumulation of social relationships through which s/he can access the resources of others.

The Study of Social Capital

In the 1980s the social sciences gave increased attention to the concept of social capital. Pierre Bourdieu, James Coleman and Robert Putnam have made significant contributions to the study of social capital and its economic and societal implications. Despite slight variations in their definitions of the term social capital, these scholars shared an understanding that it refers to the more intangible resources found in social relations and social structure as opposed to the more tangible forms of capital such as financial or money. Further, it is agreed that these resources can be accessed and manipulated for an individual to improve his/her chances of succeeding at a particular task.

James Coleman proposed in his book *The Foundations of Social Theory* (1990) that social capital is determined by the individual's place in the social structure, and that it facilitates certain actions of individuals within the structure.
And, rather than being possessed by individuals, social capital exists in relationships between individuals.

Pierre Bourdieu the acclaimed French sociologist, recognized as the originator of the contemporary use of the term social capital, clarifies in his 1986 work *The Forms of Capital* that there are three distinct forms of capital that the individual has access to: economic, cultural and social. According to Bourdieu, an understanding of the different types of capital can help to reveal the how the contemporary social world is structured and how it functions today.

Bourdieu defined social capital as "the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition." (Bourdieu 1986:249) Social capital, according to Bourdieu, is based not only on social structure, but also social connections. Therefore, an individual's social capital is determined, for the most part, by the size and strength of their social networks. He also emphasized the importance of maintaining and fostering social networks over prolonged periods to assure their accessibility in future times of need.

Robert Putnam suggests a strong link between the concept of social capital in China and *guanxi*. (Setzo 2006:426) His definition of social capital being the “collective value of all ‘social networks’ and the inclinations that arise from these networks to do things for each other,” can be used to explain how *guanxi* works in China. (Setzo 2006:426) Social capital of the West differs from that of China where it is made up of complex interwoven social networks rooted in *guanxi*. (Szeto 2006:426)
Section 6.3 highlights some specific differences between *guanxi* and Western networks. But in order to understand how these differences apply to business transactions in China versus the West, it is important to have a basic understanding of how *guanxi* is formed and the cultural values on which it is based.

### 6.2 The Origins of Guanxi

Academics and business people alike began seriously studying the Chinese cultivation of *guanxi* only after the opening of the market. However, *guanxi* has been embedded in Chinese culture for more than 2000 years. (Luo 1997:45) Chinese culture and *guanxi* are rooted in the tenets of Confucian ideology, which was established in China in the sixth century to create harmony in a chaotic society that lacked a religious base. Confucianism codified personal ties and subsequently defined the place and position of an individual in society. Given its multiple interpretations, it is not possible to fully examine Confucianism in a brief passage. However, understanding its basic theories can provide insight into how it dictates, and constrains, individual behaviour so as to make the practice of *guanxi* possible. (So and Walker 2006:77)

Confucian thought concludes that “people are defined by their relationships,” and that it is “impossible to live outside a network of relationships.” (So and Walker 2006:92) Relationships, which are both pre-determined and voluntary, direct how people act within society.

The teaching of Confucius was based on five human relationships: 1. emperor – subject; 2. father – son; 3. husband – wife; 4. elder brother – younger
brother; and, 5. friend – friend. Confucian thought did not allow for individual freedoms. It was highly meritocratic and provided for a highly rational ethical system. Further, the nature of the duties within each of these relationships was defined, and in the case of that between friends, trustworthiness was at the core.

Confucianism began with familial relationships from which one cannot escape; family piety provides the base of the culture. Confucius recognized the family as an organized productive unit within which people sacrificed for the greater good of the family. So, in a sense, in a world of chaos, the family provided its own legal system. Further, the family was seen as a unit that could be mobilized for the benefits of a larger group, or even society at large.

As people in Chinese culture are defined by their relationships, their worth is determined by the state of those relationships—their strength and depth. This is what makes guanxi work in the context of external transactions. Guanxi leverages a person’s personal network of relationships to enforce a contract, or an agreement between two parties, due to the opportunity cost of not honouring that contract. If one defects from the terms of the contract s/he would destroy, not just the relationship between the parties in the contract, but also those within the relationship network or what is most valuable to that person. (So and Walker 2006:92) Thus it is the influence of the network that enforces the contract, eliminating the need for formal courts. It is the emphasis placed on loyalty, trust and honour that enforces the contract. The result is that the sanction of the law is not required for transactions between businessmen.
The Chinese do not follow any specific rules nor are they necessarily trusting but can, in fact, be quite skeptical. Yet, Chinese culture and Confucian thought promotes “initial expectations of good faith on both sides” even among two people unfamiliar with each other, opening the possibility for development of the relationship and a cultural environment in which guanxi can flourish.

6.3 Establishing Guanxi

The establishment of guanxi depends on the guanxi base or the commonality between two or more people. (Luo 2007:4) Kinship is the most general guanxi base. But guanxi can extend beyond kinship to locality of origin, dialect, workplace, trade associations, social clubs, school and friendship. However, friendship is not considered a “true guanxi base”; some other base of guanxi, such as attending the same school or working at the same company, is generally a prerequisite to friendship. (Luo 2007:4) Guanxi can also be established through an intermediary and developed over time through an ongoing reciprocity of gift giving and/or personal favours as is often done in the name of business development.

The critical dimension of guanxi, whether built on blood relations or social commonality, is the closeness between the individuals concerned. This closeness or emotional commitment is called ganqing. (Tsang 1998:66) People may have guanxi simply by attending the same university, for example, but developing ganqing requires an investment over time in the way of physical gifts and personal favours. Trust and credibility (xinyong) are also critical components and ‘face’ (mianzi), one’s public image, is necessary to develop trust and
credibility. *Guanxi*, in turn, may be developed as a result of one having face in his/her community or network.

The mistake that Western business people often make is to confuse gift giving with bribery, supposed to reflect the existence of rampant corruption in China today. (Tsang 1998:66) While bribery may be effective in achieving one-off business transactions, it will not lead to the development of *guanxi* or *ganqing* nor will it be of any real long term benefit. As a result of this misunderstanding among Westerners, they often become nothing more than what the Chinese term "wine and meat friends" with their Chinese connections. They may develop a social connection but never manage to take it to a deeper level where *ganqing* is developed and can be tapped into for business purposes.

### 6.4 How *Guanxi* Differs from Western Networks

As already mentioned, the application of social capital or networks is not unique to China. Organisations in all countries have a long history of using their networks to enhance competitive advantage. However, while Western networks and *guanxi* share some common features, they differ in some key areas.

In Western cultures relational exchanges in business are driven by rules and legal contracts whereas in guanxi the guiding principles are social norms and morality. (Wang 2007: 82) Overall, *Guanxi* is more personal or social while Western network exchange tends to be more commercial. The depth of obligations and expectations between members of a *guanxi* network are greater than in Western networks. (Luo 1997) *Guanxi* involves the exchange of social obligation (*renqing*) and giving face (*mianzi*.) When individuals meet the
obligations determined by the connection, members of a guanxi network can gain face and status with one connection and subsequently expand their guanxi network.

Secondly, Western networking focuses more on the commitment of the organization to develop the relationship and emphasizes more of the network partner's commitment to their market. Guanxi, however, emphasizes the creation and development of personal relationships. In China, according to Yadong Luo, (1995) firms focus on building relationships first and only if the relationships are successful will good business transactions follow. In contrast, in the West, business transactions are built first and only lead to a relationship if they are successful.

It is these key differences in the Western versus Chinese approach to building networks that can hinder the ability of Westerners to develop networks in China and thus impact their ability to succeed in business in this market. Further, guanxi helps the Chinese to maintain their competitive advantage in China and also to expand business globally through their world wide networks. It is this phenomenon that has Western academics and business people striving to understand how guanxi is formed and applied to business.

6.5 Guanxi and Business in China

Guanxi is increasingly being explored in Western business circles and by academics studying social capital and, more recently, social networks. Many refer to guanxi as enabling corruption. And, while corruption in the form of bribery exists within guanxi networks it should not necessarily be assumed that the one
is connected with the other. While corruption involves bribery, *guanxi* is based on trust and reciprocity. Trust is built through the exchange of gifts, favours, and banquets. (Smart 1993:399) The unique practice of guanxi "lies in the skillful mobilization of moral and cultural imperatives such as obligation and reciprocity in pursuit of both diffuse social ends and calculated instrumental ends." (Yang 1989:35 as cited in Smart 1993:399) This is in contrast to bribery where such "transactions are not embedded in social relationships other than that dictated by the purely economic one at hand." (Yang 1989:47 as cited in Smart 1993:399)

*Guanxi* is often considered a critical key in determining the differences between Western and Chinese business practices. To Western businesspeople, the idea of *guanxi* can be a reminder that trust, understanding, and personal knowledge can be vital components of economic relationships, especially in China. Those with a true understanding of *guanxi* know that it is not something that occurs instantly. Those who do not understand this will likely become frustrated by aspects of doing business in China as they are generally more accustomed to striking deals and moving on.

*Guanxi* is critical for Chinese business relationships and has been so for several hundred years. It is "an intricate and pervasive relational network which the Chinese cultivate energetically, subtly, and imaginatively" over time. (Luo 1997:43) Despite significant changes in China throughout the past century, *guanxi* continues to play an integral role in Chinese society. During the Mao years and the Cultural Revolution, *guanxi* become a pragmatic tool and then facilitated China’s transition to a market economy post 1978. The Chinese have
"turned guanxi into a carefully calculated science. Constructing and maintaining guanxi is a common preoccupation for entrepreneurs, managers, officials and even college students." (Luo 2007:2) Guanxi plays a vital role for private firms in need of scarce materials and information. It can help to "solicit favours from the authorities who have control over scarce resources." (Luo 2007:21) To have guanxi means to have connections to officials and provides connections to those a company may require for approval. Having employees with guanxi with these officials may lead to faster approval of business practices. (Duo 2005:82)

In the case of market research which is challenged by often inadequate and incomplete information, trust-based relationships, or guanxi, is often critical in finding and recruiting the right people and eliciting reliable data and insights required for their clients.
7.0 APPLYING **GUANXI** TO B2B RESEARCH RECRUITING IN CHINA

As indicated earlier, market research in China is in its infancy. It is not surprising to find an industry at this early stage of its development experiencing numerous growth challenges. Findings from the in-depth interviews conducted with twenty-five market research professionals confirm that many of the challenges faced by the industry in China are similar to those experienced in other developing markets. What differs in China are its closed information system and the regular use of *guanxi* to facilitate information sharing and business transactions. The primary research confirms that recruiting for B2B research, which relies on information about people, is one of the greatest challenges faced by researchers in China and that using *guanxi* can help to overcome it. Further, the research shows that information gathered through *guanxi* networks is generally considered more reliable.

Market research, developed in the West less than sixty years ago, continues to be driven by Western business demand that expects use of research processes similar to those that have been developed and used in the West. According to interviews conducted, China has, for the most part, adopted these Western market research practices and methodologies. Infrastructure is being developed better to serve the industry and staff is being trained in the Western market research approach. What is unique to China is its cultural approach to information sharing. While, for example, one might expect industry
lists to be hard to come by in any developing economy, in China the lack of lists and access to personal information is increased due to cultural reluctance to share personal information. The market research industry in China, one in which information for and from business people is critical, often necessitates *guanxi*. Due to the embedded trust in the *guanxi* networks, information passed through them is likely to be more reliable.

The four key findings from this primary research are as follow:

- recruiting is a major challenge for B2B research in China;
- *guanxi* is used to recruit participants;
- information sharing through *guanxi* networks can provide more reliable data; and,
- *guanxi* is often established during the research process of one project and developed over time for potential future research needs.

**Finding 1: Recruiting is a major challenge for B2B research in China.**

Overall, the interviews identified that recruiting participants for B2B research interviews is one of the most difficult and time-consuming tasks in the B2B research process in China. Interviews conducted with market research professionals based outside of China confirmed that this task, although also challenging in some other developing economies, was noticeably more difficult in China.
Quotes from interviews:

“There is often a lot of suspicion about why we are calling people.”

“Sometimes it is easy to get people, if they are curious about the topic.”

“Many (Western companies) no longer trust the Chinese suppliers—the data is often insufficient which is due, in part, to poor recruiting. You have to double check the positions of the respondents.”

“Recruiting is one of the biggest challenges, it is very hard to find the people here. There are not really titles like there are in the West.”

“I can’t say I fully understand how the recruiting process works there (China). But I know that it can take longer to recruit. Interviews in general are longer as well.”

The primary reason for the difficulties faced in recruiting in China is the lack of available information on individuals. Depending on the project and client, researchers may or may not be supplied with lists of companies and/or individuals to interview. When lists are supplied, it is more likely that they will include company names and titles of individuals to be interviewed. According to researchers interviewed for this paper, names of individuals are rarely supplied and titles given by Western clients often differ from Chinese titles and require interpretation and translation. Further, lists supplied by clients often do not include all the companies that could be included in the industry of research.

“Sometimes the client gives us the list. But in China we don’t really have CIOs, so it is hard for us to know who to try to interview.”
“Sometimes we just get the names of the companies, but it is not really showing all the companies there are here.

One example provided involved a case where a director of procurement for a state-owned manufacturing facility was unable to offer any information about what quantities of raw materials were being procured for the manufacturing facility. This particular participant indicated that he had little knowledge of the area as he had been promoted from another area of the company, simply because the company needed to promote him due to his level of seniority. The researchers had to then recruit one of the mid-level managers and re-conduct the interview in order to get any valuable data.

“We might get an interview with the Director of a department but then find out that they really don’t have the information we are trying to get. They might tell us that their assistant is one with the company knowledge. Then we are faced with having to do more interviews. This is especially the case in the big state-owned companies.”

When the client does not supply lists, the recruiter and researcher can get access to lists provided by the various Chinese government ministries and industry associations. But, these lists are often out of date or limited, however, and cannot be relied on solely for the purposes of recruiting high-level industry experts.

“Yes, there are some lists available but generally they only list the CEO (of the company).”

“Lists are (often) out of date.”
“We have started to use the lists but find out they are not that helpful, they have wrong information.”

“There are people who sell lists, you can get whatever you want, but it really depends on the line you want to cross. You could get a list of private banking clients—depends how you want to get your names and recruit people.”

Finding 2: Guanxi assists the recruiting process in China.

When China-based researchers were probed about how they conduct recruiting it became evident that guanxi plays a key role. When lists of individuals are unavailable, either from the client or industry associations or the research firm’s own database, recruiters need to build custom lists. Researchers and recruiters often work through their personal networks to identify and recruit people. They may go to friends, family and possibly previous participants in other projects with whom they have developed a connection in order to find potential recruits. This process differs from that in Western markets like the UK or the US where recruiting through friends and personal networks is considered unethical and raises concerns about the integrity of the data.

“Yes, when we use our connections, recruiting can be successful.”

“I have no doubt that using networks helps to recruit in China.”

“We needed to find the right person at a state-owned company, through my network I discovered that my high school friend’s aunt worked at that company. My friend contacted his aunt for me and I then met with her to enlist her help.”

“In markets like the UK, ethically it is believed that research should not be conducted with personal contacts or through them. There is concern that it will bias data.”
Applying guanxi can increase response rates thus decreasing the time required to recruit, ultimately lowering research project costs. Some researchers also mentioned that incentives are sometimes not required in the case where there is good guanxi or where the participant feels there is a reciprocal gain (face). The participant may feel honoured to be interviewed or may feel they can gain some knowledge about the project through the interviewer and learn why the topic is of importance to a Western company.

“It is not easy to make (interview) appointments with people. Some just refuse directly. So, when we use our relationships we are more successful.”

“For high level people they prefer face-to-face. But (personal) connections to them are key in getting the interview.”

“Sometimes it is easy to recruit. It depends on the topic. If the participant is interested in the topic it helps.”

“Sometimes when the research is being done by a Western company, people feel special to be interviewed. This helps us to build a relationship with those people—they want to learn about why the foreign company is doing the research. They are curious.”

Non-Chinese conducting B2B research in China also mention using their own social networks to locate good participants for their research, though, this is generally done through other ex-patriates living in China.

“Yes, you need to be well connected, at least it definitely helps. I can use my connections with other foreigners to locate people (to interview) but it is generally other foreigners.”
Finding 3: Information sharing through guanxi networks can result in more reliable data.

While using personal connections to conduct research in Western markets is not openly practiced, it is, as has been shown, an acceptable method for recruiting in China. Further, it is thought among Chinese researchers that information gained through a guanxi network connection can often result in more reliable data. When researchers source data through people within their networks, there is a certain level of trust present and an emphasis on maintaining the relationship. Therefore, if a researcher is introduced to someone, say in a government agency, the importance that the interviewee places on the relationship with the person who introduces them to the researcher or the research firm will dictate the level of trust and, ultimately, the reliability of the data. If one places value on that relationship they will not want to jeopardize it by not giving reliable information. Further, the interviewee will trust that the interviewer will be highly respectful of him/her. This practice of favour exchange will strengthen the guanxi between these two people.

“I trust what (information) I get through people I know.”

“Data (from industry associations) can be wrong or incomplete. If we know someone there or in a government ministry we can sometimes get better information.”

“You really need to know people in the government for the secondary information. Still we often have to do further research to confirm it.”

“When interviews have been arranged through guanxi, it is likely that the information shared will be more reliable.
“Chinese people often don’t know the information. They just say what they think we need. Or they say they don’t know. But if I know someone or we have a connection I think that I get better information.”

“Yes, they (participants) are more honest if you know them somehow (through a network.)”

“I work with a partner in China. They have the connections throughout China; they do it (recruiting) for me. They know the right people. I don’t ask how they find them, but I trust that they get the right people (participants.) I don’t have those connections (based in Hong Kong.)”

Finding 4: Guanxi is often established through the research process for future recruitment needs.

As mentioned above, interviews revealed that existing guanxi within the research agencies is often applied to the recruiting process. Interestingly, interviews further showed that the research process itself is also often used to establish and develop guanxi. China-based research professionals interviewed mentioned expanding their network to include people they interview or those that help them to secure interviews.

“We talk to doctors a lot for the health industry research.” “We have (developed) good relationships with some doctors. They like to do interviews with us.” “They will help us; they introduce us to their colleagues and classmates (to conduct interviews).”

“A lot of our research is in petrochemical industry. We know a lot of people in those companies. We don’t have a big problem getting interviews with them. They trust us and they trust our research.”

“We have people who help us recruit, they don’t work for our company, but they help us when we need help.” “Maybe a classmate, or a brother of someone at our company.” “Yes sometimes we pay them.”
"We work with a partner in China. I conduct the interviews but they find the people." "Yes, they pay them an incentive. But it (bribery) is a concern. I don’t want to know how or what they pay each person. I just know the total amount for all the interviews."

China-based researchers also state that they actively look to establish guanxi with certain individuals who may prove useful in future. One interview participant spoke specifically about the difficulties in finding the right people to speak with inside the state-owned companies.

“If someone helps us to locate the right people to speak to, if they have been helpful, we will take them out for a meal, get to know them better. We can learn something too and maybe have a relationship with this person (for the future).”

“The doctors like to introduce us to their colleagues. Sometimes the incentive is good so they (their colleagues) are happy to have the interview.”

“We have been doing research in these industries for a while so we get to know the people. They can sometimes introduce us to people.”

“Sometimes we turn our respondents into (future) recruiters.”

“It is important to keep a connection with some people we research. We often develop good connections so it important for us.”

Overall, the interviews show how guanxi can be and often is applied to the market research business in China, specifically to recruiting high level participants for interviews. Guanxi applied in this case demonstrates how existing networks can be tapped into for business gain but also how the process can contribute to expanding the guanxi network and the benefits of establishing and nurturing ties with individuals for future favours.
8.0 CONCLUDING REMARKS

China's market research industry may only account for a small portion of global revenues, but it is witnessing the fastest growth rates by country and arguably presents the largest potential worldwide for continued development. In keeping with this growth, the demand for B2B research will continue. B2B market research will expand into new areas of research, supplying more sophisticated models and servicing more clients and industries. Furthermore, while the bulk of market research revenues is likely to continue to come from the large multinationals, growth over the next five years will also be fuelled by Chinese companies conducting more projects.

Researchers will cover more regional markets and infrastructure will improve with technological advancement, phone, and Internet penetration. Chinese will become more accustomed to conducting research. Awareness, understanding and appreciation for the practice and application of market research will increase. Cases of bad research are also likely to diminish simply by attrition as the quality control initiatives of the global chains continue to drive the overall market standards.

The market's mammoth size and the diversity of its peoples and propensity not to share information will continue to present challenges to market researchers. But, just as the industry will mould and adapt to the uniqueness of the Chinese culture, its preferences for being researched and conducting
research, so too will the industry develop to meet these challenges as it matures in a way unique to China. We can safely predict that with greater Internet penetration, information such as lists and company listings will become more accessible. However, it is difficult to determine whether technological advancement and Western exposure will lead to a greater openness to sharing business information.

How *guanxi* will shape into the future is up for debate. *Guanxi* clearly thrives in China’s free market of today. It is integral to the Chinese society and its business offering those with good *guanxi* a competitive advantage on both the individual and organisational levels.

Other aspects beyond *guanxi* are required for business success; the B2B research business is no exception. Service and product expertise, marketing and management skills are required for business to thrive. Nevertheless, it is clear that with *guanxi* many things can be possible. In a society where information sharing requires trust and property rights remain obscure, *guanxi* fills a needed gap.
APPENDICES

Appendix A: Research Methodology

Primary research was conducted via in-depth interviews with market research professionals and industry experts based in China, the US and the UK. Interviews provided critical insights into the perceptions and expectations of users of B2B research in western companies and the market research suppliers conducting research in China. Findings from these interviews provided insights about research needs, challenges of conducting B2B research in China, perceived reasons for these challenges and current and anticipated future solutions to gathering primary data in light of these challenges. Interviews with research suppliers added necessary insights regarding the implications of social networks (guanxi) on the recruitment process for securing interviews with business professionals and industry experts required for conducting B2B market research.

Interviews were conducted with the following groups of industry experts.

- Managing Directors and or Senior Staff Members of market research firms operating in China to provide insights on the overall market for B2B research in China; client needs and objectives for B2B research; desired outcomes; challenges specific to conducting primary B2B research in China; and, the application, if any, of guanxi to recruiting. This group was the most critical to the research results of this paper.
Market Research Directors working at large western companies that require B2B market research for their operations in China to provide insights into their approach to conducting research in China, their level of confidence in the research being supplied and level of satisfaction with the process of conducting primary B2B market research in China.

Market Research Associations and Suppliers of secondary market research reports (e.g.: Datamonitor, EIU, Euromonitor) to provide insight on the availability of market data, its accuracy and any challenges to obtaining data.

Interviews took anywhere from thirty minutes to one hour and were conducted by telephone.

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<thead>
<tr>
<th>Type of respondents</th>
<th>Number of Interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market research association representatives and secondary research suppliers</td>
<td>2 interviews</td>
</tr>
<tr>
<td>Senior market research professionals currently employed at a market research agency in China or Hong Kong that offers B2B market research expertise</td>
<td>13 interviews</td>
</tr>
<tr>
<td>Senior market research professionals with experience conducting research in China and currently employed at a market research agency in the US or the UK</td>
<td>6 interviews</td>
</tr>
<tr>
<td>Market Research Directors (from leading B2B organizations)</td>
<td>4 interviews</td>
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Appendix B: Interview Guide

Guide for Market Research Suppliers in China

Introduce the project and research being conducted

Review Confidentiality Code of Ethics

• What is your role at ______? How long? Your key responsibilities? What type of research do you conduct? Who for? Clients?

• (If full service research firm as for a percentage breakdown of annual projects by B2C and B2B.)

• Have there been any changes in the type of research you conduct in China? Trends? Needs and requests from clients?

• Can you estimate the growth of B2B projects? Would you say that it is growing at the same rate as B2C market research projects? Or is B2B growing at a faster rate?

• Can you describe the process for a typical B2B research project you conduct for a Western company? (PROBE: methodologies applied and how research is fielded). Has this process changed during the past few years? If so, how? Do you anticipate further changes?

• What would you say are the greatest challenges in conducting B2B research in China? Do you anticipate changes/improvements? If so, what/how? Do you face any difficulties in meeting the needs of your clients as a result of research? If so what? (PROBE: Why – lack of infrastructure? Lack of understanding on Western clients’ part? Chinese culture? Secondary Research?)

• Can you describe the process of recruiting? How do you approach this? Are any individuals harder to find than others?

• Do you think the recruiting methodologies used in China differ at all from those used in the West? If so, how?

• How do you handle QC? How does the quality compare to research conducted in the west or any other Asian market? Differences?
If respondent feels quality is lower ask...

- What do you believe needs to change to improve the quality of research? Is it possible? What will need to happen to make this/these change(s)?

- Do you anticipate any changes in research infrastructure in China? If so, what? How? To what degree?

- Do you have any specific concerns about the state of the market research industry in China? If so, what?

- Who would you say are the top three research firms in China? For B2B specifically?

- And who are the leading consumers of research?

- Do you have experience conducting research in any other Asia markets? If so, where? How do you compare conducting research there to conducting it in China?

- What, if anything do you think the market research industry in China still needs to learn? Why?

- What do you think the market research industry in China will look like in 5 years? 10 years? Why?

THANK YOU
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