Business Partnership Relationships

In the Chinese Inbound Tourism Market to Australia

Grace Wen Pan
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School of Tourism & Hotel Management and School of Marketing and Management
Faculty of Commerce and Management
Griffith University

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Abstract

The Chinese inbound tourism market to Australia has been acknowledged as an emerging market and a major export earner. However, Australian inbound tour operators experience difficulties in establishing and developing viable partner relationships with Chinese travel agents. Recognising the size, importance and complexity of this market, the major purpose of this research is to explore and investigate the crucial process of developing Sino-Australian partnership relationships in the tourism industry, and to educate Australian tourism operatives about this process to facilitate the establishment of business relationships with Chinese travel agents. Hence, the principal research question posed in this thesis is:

*How might Australian tourism product suppliers and marketers establish and maintain partnership relationships with Chinese travel agents to help Australia become a preferred tourist destination for Chinese tourists?*

This study is exploratory in nature and draws on applied marketing, management and cross-cultural theories on networking to explore the process of developing partnership relationships in the Chinese inbound tourism market to Australia. The literature on networking, and the development of networking relationships, has been theorised drawing principally on the marketing and management literature. The impact of cross-cultural differences and the effect of *guanxi* (connection), a key feature of Chinese business networking, on partnership relations between Chinese travel agents and Australian inbound tour operators, is also reviewed and discussed.

One of the main contributions of this research is its multidisciplinary nature, drawing on relationship marketing and network theories and applying them to tourism research. Little research has been undertaken into tourism-based partnership relations in the cross-national context. Given the limited research conducted on this topic and its cross-cultural nature, a qualitative research method was adopted for this study. Specifically, this study utilised in-depth interviewing techniques to explore the relationships between Australian inbound tour operators and Chinese travel agents.
This study identifies that the process of developing partnership relationships between Chinese travel agents and Australian inbound tour operators is, as expected, highly culturally embedded but in unexpected ways. Although all the Australian inbound tour operators in the study are of Chinese descent, they have adapted to Australian culture and business ethics, giving rise to communication problems that affect partnership relationships. A new stage model of the development of partnership relationships between Australian inbound tour operators and Chinese travel agents is therefore developed by incorporating cross-cultural factors into Western theories on networking and relationship marketing. In particular, the thesis identifies important factors in each stage of the process of developing business relationships. For example, resilient trust and mutual commitment, the pricing issue, word-of-mouth, and quality of services are all considered crucial in attaining long-term stable partnership relationships.

Disproving popular myths about guanxi in some of the previous literature, the findings from this research demonstrate that, in China’s economic transition period, guanxi plays a significant, but not decisive role in the process of developing partnership relationships between Chinese travel agents and Australian inbound tour operators. However, guanxi relationships can provide added value to the partnership relationships of Australian operators.
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Statement of original authorship

This work has not previously been submitted for a degree or diploma in any university. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

Signed: ______________

Date: 17/02/2004
Chapter 1 Introduction

1.1 Justification for the research

The tourism industry is one of the world's biggest and fastest growing industries (Office of National Tourism, 1998; Poon, 1993). Australia is a country where tourism has become an increasingly important part of the national economy, and export opportunities associated with the development of tourism have been recognised (Australian Bureau of Statistics (ABS), 2003a).

Tourism has provided a large number of jobs and contributed 5.8 percent to the gross domestic product (GDP) of Australia in 1996-1997. In the same period, tourism was directly responsible for the employment of 670,000 persons and indirectly provided a further 290,000 jobs accounting for 11.5 percent of total employment in Australia (ABS, 2001). Inbound travel trade is one of Australia’s greatest economic success stories contributing significant international tourism receipts to the country’s export earnings. In 2000, total international tourist arrivals to Australia accounted for 0.7 percent of total world arrivals in all countries, but Australia’s international tourism receipts (i.e. dollars earned from tourism) accounted for 1.7 percent of the world total of tourism receipts (World Tourism Organization, 2002). In 2000-2001, inbound tourism to Australia generated earnings of A$17.1 billion, which accounted for 11.2 percent of Australia's total exports of goods and services, and 51.5 percent of services exports (ABS, 2003a). The September 11 terrorist attacks in the United States in 2001 and the global economic downturn overshadowed the global tourist industry, but visitor numbers fell only slightly by 0.3 percent, to a total of 4.84 million arrivals in 2002. More specifically, it seems that the Asian market to Australia has not been affected by the terrorist events in the United States (ABS, 2003b). The recent outbreak of the severe acute respiratory syndrome (SARS) virus precipitated a severe drop in the number of Asian tourists, particularly Chinese tourists, visiting Australia, and it is estimated that visitor arrivals from China in 2003 will decline by 18 percent. However, for the period of 2002-2012, the Chinese inbound tourism market is still forecast as the strongest growing market to Australia with an annual growth rate of 12.6 percent per
annum rising to an estimated 623,000 visitor arrivals in 2012 (Tourism Forecasting Council (TFC), 2003).

Reflecting the competitive advantage Australia enjoys by virtue of its geography, the Asian market is the fastest growing market for inbound tourism, growing from 15 percent in 1978 (Department of Sport, Recreation and Tourism, 1985), to 30 percent in 1988, and approximately 50 percent in 1997 (ABS, 1989; 2000). However, the late 1990s Asian financial crisis highlighted the vulnerability of the Australian tourism industry that arose from its increasing dependence on the Asian region as a major source of tourist trade. The most heavily affected markets, with larger than expected falls in visitor numbers to Australia, were South Korea which fell by 79 percent, Indonesia by 50 percent, Thailand by 49 percent and Malaysia by 25 percent (Office of National Tourism, 1998; TFC, 1998). The Asian market decreased from 49.3 percent of the total arrivals in Australia in 1997 to 40.8 percent in 1999 (ABS, 2000). With the recent economic recovery of some heavily affected countries in the Asian financial crisis, Asian markets such as South Korea, Malaysia and Thailand have bounced back in terms of the numbers of visitors to Australia, increasing to 42.9 percent of total arrivals in Australia in 2002. Although inbound tourism numbers to Australia increased from Europe and North America, this did not offset the losses from Asia during the financial crisis (Massey, 1998). This situation prompted an urgent call from the Tourism Council Australia for marketers to seek new markets in addition to promoting the existing markets.

1.2 An emerging market: Chinese tourism industry

Under Mao Zedong’s regime, China imposed a ban on inbound tourism between 1949 and 1976. As part of the strategy to modernise China beginning in 1978, the country entered an era of economic reform under the leadership of Deng Xiaoping. Gradually and cautiously, it began to open the gates of its so-called “bamboo curtain” to world commerce and tourism. This was the first time China recognised tourism as an economic activity. Tourism in China has developed in three sectors, namely inbound tourism by overseas tourists, domestic tourism by Chinese tourists, and outbound tourism by Chinese tourists (Dou and Dou, 1999). It has been
suggested that the development of tourism activity is a barometer of the country’s economic prosperity and its political enlightenment (Wang et al., 1997).

China adopted a step-by-step approach to economic reform. The “socialist market economy”, as Chinese leaders called it, was adopted in 1992. It was meant to imply that much of China’s economy was to be guided by market forces (Thomm, 1996). The nation has enjoyed political stability and economic prosperity due to China’s confidence in its economic reforms through experimentation with this form of market economy. Between 1979 and 1997, China’s economy grew by 9.8 percent on an annual basis, 6.5 percent higher than the world average, 7.3 percent higher than developed countries, and 4.8 percent higher than developing countries (Beijing Review, 1999). In addition, the tourism industry in China has achieved remarkable growth since 1978 as shown in Figures 1.1 and 1.2. Although there was a severe decline in international arrivals because of the negative effects of the 1989 Tiananmen incident, numbers rebounded in the following year. Recently, with the impact of a marked economic slowdown in the United States, global economy output in 2000 grew by only 4.8 percent. However, China, as one of the most widely recognised emerging markets in the world, experienced 8.0 percent growth in 2000 which was 3.9 percent higher than that of developed countries in the same year (International Monetary Fund 2001). Tourism has become one of China’s pillar industries, or in other words a “backbone” industry of the national economy (Nolan, 2001).

International visitor arrivals in China increased from 1,809,200 in 1978 to 97,910,000 in 2002, and international tourism receipts increased from US$263 million in 1978 to US$20,390 million in 2002 (China National Tourism Administration (CNTA), 2003a). Moreover, China became ranked fifth for international tourist arrivals, and fifth for international tourism receipts in 2002

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1 The infamous military sent by the Chinese Government assaulted pro-democracy demonstrators in and around Tiananmen Square in Beijing in June 1989 (Richelson and Evans, 1999).
Figure 1.1 International visitor arrivals in China 1978-2002


Figure 1.2 Chinese international tourism receipts 1978-2002


Note: The receipts are recorded in US$100 million intervals using a traditional Chinese measure.
Such data highlight the role that China is now playing as an important and integral part of the world tourism industry.

The Chinese tourism market is forecast to be the world’s fastest growing tourism market in the next 5 to 20 years (Zhou et al., 1997). The global volatility in financial and foreign exchange markets poses considerable challenges for the tourism industry. It is forecast that the economic climate in Japan, which has consistently been the largest inbound market to Australia over the last decade, and its ability to recover from the economic downturn, and the growing strength of the Chinese outbound market, will be the critical issues in the development of tourism in the Pacific rim (TFC, 1998).

During 1979-1997, the consumption level of Chinese residents rose 7.3 percent annually (Beijing Review, 1999). The affordability of goods and services depends ultimately on incomes and prices (Chai, 1996). It should be noted from Table 1.1 that the affordability of travel to Australia is also directly linked to the exchange rate between the Australian dollar and Chinese RMB yuan (Chai, 1996). Travelling to Australia becomes cheaper for Chinese residents if the real exchange rate appreciates, that is, the Chinese RMB yuan can buy more Australian dollars than previously. In addition, the living standards of the Chinese have improved substantially as shown in Table 1.1. Despite the disposable income of urban residents increasing significantly between 1994 and 2001, the amount required for overseas travel to a country like Australia is still prohibitive for many Chinese.

In addition, economic development in China is spatially and structurally uneven. Since 1985, the economic gap between the industrial and commercial coastal cities, special development zones, and non-coastal regions has been dramatically increasing. The geographic region for outbound markets is concentrated along the coastal zone in major cities, such as Beijing, Shanghai and Guangdong Province (Qu and Lam, 1997; Wang and Sheldon, 1995; Wen and Tisdell, 1996; Zhou et al., 1997). In 2001, the urban resident average disposable income per capita was
Table 1.1 The Chinese national economy 1994–2001

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<tr>
<td>Exchange rate* (A$1: RMB yuan)</td>
<td>6.3</td>
<td>6.2</td>
<td>6.5</td>
<td>6.1</td>
<td>5.2</td>
<td>5.3</td>
<td>4.8</td>
<td>4.2</td>
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<tr>
<td>Population (million)</td>
<td>1,198.5</td>
<td>1,211.2</td>
<td>1,223.9</td>
<td>1,236.3</td>
<td>1,247.6</td>
<td>1,257.9</td>
<td>1,267.4</td>
<td>1,276.3</td>
</tr>
<tr>
<td>GDP per capita (RMB yuan/per person)</td>
<td>3,923</td>
<td>4,854</td>
<td>5,576</td>
<td>6,054</td>
<td>6,307</td>
<td>6,547</td>
<td>7,084</td>
<td>7,543</td>
</tr>
<tr>
<td>Urban resident disposable income per capita (RMB yuan)</td>
<td>3,496.2</td>
<td>4,283.0</td>
<td>4,838.9</td>
<td>5,160.3</td>
<td>5,425.1</td>
<td>5,854.0</td>
<td>6,280.0</td>
<td>6,859.6</td>
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* Reserve Bank of Australia (2003). These period average exchange rates and index numbers are derived by averaging figures for each trading day.

A$1,633.2 (A$1 = 4.2 RMB yuan), while the three most developed regions, Shanghai, Beijing and Guangdong Province ranked in the top three of China’s 31 regions with A$3,067.5, A$2,756.6, and A$2,479.8 respectively (National Bureau of Statistics, 2002). It should be reiterated that it is still not affordable for most people from these areas to travel overseas based on this average disposable income. However, measured in Australian dollars, there are more millionaires among China’s one billion plus population than there are people in Australia with a population of 19.5 million (Dorries, 1999; Office of National Tourism, 1998). In brief, China remains a low-income country, but its people’s living standards are shifting to a moderate level of prosperity, especially in the three regions mentioned above (Beijing Review, 1999). Economic growth and an expanding middle class have been reflected in outbound travel becoming financially accessible to larger sections of the population (Office of National Tourism, 1998). Although it is difficult to define the middle class precisely, Chai (1996) pointed out that if those who are able to afford international travel are in the top 2 percent of income earners, the potential Chinese outbound tourism market is at least 12 million people. With the development of the Chinese economy, and the time and desire to see the world outside, the Chinese are increasingly starting to spend their money on cultural aspects of life, including outbound travel.
1.3 Chinese outbound tourism development

Until 1983, the Chinese Government placed tight restrictions on the outbound tourism market. Then, following a pattern observed in many socialist economies, a slightly liberalised policy was adopted, first allowing Chinese leisure travel to Hong Kong and Macau, then to Southeast Asian countries. At that time, “outbound travel” was defined as visiting overseas friends and relatives (VFRs). Thus, these trips were sponsored financially by overseas relatives and friends so there was no drain on China’s foreign exchange reserves. With increasing numbers of Chinese travelling to Hong Kong and Macau, more and more people expressed the desire to visit their relatives in other regions. In 1990, with the approval of the State Council, CNTA, the Foreign Ministry and the Public Security Ministry, the Overseas Chinese Affairs Office announced the “Provisional Regulations on Management of Organising Chinese Citizens to Travel to Three Countries in Southeast Asia”. This regulation enabled Chinese citizens to visit friends and relatives in Thailand, Singapore and Malaysia if sponsored by their overseas relatives and friends (Dou and Dou, 1999). The Philippines joined the group in 1992.

However, with the development of travelling services, VFR travel was augmented with holiday leisure travel and Chinese tourists began to outlay the Chinese currency yuan, rather than US dollars, to purchase their travel. In 1991, Singapore, Malaysia and Thailand became the first three countries granted Approved Destination Status (ADS) by the Chinese Government. Approved Destination Status means that China permits its residents to travel to selected countries for personal and leisure purposes. Thus, Chinese citizens are able to travel in groups to ADS countries on all-inclusive package tours. Subsequently, other Southeast Asian countries, such as the Philippines and South Korea, were also recognised and awarded ADS by the Chinese Government. In April 1999, Australia became the first western country opened up to the Chinese outbound tourism market. Soon afterwards New Zealand became the second western country to be granted ADS. When Chinese citizens from Beijing, Shanghai and Guangdong Province² intend to travel overseas for leisure

² The ADS group tourism program has been expanded to nine regions in China in November, 2003. The six new Chinese regions are Chongqing, Tianjin, Hebei Province, Zhe Jiang Province, Jiangsu Province and Shandong Province (Australian Tourist Commission, 2003).
purposes, they must arrange the tour through authorised Chinese travel agents and travel in a group. The Chinese authorised travel agents will apply for ADS visas on behalf of the tourists. If Chinese citizens travel to Australia for other purposes, such as business, education and VFRs, they may arrange their tours through either authorised or unauthorised Chinese travel agents, but they have to obtain their visas on their own. Therefore, the mainstream business of the Chinese inbound travel trade to Australia is the ADS group market, whereas inbound travel for non-ADS purposes is considered a niche market in this study.

A typical all-inclusive package includes international travel, private chartered coach within Australia, sightseeing excursions, local guides, accommodation and meals (mainly Chinese food with some Australian style meals). This form of tour arrangement can be compared with typical Western inclusive holiday packages (Laws, 1997) providing Chinese clients with similar advantages, particularly the benefit of knowing beforehand what to budget for their holiday, and relieving them of the anxiety of making their own arrangements in a foreign country.

In addition, the introduction by the Chinese Government of so-called “Golden Weeks”, which are three standardised one-week long holidays granted annually for International Labour Day (1 May- 7 May), National Day (1 Oct-7 Oct) and Chinese New Year (also called Spring Festival), has also boosted the development of the Chinese outbound tourism market (Zhang, 1997). Up to 2003, 28 countries and regions worldwide have ADS for Chinese tourists: Hong Kong, Macau, Singapore, Thailand, Malaysia, the Philippines, South Korea, Japan, Australia, New Zealand and more recently, Cambodia, Myanmar, Laos, Brunei, Indonesia, India, Vietnam, Nepal, Malta, Maldives, Turkey, Egypt, Sri Lanka, South Africa, Germany, Croatia, Hungary and Cuba (CNTA, 2003b). Reflecting these developments, the total number of Chinese outbound tourists has grown rapidly in the period from 1994-2001 (Figure 1.3). The number of Chinese outbound tourists in organised tour groups increased to 3,695,300 in 2001, which is 30.45 percent of the number of total Chinese outbound tourists (CNTA, 2002). Other Chinese tourists are independent travellers for various purposes, such as education, business, and VFRs.
1.4 The Chinese inbound tourism market to Australia

As discussed in the previous section, mainland China is acknowledged as an important emerging market by the Australian inbound tourism industry. The number of Chinese arrivals in Australia has increased at an average rate of 30 percent each year since 1985, reaching 190,000 in 2002 (ABS, 2003b) (Figure 1.4). Chinese visitors accounted for one percent of all international tourists visiting Australia in 1995 (Bureau of Tourism Research (BTR), 1996), but this number is expected to exceed 21 percent every year for the next decade (TFC, 1999). Moreover, Chinese visitors have become the highest spenders among international visitors to Australia, spending an average of A$6,070 in 1999 (ABS, 2003a). This is especially significant as Australia became the first Western country nominated for ADS for Chinese tourists on 22 April 1999 by the Chinese Government (Farr, 1999; Southgate, 1999). In other words, Chinese citizens are able to become leisure tourists by using ordinary passports and applying for tourist visas when wishing to visit Australia.

Australia has experienced a surge in growth of Chinese tourists, especially since 1999. In 2000, 124,300 Chinese tourists visited Australia – up 34.2 percent on 1999 (ABS, 2000). Mainland China is expected to join the five principal sources of
tourists coming to Australia: Europe, the United States, Japan, Southeast Asia and New Zealand (Farr, 1999). To cater for the rising demand in travel, the Chinese Government has authorised 20 travel agents based in Beijing, Shanghai and Guangdong Province to deal with 30 Australian nominated inbound tour operators to handle Chinese inbound tourism to Australia (as at May 2002 when the field work was conducted in both China and Australia).

**Figure 1.4 Short-term movement – arrivals of Chinese visitors to Australia 1985-2002**

Pan (1999) and Pan and Laws (2001a) identified the characteristics of Chinese travel patterns and of Chinese tourists in the Chinese outbound tourism market to Australia. For example, the Chinese tourist itinerary focuses on the east coast of Australia, mainly visiting Cairns, Brisbane, Gold Coast, Melbourne, Sydney and Canberra. The most popular itinerary is either 7 nights/9 days or 8 nights/10 days (including international flights), visiting Sydney, Canberra, Melbourne, the Gold Coast (at least two theme parks including Movie World and Sea World) and Brisbane. Pan and Laws (2001a; 2001b) also note that one of the critical issues for Australian inbound tour operators expanding their market share in the Chinese
outbound tourism market is to establish and maintain appropriate business relationships with their Chinese counterparts.

1.5 The role of travel agents and inbound tour operators in international tourism

In the corporate travel business, travel agents act as intermediaries to source what are often very large purchases of travel services (Money, 2000). A travel agent is therefore the final link between customers and suppliers of various tourism goods and services (Gee and Fayos-Sola, 1997). One of the important roles travel agents play is that they also act as counsellors to promote the efficiency and quality of the distribution of the various travel products (Gee and Fayos-Sola, 1997).

Previous studies have generally found that there is still a large segment of consumers in all countries who use travel agents to get information and book their travel packages. The most likely people to use travel agents are those who are more than 50 years old, and naive tourists (Snepenger et al., 1990). The longer the distance to be travelled, the more use of travel agents is made, especially when travelling to foreign countries (Woodside and Ronkainen, 1980). Thus, travel agents play a crucial role in the tourism distribution channel, and are established intermediaries between travellers and travel suppliers, such as airlines and hotels (Snepenger et al., 1990). Outbound travel agents may be tour wholesalers, conference and incentive organisers or retail travel agents who create group travel programs and sell them to end-user consumers (March, 2000). It should be noted that each country has its own distinct tourism market system. The Chinese tourism market is different from other Asian countries, such as Japan, South Korea and Taiwan, and is also distinct from that of Australia (Pan and Laws, 2001a). Unlike other Asian countries, China has no separate wholesalers and retailers in the distribution system. Instead, the outbound travel agents in China act both as wholesalers and retailers. Therefore establishing and maintaining appropriate business relations with Chinese counterparts is a significant factor in expanding into Chinese markets.

There has been limited research and scant acknowledgement of the role of inbound tour operators in the tourism literature, although they play a critical role as
intermediaries in international tourism markets (March, 2000). Inbound tour operators, as land operators, arrange itineraries and operate packages and tours by providing the necessary ground services, including some combination of accommodation, transportation, restaurants, attractions and sightseeing on behalf of outbound travel agents in the country of origin (March, 2000; Morrison, 2002; Weaver and Oppermann, 2000). The inbound tour operators do not directly contact travellers, but they play an intermediary role by booking and paying tourism suppliers on behalf of their overseas clients in the international travel business (March, 2000). In this study, a specific relational dynamic is researched by investigating the unique position of Chinese travel agents and Australian inbound tour operators as intermediaries in the Chinese inbound tourism market to Australia. Therefore, there is a complexity of cross-cultural factors overlaying the establishment and maintenance of this business relationship. The two key players in this relationship, Australian inbound tour operators and Chinese travel agents, will be reviewed in the following sections.

**Australian inbound tour operators**

In the Australian tourism industry, 80 percent of tourism operators are privately owned micro-businesses, comprising one or two people, or operating as small companies with fewer than 20 people (Lambert, 1996). Many inbound tour operators employ their own tour guides or outsource this critical tourism component to outside companies, such as hotel establishments, coach companies and restaurants, so as to ensure the delivery of a quality service to tourist groups. Local tourism product suppliers, such as tourist attractions, rely on inbound tour operators for a substantial amount of their inbound business (March, 2000). Therefore, another complex layer of networks and business relations must be developed and maintained between Australian inbound tour operators and other Australian tourism operatives.

Australian inbound tour operators have taken an even more critical role in the immature yet emerging outbound tourism markets of countries such as South Korea, Indonesia, Thailand and Malaysia (March, 1997). Given the relative inexperience and lack of product knowledge of outbound travel agents in these countries, and the
relative inexperience of Asian overseas tourists, Asian outbound travel agents rely heavily on the advice of experienced inbound tour operators regarding the composition of packages, the choice of destination within Australia, as well as decisions about products, hotels, attractions and coach companies (March, 1997; 2000).

**Chinese travel agents**

The first Chinese travel agent, the Beijing Overseas Chinese Travel Service, was established in 1953. From then until 1980, all incoming travellers had to have their arrangements within China organised by either China International Travel Service (CITS), China Travel Service (CTS) which was formerly called Beijing Overseas Chinese Travel Service, or China Youth Travel Service (CYTS). Until 1984, CITS, CTS and CYTS monopolised travel service operations (Zhang et al., 1999). Since 1985, private citizens or collectives have been allowed to establish travel agencies, which are classified into three categories by CNTA. Category 1 travel agents are authorised to operate an international travel business. In addition to seeking their own clients directly, some of the authorised outbound Category 1 travel agents receive passengers from Category 2 and 3 travel agents. Thus, these authorised agents can be regarded as wholesalers as well. Category 2 agents are restricted to arranging tour-related activities for the foreign tourists coordinated by Category 1 travel agents and domestic tourists, while Category 3 agents are restricted to handling domestic travel. The strength of interest in the tourism industry is demonstrated by the growth of agents from 1,245 in 1987 to 10,532 in 2001 following a policy of decentralisation and liberalisation (National Bureau of Statistics, 2002).

However, it should be noted that all 20 authorised Chinese travel agents (the focus of this study) are Category 1 agents, most of whom are large-scale (“enterprise groups”) state-owned enterprises (SOEs) (Xu, 1999). Chen (2001) describes SOEs as “slow-moving and highly centralised bureaucratic organizations with a reputation for inefficiency” (p.162). As China’s economic transition progresses as a modified planned commodity economy under current market economy reforms, the State still claims ownership rights over the property of SOEs, but it allows them to operate
themselves independently on under agreed contracts with the government (Bian, 1994). Hence, instead of being bureaucratic and inefficient as in the past, senior managers of large-scale SOEs have to consider business decisions that make the most economic sense, including issues such as price, quality, efficiency etc., rather than social relations (Guthrie, 1998).

Furthermore, China has a unique business system compared with other Asian countries. “The heart of China’s industrial structure lies in the relationship between firms and government” (Child, 2001, p. 698). It is well known that guanxi (connection), as a distinct Chinese cultural characteristic, plays a key role in networking between firms and government (Boisot and Child, 1996; Child, 2001). Guanxi is also a key feature distinguishing Chinese companies from those of Japan and the West (Kotler et al., 1996). In China, building and maintaining relationships with the appropriate authorities and individuals is the most critical factor in success (Tung, 1991). Therefore, when foreign firms intend to develop cross-national business relationships with Chinese companies, cross-cultural differences have to be taken into consideration and worked on (Harris and Moran, 2000; Tung, 1991).

The 20 authorised Chinese travel agents act as buyers on behalf of Chinese tourists to directly interact with Australian inbound tour operators, as suppliers, to deal with the Chinese inbound travel business to Australia. However, previous research has not clarified how cross-cultural factors impact on the partnership relationships between Chinese travel agents and Australian inbound tour operators. Given the huge potential of the Chinese market, the particularly important role of intermediaries within this market, and the impact of cross-cultural factors on the development of relationships in this context, research that leads to improved understanding of business relationships is critical to the competitiveness of Australia vis-à-vis other ADS countries, such as Singapore, Malaysia, Thailand, and the recently approved ADS country, Germany.

1.6 Business networks in the tourism industry

Business networking in the tourism industry is a fairly new area of interest and research. Crotts et al. (2000) see the main purpose of forming networks as making
the firms involved in the network become more competitive. The advantage of forming networks in the tourism industry is that firms involved in the relationship contribute complementary components to achieve a level of satisfaction for all firms involved. Thus, a network may evolve over time into a distribution system which is supported by the prompt payment of commissions in exchange for customers who support and enhance the relationship. Although there is considerable research into business networks in the international context, more research needs to be conducted into how business networks are managed in the tourism and hospitality industry. This area has been largely neglected by industry and academic researchers (Crotts et al., 2000).

In 1995, Buhalis and Fletcher identified key players in the environmental impact of tourism. However, Buhalis (2000) later modified this framework to develop a dynamic wheel of stakeholders in the tourism industry (Figure 1.5). There are five key stakeholders represented on this wheel: host population, tourists, public sector and government, tour operators and tourism enterprises, and small and medium tourism enterprises. The relationships among tourism stakeholders are strongly interdependent. Buhalis (2000) highlights the importance of identifying the interrelationships between tourism stakeholders. As the development and implementation of strategic objectives for specific destinations depend on relationships between stakeholders, so too do the dynamics between the actors on this wheel play an important role in implementing these strategic objectives.

Pressure to survive in an increasingly competitive environment, especially with limited capital, has led more and more companies to explore different forms of cooperation and collaboration. Such relationships include alliances, networks and other organisational arrangements, including mergers and acquisitions (Borys and Jemison, 1989; Gronroos, 2000; Oliver, 1990). The same situation applies to the travel and tourism industry. Stakeholders have to take measures to develop their competitive advantage to outperform their competitors or to even survive. The stakeholders in the industry, such as hotels, airlines and car rental companies, have realised this need and so they have formed alliances to gain competitive advantage
(Dev et al., 1996). Tourism business operators have started to develop strategic competitive advantage in order to become and remain successful (Dimmock, 1999).

**Figure 1.5 The dynamic wheel of tourism stakeholders**

Cooperative and collaborative marketing strategies have been widely discussed in the tourism and hospitality industry, with partnership and strategic alliances being considered key corporate strategies (Morrison, 2002). The importance of having cooperative strategies in the tourism industry has been widely acknowledged (Buhalis, 2000; Buhalis and Cooper, 1998; Hill and Shaw, 1995; Medina-Muñoz and García-Falcón, 2000; Palmer and Bejou, 1995). Buhalis and Cooper (1998) argue that tourism suppliers at destinations also need to adopt a mature approach to, and understanding of, the need to cooperate rather than compete with each other. It is becoming increasingly crucial for survival and profit that tourism organisations establish cooperative relationships with other organisations (Medina-Muñoz and García-Falcón, 2000).
Buttery et al. (1999) and Fulop (2004) have categorised the strategic foci of networks. Indeed, Crotts et al. (2000) have also identified four different modes of cooperative strategic foci in the tourism and hospitality industry:

1. buyer-seller relationships – for example, an association meeting planner, a conference hotel, a restaurant and a single-source wholesale supplier;
2. supplier-distributor relationships – for example, airlines and retail travel agencies to distribute airline tickets;
3. an alliance between two or more suppliers – for example, the Qantas-British Airways-American Airline-One World alliance; and
4. a joint venture between two companies – for example, two companies, such as the SABRE Group and ABACUS, forming a joint venture to serve Asia-Pacific travel markets.

The development and management of these cooperative business relationships are critical strategic skills in tourism and hospitality (Crotts et al., 2000). One advantage of such networks involves the reduction of risk for members of the alliance (Palmer and Bejou, 1995). Buhalis (2000) and Palmer and Bejou (1995) state that partnerships between the public and private sector, as well as close cooperation between all local suppliers, are crucial for destinations to offer quality products.

Within collaborative alliances, firms are interdependent and engage in joint-decision making (Selin, 1993). While Selin (1993) discusses the future trend of cooperative marketing strategies in tourism from a theoretical approach, he also notes that more research needs to be conducted into the collaborative process between firms. Thus, as tourism managers need to convene, manage and sustain collaborative relationships, examining successful and unsuccessful partnerships will assist managers to identify and nurture all stages of the collaborative process.

Buhalis and Cooper (1998) and Tinsley and Lynch (2001) discuss networking among small tourism businesses, and how this networking contributes to destination development. Tinsley and Lynch (2001) explore how the networking of tourism firms within one country can assist with the development of that country’s preferred tourism destination. Buhalis and Cooper (1998) analyse in-depth the multi-level
competitive situations for small and medium-sized tourism enterprises. They conclude that cooperation and networking can become a substitute for ‘size’ in the operation of small businesses in tourism by providing enterprises with the marketing ‘reach’ and management capabilities of much larger organisations. However, such research focuses on tourism development within the host country and does not include cross-national partners.

An exploratory study was conducted by Hill and Shaw (1995) into the criteria for successful cooperative marketing of two countries’ tourism industries and the opportunity for strategic alliances. Medina-Muñoz and García-Falcón (2000) undertook a case study into the determinants of successful relationships between hotels and travel agencies, addressing the importance of collaboration and cooperation in inter-organisational relationships from a marketing perspective. This study intends to investigate the nature and the process of developing cross-national partnership relationships between Australian inbound tour operators and Chinese travel agents.

1.7 Business relationships in the international tourism market

Business-to-business relationships between partners play a critical role in the development of business networks (e.g. Anderson et al., 1994; Borys and Jemison, 1989; Morgan and Hunt, 1994). In the tourism and hospitality industry, strategic alliances, buyer-seller relationships, strategic partnerships and joint ventures all involve two firms coming into a deliberate association to create strategic value (Crotts et al., 2000). Sautter and Leisen (1999) note that this partnership relationship can, and should, also be extended to all potential dyads in the tourism industry. Thus, one of the objectives of this research project is to investigate the nature of such a partnership, associated with the Chinese inbound tourism market to Australia. As most travel research has been at the consumer or market level, there is a need for more business-to-business travel research, especially in international tourism markets (Crotts and Wilson, 1995; Crotts et al., 1998; March, 1997; March, 2000), and into developing and maintaining relationships with counterpart firms (March, 1997). There is also a need for research into cross-national aspects of
international tourism (Crotts et al., 1998; Hu, 1996; March, 2000; Pizam and Jeong, 1996).

In the late 1990s, Crotts et al. (1998) and March (1997) conducted research into the international tourism market from a supplier’s perspective. Crotts et al. (1998) examined the antecedents of supplier commitment to wholesaler buyers in the New Zealand travel trade. March (1997) explored the perceptions and attitudes of Australian tourism suppliers in their relationships with large Japanese tour wholesalers and inbound operators in the Australian market.

It has been argued that business-to-business travel marketers should proceed carefully in building relationships with buyers (Crotts and Wilson, 1995). Indeed, Kotler et al. (1999) state that environmental, organisational, interpersonal and individual factors impact on the behaviour of business-to-business travel services purchasers. Crotts and Wilson (1995) developed a theoretically integrated buyer-seller stage model for the international travel trade, based on previous marketing literature. However, as the model is very generic, it is important to acknowledge that each tourism market has its own distinct features which differentiate it from other markets, for example, China. It is necessary, therefore, to develop a partnership relationship stage model that features each specific international tourism market. This thesis explores the partnership relationship stage model between Chinese authorised travel agents and Australian inbound tour operators.

According to March (2000), there has been little investigation into buyer behaviour in the services industry and in the tourism industry in particular. March (2000) and Money (2000) have explored the international tourism market from a buyer’s perspective. While March (2000) examined the decision-making behaviour of inbound tour operators in choosing tourism suppliers for the Japanese inbound tourism market to Australia, most research has focused on the Australian inbound tour operator’s role as a buyer, making decisions in terms of choosing appropriate Australian products to meet Japanese tourists’ needs. In an American context, Money (2000) conducted research into business-to-business buyer behaviour, with case studies revolving around the Japanese inbound tourism market to the United
States. The impact of national culture on buying behaviour was considered in the research, while the role of word-of-mouth was also discussed. However, the research tended to focus more on buying behaviour, rather than the process of relationship development.

King and Choi (1999) and Pan (1999) conducted research into network relationships in the international tourism market. Similarly, March (1997) studied the relationship between Australian tourism product suppliers and Japanese wholesalers. The results reveal the importance of Australian inbound tour operators in developing and maintaining good personal relationships for success in business dealings with these Japanese wholesalers. Different cultural and behavioural communication norms often result in indirect or vague communication. In a Japanese tourist context, the direct selling approach is rarely successful. Thus, suppliers sometimes have to adapt their attitudes and behaviour to suit the cultural perceptions of a few particular wholesalers because of their purchasing power and position as buyer in the relationship. A lack of product feedback and ways to adapt Australian tourist products catering for Japanese tastes and needs was found to exist. Nevertheless, there was a greater dependence of suppliers on their relationships with Japanese buyers because the two largest Japanese wholesalers held almost 40 percent of the Japanese market to Australia.

King and Choi (1999) studied the Korean inbound tourism market to Australia, and identified the need for Australian inbound tour operators to offer an attractive price, due to the competitive environment. Communication between Korean outbound travel agencies and Australian inbound tour operators was, in the main, conducted by telephone, fax and face-to-face meetings. Informal relationships between members in the network were, however, found to be critical for the overall relationship. Thus, to strengthen their competitiveness, some Australian inbound tour operators have set up a liaison office in Korea to facilitate communication between them and their Korean counterparts. These Korean liaison officers for Australian inbound tour operators will play a critical role in determining whether Australian inbound tour operators secure Korean business.
Pan (1999) investigated the Chinese inbound tourism market to Australia following the granting of ADS in 1998. This study revealed some findings consistent with those of King and Choi (1999), in particular in relation to price competition between suppliers. However, at the time the research was conducted, Australian inbound tour operators, while intending to establish relationships with their potential Chinese counterparts, had found it difficult to approach these potential partners.

Limited research has been undertaken to conceptualise this kind of buyer-supplier partnership relationship or its interactions in the Chinese context (Wong and Tam, 2000), particularly for the tourism industry. This research, therefore, investigates partnership relationships between Australian tourism product suppliers and Chinese counterparts, to identify the critical strategies needed for Australian suppliers who intend to penetrate the Chinese tourism market. Further, whether the strategy of liaison offices used in the Korean market would be applicable to the Chinese context will also be investigated.

While Hall (1995) has identified the characteristics of the Australian tourism market system, there has been little research into the Chinese tourism market system. This thesis focuses mainly on the partnership relationship between Australian inbound tour operators and Chinese travel agents, with particular reference to the cross-cultural context. Figure 1.6 provides a relationship map of key stakeholders in the Chinese inbound travel business to Australia. Australian inbound tour operators, as suppliers, directly deal with the Chinese authorised travel agents, as buyers, in the Chinese inbound travel trade to Australia. Australian tourism operatives, such as attractions, airlines, duty free shops, accommodation, restaurants and bus companies, are highly dependent on Australian inbound tour operators to obtain access to the Chinese tourism market.

Australian Government organisations, such as the Department of Immigration and Multicultural and Indigenous Affairs (DIMIA), the Department of Industry, Tourism and Resources (DITR) and the Australian Tourist Commission (ATC), provide inbound travel related policies and assist in promoting Australian inbound tourism markets. On the Chinese side, Chinese tourists mainly rely on Chinese authorised
Figure 1.6 The dynamics of business relationships of Australian tourism product suppliers/marketers and their Chinese counterparts

Suppliers: Australian inbound tour operators
- Focal partnership relationships
  - Cultural factors

Buyers: Chinese authorised travel agents
- Chinese tourists
  - DIMIA (Australia)

Suppliers:
- Attractions
- Airlines
- Duty free shops
- Other unauthorised travel agents
- Accommodation
- Restaurants
- Bus companies

Buyers:
- Chinese tourists
- DIMIA (Australia)
- CNTA

Source: Developed for this study
travel agents to organise tours for them to travel overseas. Australian operators may directly deal with unauthorised Chinese travel agents to gain niche business other than ADS groups, such as technical visits, incentive tours and study tours. However, even if unauthorised Chinese travel agents are successful in obtaining the business of Chinese leisure tourists who intend to travel to Australia with ADS visas, these unauthorised agents still have to pass their business to authorised travel agents, and obtain commissions from them. Therefore, these unauthorised agents act as retailers in the Chinese inbound travel business to Australia.

Nevertheless, the bulk of the Chinese inbound travel business is operated between Chinese authorised travel agents and Australian nominated inbound tour operators. Due to the limited funding available for conducting this study, the research focuses on business relationships between authorised Chinese travel agents and nominated Australian inbound tour operators.

In addition, the Chinese Government organisation, China National Tourism Administration (CNTA), monitors the operations of the Chinese outbound travel. DIMIA provides both ADS and non-ADS visas to Chinese tourists.

1.8 The objectives of this thesis
Theoretically, this study aims to fill the gap in knowledge about the development of partnership relationships associated with the Chinese inbound travel trade to Australia. A new process model of partnership relationships between Australian inbound tour operators and Chinese travel agents is discussed drawing on theories incorporating Western and Eastern paradigms. Empirically, the aim of the research is firstly, to identify the “reality” of the partnership relationships between authorised Chinese travel agents and nominated Australian inbound tour operators; secondly, to contribute to the theoretical understanding of Australian and Chinese partnership relations by using a multidisciplinary approach; thirdly, to develop an in-depth understanding of Chinese travel agent business practices; fourthly, to assist Australian inbound tour operators to establish and develop productive and sustainable partnership relationships with Chinese travel agents; and fifthly, to facilitate the development of Australia’s position as a preferred tourist destination within the Chinese outbound tourism market to Australia. To
achieve these goals, this research aims to investigate the current nature of business relationships between Australian inbound tour operators and Chinese travel agents in the Chinese inbound tourism market to Australia, exploring how these partnership relationships are formed, and identifying the impact of cross-cultural differences, and especially the role of guanxi, in the development and maintenance of these business relationships.

The research problem (RP), and the subsequent research issues (RIs) being investigated are as follows:

**RP: How might Australian tourism product suppliers and marketers establish and maintain partnership relationships with Chinese travel agents to help Australia become a preferred tourist destination for Chinese tourists?**

**RI 1:** How can we theorise the partnership relationships between Australian inbound tour operators and Chinese authorised travel agents?

**RI 2:** What are the key network and relational factors involved in the process of developing business relationships between Chinese authorised travel agents and Australian inbound tour operators? How do these factors relate to each other?

**RI 3:** How do Australian Chinese and mainland Chinese cultural differences impact on the development of business relationships between Australian inbound tour operators and Chinese travel agents?

**RI 4:** What is the role of guanxi, and other cross-cultural factors, in the process of developing business relationships between Australian inbound tour operators and Chinese travel agents?

### 1.9 Outline of the thesis

This thesis has eight chapters. Chapter 1 has delineated the broad direction of the research. It has provided background information on the research, in particular, on the importance of tourism in the Australia economy and the role of Chinese travel agents and Australian inbound tour operators in the Chinese
inbound tourism market to Australia. It also introduces the objectives of this research, followed by the research problem and research issues.

Chapter 2, as the first part of the literature review, aims to identify the features, network types and relational factors involved in the process of developing business relationships between Chinese travel agents and Australian inbound tour operators. This chapter therefore starts with reviewing the literature on business networks and network relationships, and theories on the formation of business network relationships, and the relational factors considered important in forming such relationships. The literature on tourism research in this research context is also reviewed. Two research issues, which are subsequently identified from the literature, pertain to theorising the partnership relationships between Australian and Chinese counterparts and investigating the network and relational factors involved in the process of developing business relationships between these two counterparts, and the relationships among these factors.

Chapter 3, as the second part of the literature review, discusses the impact of cross-cultural differences, in particular the differences between ethnic Chinese and mainland Chinese, on the development of partnership relationships between Chinese travel agents and Australian inbound tour operators. The chapter looks at Australian business networks and contrasts this with a discussion of the role of guanxi in Chinese business networks. Based on the extant literature on developing guanxi in Chinese business networks, a stage model of developing business relationships between Australian and Chinese counterparts is proposed.

Chapter 4 describes the methodology adopted in the study. The chapter starts with a review of research methods used in tourism, marketing and management research, and outlines the qualitative research method adopted for this study. For the research conducted in this thesis, in-depth interviews were conducted with both Chinese travel agents and Australian inbound tour operators, the researcher being fluent in English, Mandarin and Shanghai dialect. The in-depth interview instrument, and strategies and techniques used in analysing interviews are discussed. This is followed by an explanation of how the sample was selected and the research design for this study. Techniques used in analysing the data are also discussed.
Chapter 5, as the first part of the data analysis, provides the background data to the study. Company profiles of all the interviewed Chinese travel agents and interviewed Australian inbound tour operators are provided, together with a discussion on the current nature of the partnership relationships between Chinese and Australian counterparts.

Chapter 6, as the second part of the data analysis, addresses research issues 1 and 2 regarding the process of establishing and developing partnership relationships between Chinese travel agents and Australian inbound tour operators, and related network and relational factors involved in this process by using within-country and cross-country analysis.

Chapter 7, as the third part of the data analysis, presents the analysis of the results from the interviews aimed at investigating some of the relational factors which are considered important in the literature. This chapter then focuses on research issues 3 and 4 to investigate the impact of cross-cultural differences on the development of partnership relationships between these two counterparts. This is followed by a discussion of the meaning of guanxi, and its role in the process of developing partnership relationships between Chinese travel agents and Australian inbound tour operators.

Chapter 8 discusses the new process model impacting on partnership relationships between Australian inbound tour operators and Chinese agents, based on previous discussions in Chapters 5, 6 and 7, and incorporated with the literature review in Chapters 2 and 3. This chapter specifically addresses the research problem, and the contribution made by this research to the tourism field. Theoretical and practical implications of the research are presented with the limitations of the study outlined, with some suggested areas for further research.

Numerous acronyms have been used in the thesis and Appendix I provides a summary of them all. Key terms adopted in this study are also summarised in Appendix II to clarify specific terminology. In addition, this study focuses on Sino-Australian partnership relationships in the Chinese inbound tourism market to Australia and thus, some Chinese terms have been used, particularly in the
data analysis chapters, to maintain authenticity. All of these Chinese terms (or expressions) are listed in Appendix III.
Chapter 2 Literature Review (I)
– Business Networks and Relationships

2.1 Introduction

This chapter, as the first part of the literature review, identifies network types, features of network relationships, and related factors involved in developing business relationships between Chinese travel agents and Australian inbound tour operators. As outlined in Figure 2.1, the chapter, therefore, starts with a review of the related management and marketing literature on business network relationships, discussing strategic foci of networks, the different network forms of organisation and the importance of developing appropriate relationships within networks. This chapter then reviews the different stages of developing business relationships through networking, and the associated network and relational factors which have been discussed in the networking, marketing, services and tourism marketing literature. The subsequent research issues, associated with the process of developing partnership relationships, are also addressed. Only a limited amount of research has focused on the business network phenomenon within the tourism sector, with even less on the development of such networks in the context of the Chinese tourism market.

Figure 2.1 Outline of literature review on business networks and relationships

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<th>Business network relationships</th>
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<td>• Strategic foci of networks</td>
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<td>• The network form of organisations</td>
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<td>• Networks and relationships</td>
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</tbody>
</table>

| The process of developing partner relationships through networking |

| Network and relational factors |

Source: Developed for this study
2.2 Business network relationships

The term “network” is often loosely used to describe any relationship between people (Snow et al., 1992), but in the management literature its use is more proscribed. For example, in the Industrial Marketing and Purchasing (IMP) group’s research, industrial markets are described as networks of inter-firm relationships; companies establish exchange relationships with other companies and, through these, become connected to broader networks of business relationships (Halinen et al., 1999; Turnbull et al., 1996). Others (Anderson et al., 1994; Hakansson and Snehota, 1995) suggest that, in the network approach, there are three basic elements in the network structure: business actors, activities and resource ties. Business actors bond, activities link, and resource ties bind the companies together and create interdependence between them and determine the stability in the market (Halinen et al., 1999). Indeed, it appears that networks are part of many inter-organisational relations, which can refer to “a number of different forms of cooperation and collaboration occurring amongst organisations and some of these include, ‘strategic alliances’, ‘business networks’, ‘consortia’, ‘joint ventures’ and ‘linkages’” (Buttery, et al., 1999; Fulop, 2004). However, Fruin (1998) divides network organisation research into two different categories: inter-organisational and intra-organisational research. While much research has been conducted on each of these categories with various categorisations (Oliver and Ebers, 1998), this current research will concentrate on inter-organisational networks, which can involve “a set of external relationships – a global web of alliances and joint ventures” (Charan, 1991, p. 104), or a more simple partnership of “…two or more organisations involved in a relationship that maintains all participants as separate corporate entities to their mutual benefit” (Buttery and Buttery, 1994, p. 17). Therefore, participants in this research have not necessarily established separate businesses, but depend on each other cooperating and collaborating for service provision of different sorts.

Child and Faulkner (1998), among others, have sought to explain the reasons for the existence of networks in terms of resource-dependency theory, that is, one network member provides one function which is complementary to the contributions of other members of the network. Complementarity is considered to be the basis upon which
more successful networks are likely to develop, with networks of competitors being the most problematical (Buttery and Butterly, 1994). Although the network does constrain company activities, it also provides new possibilities and opportunities for the company to achieve its desired goals. The business network can thus incorporate the forces of both stability and change (Halinen et al., 1999). Indeed, Child and Faulkner (1998), among others, illustrate the advantages of networks as follows:

- reduce uncertainty with network members
- provide the flexibility of immediate resource reallocation that networks provide
- extend capacity by involving other network members in the capacity-constrained activity
- provide fast delivery of customised responses in an existing network that can put together a package of resources and capacities
- provide access to resources and skills not owned by the company itself
- provide information and allow network members to gain access to industrial intelligence and information of a diverse nature.

The sources of network benefits, especially in a mono-cultural context, have been widely catalogued (e.g. Alter and Hage, 1993), emphasising different network types, but less so in the cross-cultural context. This research explores network relationships in the Chinese inbound tourism market to Australia, with the benefits of such a network being investigated further throughout the study.

2.2.1 Strategic foci of networks

Networks can be either horizontal or vertical (Buttery et al., 1999). Horizontal networks occur when firms agree to combine their resources and skills to create value in the same stage of the value chain. Vertical networks occur when firms agree to use their skills and capabilities in different stages of the value chain. In both network types, companies obtain a competitive advantage, as they can avail themselves of a broad set of cooperative and collaborative strategies, as described in Table 2.1. However, it would be wrong to suggest that all businesses should enter into a networking arrangement, and that such network relationships are inevitable (Buttery et al., 1999; Fulop, 2004). Networks are dynamic and variable, but are not
adopted by all organisations. However, cooperative organisations are often more effective at competing in the global market, because two independent organisations with different competitive and/or comparative advantages can cooperate and collaborate together in a global setting (Pett and Dibrell, 2001; Ring and Van De Ven, 1992). Additionally, cooperating firms work together for a common aim and share information and resources and/or jointly undertake tasks (Bureau of Industry Economics, 1995, p. 9).

Cooperative and collaborative arrangements between companies may vary depending on the nature of the relationship, ranging on a continuum from weak and distant to strong and close (Kanter, 1994). For example, from Table 2.1, it can be seen that licensing and franchising can be at one end of the spectrum, while supplier-buyer relationships and joint ventures may fall into the mid-range of the continuum. The strongest and closest collaborations would thus be strategic alliances and clusters. As stated in Section 1.7, the partnerships investigated in this research are more likely to fit into the supplier-buyer relationship where Australian inbound tour operators are suppliers and Chinese travel agents are buyers in the Chinese travel business to Australia. As Kanter (1994) notes, “companies in different industries with different but complementary skills link their capabilities to create value for ultimate users. Commitments in those relationships tend to be high, the partners tend to develop joint activities in many functions, operations often overlap, and the relationship thus creates substantial change within each partner’s organisation” (p. 98). Most, if not all these network typologies are, in the main, influenced by Western approaches to inter-organisational relationships without consideration of cross-cultural factors (Buttery et al., 1999; Fulop, 2004). The impact of cross-cultural factors on network relationships is discussed further in Chapter 3.

2.2.2 The network form of organisations
There has been a debate between neoclassical economists and sociologists regarding the nature of inter-organisational networks (Gray, 2002). Neoclassical economists, for instance, Williamson (1985) believe that all organisations are economic actors in the market, and their interactive behaviours are related to transaction costs, which
Table 2.1 Strategic foci of networks

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Descriptions</th>
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<tr>
<td>Licensing</td>
<td>An unsophisticated, yet potent form of cooperation, especially in the service sector, which involves the purchase of the right to use an asset for a particular time, and offers rapid access to new products, technologies or innovations.</td>
</tr>
<tr>
<td>Franchising</td>
<td>Franchising is used to improve control without a takeover or merger. Trademarks, management assistance and know-how are granted in return for lump-sum payments, royalties and compliance with the rules and procedures of the franchiser.</td>
</tr>
<tr>
<td>Supplier-buyer relationships</td>
<td>Also referred to as sequential or vertical alliances, are based on contracts where one business’s output is purchased by another. Buyers must ensure that suppliers’ processes, capacity and inputs meet their quantitative and qualitative requirements in a timely manner, while the supplier designs a product that meets the appropriate technical standards and delivery schedules of the purchaser.</td>
</tr>
<tr>
<td>Joint venture</td>
<td>Refers to two or more organisations forming a business for cooperative purposes, often also described as a strategic alliance or, when involving mainly small and medium enterprises (SMEs), a business network. Within the business, partners of the joint venture decide strategy and make key decisions. Joint ventures are often formed to gain economies of scale, especially in mature industries, such as steel production and car manufacture or for R&amp;D purposes.</td>
</tr>
<tr>
<td>Consortium</td>
<td>Involves a number of businesses pooling their resources into an integrated, new organisation, leading to economies of scale and the efficient use of specialist equipment and resources. Often the consortium represents the only means of avoiding duplication of projects within a national economy or developing large, complex projects.</td>
</tr>
<tr>
<td>Strategic alliances along the entire value-added chain</td>
<td>Alliances along the value-added chain involve a set of independent companies that work closely together along the entire value-added chain. The chain is concerned with what value is added at each stage from say supply of raw materials, manufacture and distribution of the product to retailers and customers.</td>
</tr>
<tr>
<td>Cluster</td>
<td>Usually comprise dense horizontal relations. Clusters can emerge through government intervention or spontaneously and can involve complex cross-membership arrangements, such as Silicon Valley in the USA.</td>
</tr>
</tbody>
</table>

Source: Fulop (2004), adapted from Buttery et al. (1999, pp. 546-547)

are associated with an economic exchange, such as information costs or costs of monitoring and enforcing contractual agreements. At one extreme of networking relationships, Williamson (1985; 1991) and Powell (1990) believe that when firms are towards the market end, individual partners tend to drive a hard bargain, the benefits of the transaction are clear, and are normally in some form of market exchange, such as classical contracts, including leasing agreements, work contracts and bank finance agreements, where no or only impersonal forms of trust are required. At the other extreme when firms are towards the hierarchy end, internal relationships with the hierarchy are formalised to curb malfeasance and opportunism beyond market transactions, as management is in control of all decision-making in
the hierarchical form of organisation. The hybrid form, according to neoclassical contract law, allows involved firms to maintain independence, but preserve their bilateral dependence along the market-hierarchy continuum (Williamson, 1991).

Nevertheless, neoclassic economists, who focus on transaction costs analysis, have been criticised of taking a pure economic approach to the nature of inter-organisational networks, without consideration of social and cultural factors (for instance, Adler, 2001; Granovetter, 1985; Gray, 2002; Ouchi, 1980; Powell, 1990). Williamson (1991; 1993) later acknowledged the role of trustworthiness in market relations, and notes that issues such as a firm’s reputation for fairness may be important assets. However, he maintains that economic transaction costs still play a dominant role in conducting businesses, and transactions based on personal relations are the exception rather than the rule in conducting business. Furthermore, Williamson (1985) identifies the reason for increasing transaction costs as the fear of opportunism in markets with uncertain environments. It is also argued that trust in an inter-organisational network may, in fact, reduce the fear of opportunism, and prevent involved organisations from implementing contracts. Adler (2001), Honig and Lampel (2000), Ring (1997) and Uzzi (1996) agree that trust can reduce transaction costs and uncertainty between organisations in a network, and it can also increase mutual confidence, in particular with information exchange between partners, so as to avoid the risks which may result from opportunistic behaviour.

Furthermore, Granovetter (1985) and Powell (1990) argue that the pure market referred to by neoclassical economists does not exist, in reality, “as exchanges become more frequent and complex, the costs of conducting and monitoring them increase, giving rise to the need for other methods of structuring exchange” (Powell, 1990, p. 303). Granovetter (1985) agrees that “the anonymous market of neoclassical models is virtually nonexistent in economic life and that transactions of all kinds are rife with the social connections described” (p. 495). Ouchi (1980) also postulates that transaction cost analysis ignores socially conditioned reasons for cooperative behaviour.
Hence, instead of the hybrid networks proposed by Williamson (1985; 1991), another group of scholars put forward a third form of organisational type, which takes into consideration social and cultural factors. They argue that, “alongside the market ideal-typical form of organisation, which relies on the price mechanism, and the hierarchy form which relies on authority” (Adler, 2001, p. 215), lies a third form of organisation, the embedded network, which is incorporated with social and cultural factors, such as trust, reputation, reciprocity and power (for instance, Adler, 2001; Buttery et al., 1999; Fulop, 2004; Granovettor, 1985; Gray, 2002; Powell, 1990; Ring, 1997). It is argued that these factors are not a hybrid form of price and authority, but based on an entirely different governance mechanism. For example, a network formed between buyer-seller organisations is combined with the organisational cultures of the buying and selling firms (Wilson, 1995), and other factors, such as trust, commitment, adaptation, social bonding and structural bonding. In addition, the embedded network form of organisation relationship often features relationships based on factors such as power and trust, to exchange either influence or resources (Thorelli, 1986; Wilson, 1995).

Thus, for Granovettor (1985), embedded relationships play a crucial role in the success of a network. Indeed, Gulati and Gargulio (1999) state the importance of understanding embedded relationships, as they provide rich information on “availability, competencies, and reliability of prospective partners” (p. 1439) in a network, and consequently increase the probability of the success of the network. Furthermore, the impact of social and cultural factors on any relationship is an ongoing process, and these factors continuously construct and reconstruct the relationship development process in the network (Granovettor, 1985). Therefore, it is critical to understand the impact of the social and cultural factors on the development process of business network relationships, particularly in cross-national research. This research incorporates a social and cultural approach to investigate the network relationships occurring in the Chinese inbound travel trade to Australia. The literature on social and cultural factors, while discussed throughout this research, are reviewed in Section 2.4 and Chapter 3.
2.2.3 Networks and relationships

A business network entails companies forming relationships with their suppliers, buyers, competitors and allies and, consequently, deciding whether or not to strengthen or grow the links which would lead to the formalisation of a cooperative structure (Dennis, 2000; Holm et al., 1999; Sautter and Leiser, 1999). From the network perspective, the function of business relationships can be characterised by two functions. One is a primary function, which refers to “the positive and negative effects on the two partner firms of their interaction in a focal dyadic relationship”, and the other is the secondary function, also called the network function, which refers to “capturing the indirect positive and negative effects of a relationship because it is directly or indirectly connected to other relationships” (Anderson et al., 1994, p. 3). Both of these functions have the same importance. A business network, therefore, is built up by business relationships, and business relationships are also caused by the secondary functions which reflect the business network (Anderson et al., 1994). Ford et al. (1998) refer to this kind of relationship as an important asset for a company, as the company cannot operate or exist without these relationships. Within a network comprising different participants, relationships play a crucial role in enhancing a particular company’s network position and hence its competitive advantage (Turnbull et al., 1996). Thus, business networks and relationships are interdependent (Holm et al., 1999).

Business networks incorporate the forces of both stability and change (Halinen et al., 1999). Just as the development of personal relationships results in stabilising and/or destabilising consequences, so it is important to develop proper business relationships (Anderson et al., 1994). Borys and Jemison (1989) and Ring (1997) confirm that the network form of partnership relationships between the cooperative firms also aims to achieve relative stability, which involves long-established reciprocal relations that may frequently entail unspecified obligations. Business relationships refer to “these extremely important long-lasting exchange relations between two firms doing business with each other” (Holm et al., 1999, p. 468). There can be many parties involved with a business network. Indeed, the interaction between companies in business markets involves multiperson interactions, such as
interactions among staff in finance, production, design or distribution (Ford et al., 1998).

A typical network relationship, elaborated by Anderson et al. (1994), involves two major players in the network; these two players form a focal relationship. At the same time, these two connected relationships, of interest themselves, can be both directly and indirectly connected with other relationships; they may also have third parties in common, as part of a business network (Figure 2.2). Meanwhile, a company may also have to manage a portfolio of customer and supplier relationships as part of a complex network (Anderson et al., 1994; Ford et al., 1998). Anderson et al. (1994) concentrate specifically on the focal relationship between the supplier and customer to examine the process of developing long-term buyer-seller relationships. On the one hand, sellers seek out buyers and try to influence them to buy products from them; on the other hand, buyers also have to search for suppliers who can and are prepared to meet their requirements, which may often be complex and idiosyncratic (Ford et al., 1998; Kanter, 1994). The management of business relationships hence entails choices from these perspectives, and decision-making for the company’s sake, such as some customer relationships, are important to a supplier’s future (Ford et al., 1998).

Borys and Jemison (1989) note that an emerging embedded network structure of two organisations, such as buyer and supplier, joining together in an intimate relationship, is both powerful and compelling. For example, both counterparts tend to achieve their agreed internal goals, such as lowering costs through total quality management (Borys and Jemison, 1989). The business relationships between authorised Chinese travel agents and nominated Australian inbound tour operators are typically dyadic partnering relationships, as Chinese travel agents are buyers, and Australian operators are suppliers (Figure 1.6). They directly deal with each other to facilitate the Chinese travel business to Australia. The smoother the partnership relationships between these two counterparts are, the more successful the Chinese travel business to Australia will be. It is difficult to embed such network structure in the case of the counterparts in this study, but all the more difficult because of social and cultural factors.
Having network relationships is more than just making a deal; connections offer the partners in the relationships an “investment” - an option in the future, such as opening new doors and presenting unforeseen opportunities; partners who ultimately form alliances involve collaboration rather than mere exchange (it has gone beyond deals); they cannot be “controlled” by formal systems but require a close network of interpersonal connections and internal infrastructure (such as shared ways of operating) to enhance learning (Kanter, 1994).

Thorelli (1986) explains network relationships from a relationship marketing perspective. He states that relationship marketing, in developing relationships, is part of the developing “network paradigm”, which recognises that global competition happens more frequently between networks of firms. Morgan and Hunt (1994) refer to relationship marketing as “all marketing activities directed toward establishing, developing and maintaining successful relational exchanges” (p. 34).
In the services marketing area, network marketing refers to attracting, developing and maintaining/enhancing customer relationships in service organisations (Berry, 1983; Berry and Parasuraman, 1991). In the business-to-business network context, relationship marketing refers to establishing, developing and maintaining successful relationships with other partners in the network (Morgan and Hunt, 1994). In the buyer-seller relationship setting, relationship marketing performs the role of marrying the buyers and sellers to each other in order to facilitate the transactions (Dwyer et al., 1987; Herbig and Martin, 1998; Kanter, 1994). Good marketing relationships, therefore, are difficult for competitors to imitate because such relationships require structural integration, such as partners developing linkages and sharing ways of operating, and are time consuming to cultivate and sustain (Yau et al., 2000). Hence, even those firms within the network still need to do relationship marketing to obtain, develop and/or maintain proper relationships with other firms in the network.

An understanding of the buyer-seller relationships depends on being able to realise and define the situation and the expectations of the other party in a relationship (Holm et al., 1999; Turnbull et al., 1996). The possibility of establishing dyadic partnering relationships between Australian tourism product suppliers/marketers and their Chinese counterparts in some form of cooperative strategy is critical for Australian suppliers/marketers wishing to penetrate the Chinese inbound tourism marketplace. As discussed in Section 1.4, the Chinese inbound tourism market has become a major emerging market since 1999 and Australian inbound tour operators have officially been in contact with their Chinese counterparts under an agreement regarding ADS. However, according to Pan’s (1999) research, most Australian tour operators have only recently started setting up business relationships with their Chinese counterparts and with mixed success. Therefore, it is important to explore the process of developing partnering relationships between Chinese and Australian counterparts (i.e. the focal business relationship) to provide Australian inbound operators with an understanding of how to form business relationships and an appreciation of their embedded nature.
2.3 The process of developing partner relationships through networking

Networks and relationship building have become critical to the success and survival of organisations around the world (Park and Luo, 2001). It should be noted that, although China has been open to the West for more than 20 years, its Confucian culture still plays a dominant role in its society, despite the impact of Communism. However, most studies in relationship marketing, in the field of the service sector in particular, have developed their perspectives from American and European cultures, and Western theories and practices may not be applicable within the Chinese context. Thus an investigation into the similarities and differences within the process of relationship building is essential (Wong, 1998). The existing theories on relationship marketing still remain relevant as a starting point, in explaining how Australian tourism product suppliers/marketers operate in setting up commercial relationships with their Chinese counterparts.

Kotler et al. (1996, p. 907) state that relationships exist at many levels:

- consumer relationships with brands and their corporate stables;
- consumer relationships with retailers; and
- relationships between channel intermediaries from manufacturer to consumer.

To be successful, foreign salespeople and marketers need to enter into this web of relationships when tapping into the Asian market. This thesis focuses on Australian inbound tour operators, as suppliers and intermediaries of destination operatives, and Chinese travel agencies, as buyers and intermediaries for Chinese tourists (Figure 1.6). It is also concerned, specifically, with business relationships between authorised Chinese travel agencies and Australian inbound tour operators. Both of these groups play a key role in the business of the Chinese inbound tourism market to Australia.

As mentioned before, developing relationships can have stabilising and/or destabilising consequences (Anderson et al., 1994). Thus, the real challenge is to maintain and develop these relationships to achieve long-term mutual benefits (Dennis, 2000). The nature of dyadic partnering relationships has been discussed
by the IMP group in industrial marketing (for instance, Dwyer et al., 1987; Ford, 1982; Holm et al., 1999; Turnbull et al., 1996). In the buyer-seller relationship, the role of the buyer is even more important in the focal buyer-seller relationship in business networks. “The buyer’s perception of the effectiveness of the exchange relation…… is a significant mobility barrier and a potential competitive advantage for the seller that insulates the latter from price competition” (Dwyer et al., 1987, p. 14). Furthermore, once the relationship is established, and considering the high switching costs, the buyer’s interest will be in maintaining a quality relationship (Dwyer et al., 1987). However, research conducted by the IMP group into partnership relationships agrees that it takes time to build up and develop the relationships with partners in the business network (Ford, 1982; Holm et al., 1999; Turnbull et al., 1996).

The literature on industrial marketing, headed by the IMP group, discusses the stages of the relationship development process in the network context (for instance, Dwyer et al., 1987; Ford, 1980; 1982; Ford et al., 1998; Hakansson, 1982; Heide, 1994; Holm et al., 1999; Kanter, 1994; Larson, 1992; Turnbull et al., 1996; Wilson, 1995). This process is described as having four to five stages - the search stage, the set up stage, the development stage, the maintenance stage and/or the termination stage. Although most of the content in each stage is similar, there are still some elements which are included by one author but not by another. While these models share common features at each stage, the number of stages and the description of each stage may vary according to different researcher perspectives. Borys and Jemison (1989) elaborate upon the four stage model of forming partnerships through networking; these stages are: (1) defining the purpose of the relationship; (2) setting the boundaries of the relationship; (3) creating value in the relationship; and (4) achieving partnership stability. Furthermore, all discussion on the stage models within services marketing (Gronroos, 1983), the banking industry (Zineldin, 1996) and industrial marketing (Dwyer et al., 1987; Ford, 1980, 1982; Ford et al., 1998; Hakansson, 1982; Heide, 1994; Holm et al., 1999; Kanter, 1994; Larson, 1992; Turnbull et al., 1996; Wilson, 1995) accepts that the development of partnership relationships is not inevitable, and relationships can fail to develop or regress with the actions of either partner. Based on the previous literature, Figure 2.3 is
developed to demonstrate the process of developing partnership relationships in business networks. A review of each stage of developing a relationship as outlined in Figure 2.3 is discussed in the following sections.

**Figure 2.3  The stages of developing partnership relationships in business networks**

The search stage

The termination stage

The set up stage

The maintenance stage

The development stage

New search

Source: development for this research based on Dwyer et al. (1987); Ford (1980); Ford et al., (1998); Heide (1994); Larson (1992); Wilson (1995); Zineldin (1996)

Note: ___________ Move to next stage

…………………… Unsuccessful in the current stage

**The search stage**

During the search stage, companies are mainly undertaking an evaluation process. They evaluate their potential partners based on their reputation and capability, and
thus they investigate whether or not they are suited to each other (for instance, Dwyer et al., 1987; Ford, 1980; 1998; Heide, 1994; Kanter, 1994). A potential partner’s prior reputation, both of the individuals and of the company, and their prior relations with other companies, are also important issues to assess when deciding whether they are trustworthy or not (Larson, 1992; Ring, 1997; Wilson, 1995). The benefit of thoroughly assessing the qualities of a potential partner is that the firm’s operating risk can be lowered by ensuring that the partner firm is capable of consistently delivering high quality, reliable performance and is unlikely to act opportunistically. Therefore, each firm develops its own set of measures with which to define a partner’s potential value in order to ensure that the relationship will add value to its own business (Wilson, 1995). Hence, a foundation for mutual trust may be set down before the two companies start to make transactions (Larson, 1992). Ring (1997) specifies that fragile trust, which will be further discussed in Section 2.4, may be developed between two counterparts. At this stage, the interaction between potential parties may not happen, but it may begin (Dwyer et al., 1987; Wilson, 1995). For example, although there is no commitment made at this stage (Ford, 1980; 1998), social bonding, such as setting up personal relationships, may begin (Wilson, 1995). Therefore, during this stage, companies do not have to take a linear approach to search for their counterparts. They can start to search, then stop, and start again to search for their counterparts.

It has been argued that the two basic qualities sought in a partner are strategic fit and cultural fit. The strategic fit includes “whether the joint value chain of the partners seems likely to achieve sustainable competitive advantage for the partner” (Child and Faulkner, 1998, p. 93). It is widely argued that firms therefore tend to seek a partner in whom they perceive complementary assets and skills (for instance, Buttery and Buttery, 1994; Child and Faulkner, 1998; Geringer, 1991; Hill and Jones, 1995; Kanter, 1994); and they prefer their potential partner firm to be of a similar size and stature, so as to “minimize the risk of domination, avoid excessive dependence, and to achieve an equitable balance of benefits” (Child and Faulkner, 1998, p. 98). Cultural fit has been specifically defined as when the partners “have sufficient awareness and flexibility to be able to work together constructively; in other words, to be able to learn from each other’s cultural differences and to be able
to bring together their respective management systems, capitalising on the strengths of each” (Child and Faulkner, 1998, p. 33). Indeed the definition of cultural fit has included both organisational cultural fit and national cultural fit of two involved counterparts. While strategic fit is considered a priority when firms are in search of potential counterparts, cultural sensitivities are also important in a potential partner “such that they can reasonably be expected to develop cultural fit” (Child and Faulkner, 1998, p. 99).

The selection of partners is of paramount importance in forming joint venture partnerships (Quang et al., 2000). Complementary assets remain important when selecting partners for a joint venture (for instance, Child and Faulkner, 1998; Geringer, 1991; Hill and Jones, 1995). Geringer (1991), in exploring the determinants of partnership selection in international joint ventures, shows that the criteria vary, depending on the criteria of the partners associated with operational skills and resources (i.e. task related) and the criteria associated with efficiency and effectiveness of partners’ cooperation (i.e. partner related). Within the partner related criteria, the determinants include compatibility and trust (Geringer, 1991), as well as long-term commitment (Quang et al., 2000). In this study, selection of counterparts is considered to be both important and an area of great difficulty, given the potential problems of small-scale Australian inbound tour operators seeking to partner with large firms such as the authorised Chinese travel agents.

In strategic alliance partnerships, organisations usually use their own selection criteria to choose their potential partners. First, the partner must have capabilities that the company values, but lacks, such as being able to assist in achieving the company’s strategic goals and market accessibility. Second, the partner must share the company’s vision of this certain kind of partnership, with similar agendas to achieve their agreed mutual goals. Third, the partner must not opportunistically exploit the partnership for its own ends, such as expropriating the company’s technological know-how, while giving little in return (Hill and Jones, 1995). This situation occurs often in the manufacturing industry (Dwyer et al., 1987; Ford, 1980; Kanter, 1994), but little research has taken place on the search stage in the services industry, including the tourism industry.
The set up stage
At the set up stage, one party, such as the potential supplier, takes the initiative to contact other potential parties to determine their mutual goal compatibility (Dwyer et al., 1987; Ford, 1980; Wilson, 1995). Thus, negotiations may be conducted at this stage between potential partners (Ford, 1980; 1998). If the partners are uncertain about trust in each other, there is a trial period for the potential partner (Dwyer et al., 1987; Ford, 1980, 1998; Larson, 1992). Commitment at this stage may also be limited, especially if there is a concern about the other party’s level of involvement (Ford, 1998; Wilson, 1995); this may occur through the gesture of signing the contract (Ford, 1998; Kanter, 1994). Although time consuming (Ford, 1998), the basics of trust and joint satisfaction can be established at this stage; alternatively the termination of the fragile association with a potential partner may also take place (Dwyer et al., 1987).

The development stage
The development stage is characterised by the integration process whereby partners in the network develop their relationships (Ford, 1980). A contract may be signed at this stage (Ford, 1980; 1998). While they may discover that the other party has different ideas about business (Kanter, 1994), in order to work together effectively and efficiently, adaptation takes place. The partners may need to adapt to meet the needs of their partners, but also to the process and products or services to accommodate each other (Ford, 1980, 1998; Wilson, 1995). Additionally there is continued increase in the benefits and increased interdependence (Dwyer et al., 1987). Partners may also invest and commit resources and people to the relationship to complete tasks (Ford et al., 1998; Wilson, 1995). Creating relationship value may also occur at this stage (Borys and Jemison, 1989; Wilson, 1995). Value creation refers to “the process by which the capabilities of the partners are combined so that the competitive advantage of either the hybrid or one or more of the partners is improved” (Borys and Jemison, 1989, p. 241). Borys and Jemison (1989) further explain that the partnerships create value in a way that none of the partners could do alone. Therefore, the partnership relationship, at this stage, is a joint effort between partners based on the cooperative and collaborative structure that has evolved from
the earlier stages, especially through the synergetic combinations of the partners’ strengths and better cost management in the firm’s operations (Wilson, 1995). Consequently, trust and commitment to the relationship as well as cooperation is likely to increase (Ford, 1998), with mutual commitment giving rise to mutual dependence between relational parties (Holm et al., 1999).

**The maintenance stage**

During the maintenance stage, there are still some adaptations and integrations occurring, particularly where partners need self control or negotiations to resolve conflicts and make adjustments based on their agreement (Dwyer et al., 1987; Heide, 1994; Kanter, 1994; Larson, 1992). At the maintenance stage, counterparts become more interdependent through operational and strategic integrations; hence, commitment develops through their mutual trust, good performance and satisfaction (Ford, 1980; Larson, 1992; Wilson, 1995). The relationship between partners becomes stable through the partners’ active involvement through cooperation and the institutionalised process, in which the relationship may be extended beyond the particular people who formed the business relationship (Ford, 1980, 1998; Kanter, 1994; Wilson, 1995).

**The termination stage**

When the costs of continuation or modification outweigh the benefits, a relationship termination occurs (Dwyer et al., 1987; Kanter, 1994). Although bilateral efforts are made to build up relationships, dissolution may be more easily initiated unilaterally (Dwyer et al., 1987; Heide, 1994; Kanter, 1994).

Dwyer et al. (1987) and Ford et al. (1998) refer to the possibility of movement between these stages (Figure 2.3). Thus, the partnering relationship may trigger a return to the searching stage, even when the relationship is at the development or maintenance stage. The lack of apparent commitment by one party may mean that this party is not satisfied with the changing requirements of the other. This, therefore, may prompt the company to return to the search stage to look for new potential counterparts. On the one hand, if one counterpart does not develop the relationship because of insufficient resources or because one company has only a
transitory need, the other counterpart has to re-enter the search stage to look for new partners. On the other hand, counterparts who are in the maintenance stage may go back to the development stage when either party is unable and/or unwilling to respond to new, or different requirements. As a result, most well-established business relationships may have gone through several development and maintenance stages (Ford et al., 1998).

**The stages of developing partnerships**

As stated before, the stage model has been formulated and adapted with respect to industrial relationships (Borys and Jemison, 1989; Dwyer et al., 1987; Ford, 1980, 1998; Heide, 1994; Larson, 1992; Wilson, 1995). By contrast, Dwyer et al. (1987) developed the model of buyer-seller relationships treating relationships as ongoing, rather than discrete, events though without empirically testing it. Larson’s (1992) work explores the dyadic relationships established by high-growth entrepreneurial firms in the United States, while Heide (1994) has developed forms of governance of inter-firm relationship marketing management processes, and has partially tested these forms. Borys and Jemison (1989), Wilson (1995) and Zineldin (1996), incorporating previous literature on relationship development models, developed various forms of stage models, however, these have not been empirically applied.

While some models are theoretical models, which have not been tested empirically, (e.g. Dwyer et al., 1987; Wilson, 1995), Larson (1992), Ford (1980) and Ford et al. (1998) have focused their research on manufacturing industries and not the service sector, so cross-sectorial differences have not been addressed. Little research has been conducted into the service industry, except for aspects of Kanter’s (1994) and Zineldin’s (1996) investigations. There has been even less focus on the buyer-supplier relationship as it manifests in the tourism industry. No research has been conducted into the processes involved in developing partnership relationships in the international travel trade. Although the partnership relationship development model (see Figure 2.3) is a highly ethnocentric model, based on Western assumptions of how partnership relationships develop in the business network context, this research applies this model to the buyer-supplier dyadic relationship in the Chinese inbound tourism market to Australia to test the model in a cross-national and cross-cultural
context and adapt it accordingly. Such partnerships will facilitate the development of Australia as a preferred tourist destination for the Chinese outbound market. In so doing, research issue 1 will be addressed:

RI 1: How can we theorise the partnership relationships between Australian inbound tour operators and Chinese authorised travel agents?

Previously tested models have only been examined within one country, although Ford (1980) and Ford et al. (1998) examined the model in five neighbouring European countries, which share similar national cultures. Only Kanter (1994) discussed the development of inter-organisational networks in international markets, some of which were embedded with contrasting national cultures, such as the networks between Asia (including China) and the West. That research observed eleven countries of the world\(^2\), including large and small companies in both manufacturing and services industries which were involved in many kinds of alliances. However, Kanter addressed neither the differences among Asian countries in terms of the process of developing network relationships with the West, nor the role of cultural factors in Asian-Western networks, which is important in international business. The impact of cultural factors on partnership relationships is reviewed in Chapter 3.

This study is a multidisciplinary research project drawing on networking management theories, marketing theories and cross-cultural research, each of which could be a study in itself. Thus, the stage model needs to be elaborated further to explore the complex nature of network dynamics in this study, and this can only be done by using a multidisciplinary approach.

2.4 Network and relational factors

The importance of social and cultural factors in developing network relationships was identified in Section 2.2.2. Network and relational factors have been widely discussed in networking (e.g. Child, 1998; de Laat, 1997; Portes, 1998; Ring, 1997)

\(^2\) The United States, Canada, France, Germany, the United Kingdom, the Netherlands, Turkey, China, Hong Kong, Indonesia, and Japan.
and marketing literature (e.g. Dwyer et al., 1987; Ford, 1980; Ford et al., 1998; Wilson, 1995). However, the importance of these factors has been discussed in relation to manufacturing networks and relationships, but has not yet in reference to the services industry. While it is difficult to address all these factors, those that will be covered here are those which have been widely discussed in both the marketing and networking literature. Table 2.2 lists network and relational factors that will be discussed and investigated in this study. This list is not exhaustive, as more factors could be added by other researchers to reflect situational factors. Further, as this research is conducted cross-nationally in one specific services industry – the tourism industry – some factors, such as performance satisfaction, quality of services, word-of-mouth (WOM) and empathy, which are considered crucial in services marketing and tourism marketing, are also listed in Table 2.2 as extended factors which have been considered important in services marketing and cross-cultural marketing. Buttery et al. (1999) and Fulop (2004) pointed out that most of the networking and marketing literature is ethnocentric in applying a Western approach to inter-organisational relationships and is therefore insensitive to cross-cultural factors. As a feature of this study is cross-cultural research, some specific cultural factors may occur as crucial factors impacting the development of business relationships between Chinese and Australian counterparts. Nevertheless, this section will review the network and relational factors impacting the development of business relationships, and cultural factors will be discussed in Chapter 3. A discussion of these factors in Table 2.2 follows.

Table 2.2 Extended list of network and relational factors

<table>
<thead>
<tr>
<th>Power and size of a firm/interdependence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social capital (trust, reciprocity and reputation)</td>
</tr>
<tr>
<td>Commitment</td>
</tr>
<tr>
<td>Investment</td>
</tr>
<tr>
<td>Adaptations</td>
</tr>
<tr>
<td>Mutual goals</td>
</tr>
<tr>
<td>Performance satisfaction</td>
</tr>
<tr>
<td>Quality of services</td>
</tr>
<tr>
<td>Social bonds</td>
</tr>
<tr>
<td>Structural bonds</td>
</tr>
<tr>
<td>Word-of-mouth (WOM)</td>
</tr>
<tr>
<td>Empathy</td>
</tr>
</tbody>
</table>

Source: Developed for this study
Power and size of a firm

Power has been considered as a fundamental part of network dynamics, which may bring substantial costs and benefits from networking to all involved partners. Principally drawn on Howard’s (1990) work, three forms of network will be discussed in this section. Extending on the International Labour Organisation’s (ILO) two dominant forms of power relations networks (kingdom and republic), Howard (1990) adds a third form of network (hybrid), based on the different types of power relations in each:

- **Kingdom networks** – “tie small suppliers to a large corporate customer in a vertical supplier chain, under the strategic direction of the big company” (p. 94); example: the Japanese supplier-group system;

- **Republic networks** – “join small highly specialised companies to each other in a horizontal network where no one company dominates” (p. 94); example: Europe’s industrial districts; and

- **Hybrid\(^3\) networks** – small businesses deal with dominant companies, but “in no sense do these big companies dominate the network. Indeed, in many respects, exactly the opposite is the case” (p. 100); example: Silicon Valley - small companies cooperate with big companies without losing their room to manoeuvre.

In the kingdom network, small suppliers, as weaker partners, are highly dependent on the large organisation. The large organisations have power over the small suppliers, whereas in the republic network, power between the companies is equal. Instead of a large organisation dominating in the network, a “broker” or “third party”, from a public institution or association, provides services and coordinates the network. The feature of hybrid networks is that participating small firms usually have their own expertise and their own power to manoeuvre and deal with a range of large company competitors. These network forms can also be transformed from one to another.

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\(^3\) The meaning of “hybrid” is different from Williamson’s (1985; 1991) hybrid networks. All hybrid networks mentioned hereafter refer to Howard’s (1990) hybrid networks.
Small businesses within the network do have power. Howard and de Laat (1997), in fact, question the traditional perception that the success of business comes with size. They argue that the size of a firm is no longer a critical issue for competitiveness, but that it is the quality of the business relationships which tie companies to each other that matter. An empirical study conducted by Dean et al. (1997) on companies in the manufacturing and service sectors in Australia confirms that there is no significant relationship between size of a company and networking involvement. Hence, being a smaller business does not mean having weaker power in the network. As discussed in Section 1.5, most of the authorised Chinese travel agents are large-scale “enterprise groups” of SOEs, whereas most Australian inbound tour operators are privately owned micro-businesses, operating with less than 20 people. The contrast of the size of these two counterparts draws attention to the relationship between power and the size of a company, and this study will explore the validity of Howard, de Laat (1997) and Dean et al. (1997)’s findings when applied to the Chinese inbound travel business to Australia.

**Power and interdependence**

Power relations are embedded in business network relationships (Granovetter, 1985), with partners rarely in equal positions. It is the case that the stronger partner, the one upon whom another business is overly dependent, can abuse a weaker partner, and thus can affect the other’s bargaining power (Buttery et al., 1999; de Laat, 1997; Fulop, 2004). Howard (1990) typifies three types of networks, demonstrating the relationship between power and dependence among business partners. Further, power and interdependence also relate with social capital in the development of business relationships between partners (Granovetter, 1985). Hence, the interdependence between partners may develop over time. In relationship marketing literature, power and dependence have a focal point of discussions in traditional relational channel research (Wilson, 1995), and in international tourism business (March, 1997). For Anderson and Narus (1990), power imbalance is defined as the ability of one partner in the relationship to get the other partner to do something that they normally would not do. Crotts et al. (2000) argue that firms also have a major concern about sharing certain forms of information and this can be the
source of power imbalance and politics. Power imbalances can be used as a bargaining tool against a partner in future negotiations. Power imbalance between the buyer and seller therefore leads to the weaker partner in the relationship being closely tied or overly interdependent of the other partner (Dwyer et al., 1987). However, in the marketing literature, Western theories make little mention of the role of social capital, particularly in the cross-cultural context.

**Social capital**

Social capital has become a trendy concept (Gittins, 2003), invented by sociologists, but now a part of everyday language (Portes, 1998). Sociologists have commonly applied this concept to explaining certain types of society, community and familial associations (e.g. Gittins, 2003; McPherson et al., 2003; Portes, 1998). For example, as Putnam (1996, in Portes, 1998) explains, simultaneously acting as a cause and an effect, social capital leads to economic development and less crime in a society, and its existence is derived from the same outcome.

Furthermore, the idea of social capital has been expanded as a construct for a company’s success, including the social dimension of work, the quality of employee interactions with customers, the importance of networks, and other issues such as trust and loyalty (Putnam, 2000, in Kiechel, 2000). Particularly in the networking literature, the idea of social capital has been extended to explain the critical role of non-monetary forms of exchange, which are intangible and based on social relations, in building human capital and gaining a sustainable advantage over competitors (Fulop, 2004; Gittins, 2003; Nahapiet and Ghoshal, 1998). Therefore, social capital is key to networking.

The definition of social capital has subsequently altered from its sociological origin as “the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalised relationships of mutual acquaintance or recognition” (Bourdieu, 1985, p. 248, in Portes, 1998) to a more detailed definition. In the networking context, social capital is seen as connections among individuals – social networks and the norms of reciprocity and trustworthiness, which arise from them, that facilitate cooperation within or between
groups (Gittins, 2003; Putnam, 2000, in Kiechel, 2000, p. 150). In addition, the reputation of a person or a firm is based not only on economic motives (e.g. cheating in business will damage the firm’s reputation), but also, as a key aspect of social capital, will have an impact on forming network relationships (de Laat, 1997; Powell, 1990). Therefore, three key aspects of social capital and networking will be discussed as follows and these are trust, reciprocity and reputation as per Fulop (2004).

Trust

The concept of trust has drawn increased interest in organisational studies (Mayer et al., 1995), relationship marketing (Doney and Cannon, 1997; Smith and Marclay, 1997) and business network relationships (Batonda, 1998; Crotts et al., 1998; Crotts et al., 2000; Dwyer et al., 1987; de Laat, 1997; Ford et al., 1998; Fulop and Richards, 2002; Gilbert and Tsao, 2000; Grönroos, 1996; Medina-Muñoz and García-Falcón, 2000; Morgan and Hunt, 1994; Ring, 1997; Wilson, 1995; Wong, 1998; Woo and Prud’homme, 1999). At its most general level, Moorman et al. (1993) define trust as “a willingness to rely on an exchange partner in whom one has confidence” (p. 82). As one of the key aspects of social capital, trust can be simply referred to as “the level of confidence that people have that others will act as they say or are expected to act, or that what they say is reliable” (Gittins, 2003, p. 46). Trust can occur between people or with organisations or firms that you have not had previously dealt with (Gittins, 2003). In networking theories, Ring (1997) finds evidence that trust is a catalyst which facilitates the formation of ongoing networks governing economic exchanges and transactions. Trust exists when one party is confident in an exchange partner’s reliability and integrity (Morgan and Hunt, 1994). Quite often, the main reason for cooperation failure is a lack of trust between the counterparts. The inability to trust linkage partners relates to uncertainty and uneasiness in dealing with other firms or people within these firms. For this reason, all the partners need to work hard on trust and sharing partnership responsibilities (Bureau of Industry Economics, 1995).

Trust plays a different role in different contexts. In customer-company relationships, the outcome of high levels of trust is loyalty, which is as important a
marketing tactic as Product, Price, Promotion and Place (Berry, 1993; Berry and Parasuraman, 1991; Hudson, 1996). In buyer-seller relationships, during the process of bargaining, trust is central to the achievement of cooperative problem solving and constructive dialogue (Schurr and Ozanne, 1985). In networking and relationships in international and cross-cultural contexts, it is extremely difficult to engage in understanding and commitment when networks are formed with people from different cultural backgrounds before trust alone influences the conduct of business (Ring, 1997), as “the reality is that different cultures are more or less willing to trust in a negotiation or relationship and are more or less suspicious of the other” (Fulop and Richards, 2002, p. 279). Buttery et al. (1999) and Fulop (2004) therefore concludes that “trust is highly contingent and contextual”. Hence, the establishment and maintenance of trust between partners present special challenges, particularly in alliances or partner arrangements between Chinese and Western partners (Child, 1998).

The antecedent of trust is trustworthiness (Mayer et al., 1995; Smith and Barclay, 1997) and includes the partner’s reliability and integrity (Morgan and Hunt, 1994). Mayer et al. (1995) add a person’s ability and benevolence as factors of perceived trustworthiness when dealing with personal trust in organisations. They also state that people vary in their inherent willingness to trust others. However, they state this depends on a person’s previous experiences, personality type and cultural background (Mayer et al., 1995). The outcome or the indicator of trust between partners is willingness to rely on each other (Mayer et al., 1995; Morgan and Hunt, 1994). Ford et al. (1998) argue that the level of trust in a relationship varies widely, so that the outcome may not be satisfactory to partners who are involved in the relationship.

Ring (1997) develops two different types of trust in network relationships, and these are called fragile and resilient trust. Fragile trust typifies the early stages of network development, when the economic actors are assumed to face risks arising from the threat of opportunistic behaviour. Fragile trust relies very much on formal means, such as contractual agreements, and works on the premise that economic actors will act opportunistically and in self-interested ways (de Laat, 1997; Ring, 1997; Ring
Fragile trust does not presume embedded social relations, although it does preclude deeper forms of trust developing over time. Hedging bets, contracts, mediation, courts, and other formal mechanisms to facilitate an exchange typify examples of fragile trust (Buttery et al., 1999; Fulop, 2004).

At the other extreme is resilient trust. Resilient trust typifies the later stages of network development, when the confidence of economic actors rests in the predictability of the goodwill of others (Ring, 1997). Resilient trust identifies the embeddedness of social capital (Fulop, 2004), and is regarded as conducive to the stable, long-term relationships characteristic of networks (Ring, 1997). “Moral persons” (Ring, 1997, p. 125) who have faith and confidence in the other economic actor can develop resilient trust that “survives the occasional transaction in which the expectations of economic actors regarding a specific economic exchange and the outcomes of that exchange do not fully converge” (Ring, 1997, p. 122).

Murakami and Rohlen (1992) and Ring (1997) address the time consuming process of establishing resilient trust, or the transformation of fragile into resilient trust, in which a “track record” may be one usual measure of trust. Ring (1997) also confirms that social exchanges involved in resilient trust include such things as kinship ties, or geographic and cultural localised ties. However, he also argues that if the economic actors involved in the network relationships are from the same kinship group or have strong social ties, such as blood-kinship and social-integrative clans, resilient trust may be more relied on than fragile trust. If there is no social capital to build resilient trust, as is common particularly in the cross-nation context, the partners’ fragile trust will develop more rapidly than resilient trust. Further resilient trust develops in these circumstances depending on a track record of successful transactions so that a trustworthy reputation can be established between economic actors within the network.

Brenkert (1998) has developed a three dimensional approach to trust: basic trust, guarded trust and extended trust within the business context, but not in networks (Fulop, 2004). Basic trust is defined as “the trust that individual agents have that other moral agents, with whom they have only impersonal, systematic relations, will
act in certain kinds of standard ways not to take advantages of their vulnerabilities” (Brenkert, 1998, p. 283). Guarded trust is required to maintain the relationship between those firms and individuals who have specific contracts and monitoring practices, especially when lack of clarity and uncertainties in contracts occur. Extended trust happens when firms and individuals trust one another beyond basic and guarded forms of trust, and this relationship is maintained even when contracts and monitoring devices are reduced (Brenkert, 1998). This extended trust is further developed through an ongoing relationship between involved firms and individuals over an extended period. Although Ring (1997), de Laat (1997) and Brenkert (1998) typify trust from different angles, the features of fragile trust are similar to those of basic and guarded trust where no social relations are involved (Fulop, 2004). The feature of extended trust is close to that of resilient trust where social relations are involved to develop long-term stable network relationships.

Referring to Sino-Australia cross-national cooperation, which differs from Brenkert’s (1998) and Ring’s (1997) typologies, Child (1998) and Fulop (2004) present the problematic issues of trust for Sino-foreign joint ventures. They argue that the level of trust for Chinese counterparts depends greatly on the degree of financial and technological dependence that foreign partners have on their Chinese partner. Hence, when foreign venture partners in China contribute most of the key resources to a joint venture, and there is a low level of dependence on the local Chinese partner, the low-trust option is applied to the joint venture. The concept of low-trust is similar to that of fragile trust, discussed previously, where scant social relations are involved (Child, 1998); it is also similar to the concept of guarded trust (Fulop, 2004). When foreign investors need to rely on the Chinese partner to cope with significant aspects of China’s complex environment and access to the local market, the high-trust option is utilised to deepen the cooperation further by building upon a more developed level of mutual trust. Child (1998) concludes that, although the high-trust strategy appears more time consuming, because of the need to develop cooperation between Chinese and foreign partners, it also provides more opportunities for both involved partners to work through difficulties while establishing alliances than is possible with the low-trust strategy. Hence, when both involved partners show long-term commitment, the high-trust strategy will be more
likely to “secure a firmer basis for business cooperation in the Chinese context” (Child, 1998, p. 268) in the long run. The concept of high-trust is similar to that of resilient trust and extended trust. Fulop (2004), however, criticises Child’s (1998) approach to trust, arguing that it is highly culturally centric, being based on “Western cultural logic”.

Nevertheless, in the Chinese business system, the word “trust” has equivalence in the Chinese language. Trust-based relationships seem to be particularly important, as the Chinese business system is accompanied by trust-based and/or kinship-based relationships rather than by the more codified rules or laws of contract (Boisot and Child, 1996). It is acknowledged by Boisot and Child (1996), Child (1998), Fulop and Richards (2001) and Redding (1993) that in Chinese society a trust-based relationship is the basis of forming guanxi (connection) networks, which dominate the operations of businesses in China (the Chinese guanxi-based network will be further discussed in Section 3.5.2). Child (1998) and Rodrigues (1995) acknowledge the time consuming process of developing trust-based relationships with Chinese counterparts. Indeed they suggest using intermediaries in any Sino-Foreign cooperation, such as employing overseas agents, to minimise the cultural gap between the two totally different systems of management. However, they also raise concerns over the possibility of the abuse of trust by the intermediaries.

Within the context of the current research, previous research by Pan (1999) has identified that most of the Australian inbound tour operators who handle the Chinese inbound travel business are Australian Chinese, and are thus neither solely Westerners nor solely non-Westerners. This current research investigates the role of trust in the process of developing partnership relationships between Chinese travel agents and Australian inbound tour operators, acknowledging that the current theorising on trust does not easily account for this unique group of people. It will also investigate the necessity of having intermediaries and consequent concerns about the possibility of the abuse of trust in the process of forming partnerships.
Reciprocity
Reciprocity is defined in Western literature as “a mutually contingent exchange of benefits between two or more units” (Gouldner, 1960, p. 164). Such exchanges, or reciprocity, as one of the social capitals embedded in network relationships, has been considered to involve notions of indebtedness and obligations (Fulop, 2004; Powell, 1990; Yum, 1988). It is also the basis of creating long-term commitment in network relationships between partners (Powell, 1990). One of the key characteristics of reciprocity is its bilateral equal exchange of benefits between involved partners (de Laat, 1997; Gouldner, 1960; Powell, 1990; Yau, et al., 2000). In the context of resilient trust, this means that “there is an accepted and demonstrated moral obligation on the part of those involved in a network to give back to all members some fair return for the investment they have made” (Fulop, 2004).

However, the meaning of reciprocity is different in the Chinese context compared to the Western context. In the Chinese context, reciprocity is a key cultural value, upon which *guanxi* is developed and maintained (Chen, 1995; Yau et al., 2000). The key difference is that reciprocation in the Chinese culture is not expected to be equal as it is in the West (Pye, 1986).

Reputation
A firm’s reputation can be identified as either “reputation for excellence in technology, production, and/or marketing” or “reputation for (dis)honest behaviour” (de Laat, 1997, p. 162). Initially market transactions are stabilised by a firm’s good reputation (Macaulay, 1963 in de Laat, 1997). However, the establishment of a reputation for a person or firm is not only based on economic transactions, but can also be achieved through social processes, such as when the trusted person talks about their experience with the person or firm in question (Powell, 1990).

Reputation has been acknowledged as one of the key aspects of social capital in forming network relationships (de Laat, 1997). Over time reputation facilitates the development of resilient trust, with repeated transactions and track records of complying with rules and contracts (de Laat, 1997; Lane, 1998; Ring, 1997). While a company’s reputation may be complemented by personal reputations (de Laat,
1997), reputation is only one of the factors that need to be considered in the network relationship development process. Reputation alone is not enough in forming social relations in the Western context (Buttery et al., 1999; de Laat, 1997; Fulop, 2004). De Laat (1997) argues that classical contracting and building credible commitments, which will be discussed in the following section, are still the two dominant governance instruments for developing network relationships.

In the cross-national context, a potential partner’s reputation, together with capabilities, financial strength and competitiveness, is typical information sought by a Western partner (Rodrigues, 1995). However, sometimes it is difficult to get this kind of information, particularly in mainland China where bureaucratic systems are embedded in complex systems of decision-making within a SOE. Hence, intermediaries, such as agents or third parties, who have this form of tacit knowledge, are utilised to deal with these complexities in another country (Rodrigues, 1995).

The concept of reputation has been specifically focused in the Chinese guanxi-type business system; it is very time consuming particularly for the newcomer, who has to build a reputation and join in such a system prior to any business negotiation with a potential business partner (Lovett et al., 1999; Yi and Ellis, 2000). Indeed, just as in the Western literature, reputation and trust between people in the firm are key elements in the Chinese business system (Davies et al., 1995; Dunfee and Warren, 2001; Lovett et al., 1999; Park and Luo, 2001; Simmons and Munch, 1996). Therefore, it would be interesting to explore the role of reputation in the development of partnering relationships between Chinese and Australian counterparts.

**Commitment**

One factor which is tightly bound to social capital is commitment. Commitment represents the highest stage of relational bonding (Dwyer et al., 1987). Morgan and Hunt (1994) define relationship commitment as “an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it” (p. 23). In business network relationships, commitment implies
“the importance of the relationship to the partners and a desire to continue the relationship to the future” (Wilson, 1995, p. 337). Business relationships between companies are at least as complicated as those between people, and sometimes a company does not want to be committed to the long-term future of a relationship, because it will try to take short-term advantage (Ford et al., 1998). Therefore, it takes time for both parties to make a commitment to each other, and if commitment does eventuate, the committed party must believe that the relationship is worth working on to ensure that it endures indefinitely (Ford, 1982).

The forms of commitment used between organisations can either be in the form of contracts or other forms of pledging, to enable partners involved in the strategic alliances to share know-how. De Laat (1997) and Fulop (2004) call this kind of commitment, “credible commitment”. In cooperative research and development strategic alliances, credible commitments include “phased commitment”, meaning that “a partner promises to share even more knowledge as the alliance unfolds in the future” (de Laat, 1997, p. 157). Thus, this kind of commitment will eventually make both parties evenly involved in cooperative research or strategic alliances. Another stronger form of commitment, “mutual commitment”, involves partners agreeing “to limit or even eliminate one’s own independent research during the time of the alliance” (de Laat, 1997, p. 158).

Credible commitments are proxies of trust (Fulop, 2004). That is, the process of making credible commitments is a process of raising the level of trust, in the course of transforming fragile trust into resilient trust, phrased in Ring’s terms (de Laat, 1997). The development of resilient trust is also an effective way to curb opportunistic behaviours (de Laat, 1997). Hence, Buttery et al. (1999), de Laat (1997) and Fulop (2004) clarify that no matter whether it is a classical contract or credible commitments (which can also be a form of contract or other form of agreement), neither of them can substitute for each other, and they imply different types of trust. However, de Laat’s (1997) research is mainly focused on R&D industrial alliances with high risks of opportunism. Whether the findings from his research can be applied to the services industry, particularly in the international travel business, will be investigated in this study.
Commitment and trust are considered fundamental and critical in successful relationship marketing in business network relationships (for instance, Dwyer et al., 1987; Ford et al., 1998; Moorman et al., 1992; Morgan and Hunt, 1994; Rust et al., 1995; Tax et al., 1998; Wilson, 1995). Having relationship commitment and trust encourages firms to cooperate with their exchange partners, to resist short-term alternatives in favour of the long-term benefits of staying with existing partners, and to be wary of high-risk actions. Trust and commitment are closely tied together. Trust influences relationship commitment and may lead to higher levels of commitment to the bargaining partner, normally the buyer, in the organisational context (Morgan and Hunt, 1994). Demonstrating commitment to the partner is also an important way to earn the trust of the partner so that the other partner can expect similar commitment in return (Ford et al., 1998). Having relationship commitment and trust, therefore, results in cooperation within networks (Morgan and Hunt, 1994). Furthermore, having a commitment to establishing strategic alliances may lead to the fostering of high quality cooperation and reciprocity (de Laat, 1997).

However, the meanings of trust and commitment are embedded within different cultures, and their meanings may be different in the Chinese culture from those in Western society, and consequently trust and commitment may play different roles in Chinese business networks. In the Chinese context, trust-based relationships are especially significant forms of economic transacting, due to the weak institutional sanctions against reneging on commitments (Child, 1998). Coincidentally, in the Chinese guanxi-based business system, trust and commitment are also considered to be key factors in developing business relationships. This will be further discussed in detail in Section 3.5.2. This study will also investigate the different understandings of trust and commitment in relation to developing partnership relationships between Chinese and Australian counterparts in the tourism industry, and draw upon some similarities and differences in terms of the understanding of trust and commitment in both Chinese and Western societies.
Investment

Investment in the development of business relationships involves the investment of tangible and intangible resources by both parties (Ford et al., 1998; Kanter, 1994). This investment includes the use of each partner’s human resources and expertise to develop contacts with their counterparts. Importantly, partners’ investments in each other (for example, through equity swaps, cross-ownership, or mutual board service) demonstrate their respective stake in the relationship and their commitment to each other (Kanter, 1994). Consequently, the development of a relationship is said to evolve through incremental investments of resources by both suppliers and customer organisations (Turnbull et al., 1996). However, the Chinese business system is distinctly different from the Western business system existing in Australia (Davies et al., 1995; Dunfee and Warren, 2001; Lovett et al., 1999; Park and Luo, 2001; Simmons and Munch, 1996). Studies undertaken by Ford et al. (1998), Kanter (1994) and Turnbull et al. (1996) did not consider the impact of cross-cultural factors on the relationships cross-nationally. This study will investigate whether business relationships develop through increasing investment by both parties between China and Australia, or whether the relationship is embedded within other factors, such as cross-cultural issues.

Crotts et al. (2000) and Wilson (1995) have further addressed the role of non-retrievable investment in the development of business relationships. Non-retrievable investments are defined as “the relationship-specific commitment of resources that a partner invests in the relationship” (p. 339), including capital improvements, training and equipment (Wilson, 1995). Since these investments cannot be recovered if the relationship terminates, the investors need to be careful when they make the investment. Moreover, the relationship with such partners must be tighter and harder to break. This situation further reiterates the important role of credible commitments in networking in the Western paradigm by having phased commitments or other forms of mutual commitments (de Laat, 1997; Fulop, 2004; Ring, 1997).
Adaptations
In the marketing literature, adaptation has been acknowledged as a major factor through which companies come to depend on each other to build trust and commitment (Crotts et al., 2000; Ford, 1980; Ford et al., 1998; Hallen et al., 1991). The willingness to adapt demonstrates that the company, and the people in it, are committed to developing the relationship (Ford et al., 1998). According to Hallen et al. (1991), adaptation behaviour varies during the stages of a relationship. Adaptation helps develop trust in the early stages of a relationship, and assists in solidifying the relationship during the maintenance stage by bonding the buyer and seller/supplier in a tighter relationship to create barriers for a new competitive seller/supplier’s entry. Mutual adaptation takes time, and the outcome of adaptation is that each company will formally lay out their operations in the contract between the buyer and seller/suppliers (Ford, 1982; Ford et al., 1998). However, little research has been conducted in regard to this specific relationship between Chinese travel agents and Australian inbound tour operators, and it is not clear whether the contract is the ultimate outcome of a successful buyer-seller/supplier relationship in the business relationship between Chinese travel agents and Australian inbound tour operators.

Mutual goals
Buttery and Buttery (1995), Crotts and Wilson (1995) and Wilson (1995) define mutual goals as the degree to which partners share goals that can only be achieved through joint action and the maintenance of the relationship. These goals provide a strong reason for continuing a relationship. Having mutual goals encourages the cooperative behaviour of both parties (Wilson, 1995). In a network context, it also “enhances the possibility of providing congruent direction for the network, of agreeing priorities, allowing coordination and ultimately of providing the basis for effective planning, organising, motivating and controlling of alliance activities” (Buttery and Buttery, 1995, p. 26). Goal compatibility is also one of the key components for a success model of relationship development (Crotts et al., 2000). Furthermore, Heide and John (1992) and Wilson (1995) identify that one of the benefits of having mutual goals and joint decision-making between partners is increased satisfaction and commitment between the two partners. However, most of
these theories are discussed in the Western paradigm, and it is important to investigate the role of mutual goals and their relationship with other factors, such as commitment, when applied to the cross-national and cross-cultural research on business relationships in the tourism industry.

**Performance satisfaction and quality of services**

Wilson (1995) defines performance satisfaction as “the degree to which the business transaction meets the business performance expectations of the partner” (p.338). Performance satisfaction, as a critical factor in business relationships in the services industry, depends very much on the quality of services delivered to customers. Service quality is usually defined as filling in the gap between perceptions of service received and expectations of service desired to achieve customer satisfaction (Fitzsimmons and Fitzsimmons, 1994; Harvey, 1998; Laws, 1997). Partners, especially sellers, need to deliver high-level satisfaction in the basic elements of a business transaction, while buyers need to satisfy their partner’s needs (Wilson, 1995). In the tourism industry, most research has been focused on tourist satisfaction, which is identified as the emotional response to successful quality of services (Gnoth, 1994). However, little research has been conducted into the performance satisfaction of, and the quality of services delivered by, tourism product supplier organisations to buyer organisations in the international travel trade. Further, Buttery and Buttery (1995) identify that service-based partnerships are the hardest to make work. Hence, this study will investigate whether performance satisfaction and quality of services are the key issues of concern to Chinese and Australian counterparts in developing this partnering relationship.

**Social bonds**

Social bonding has been discussed in both the marketing and networking literature. Wilson (1995) defines social bonding as “the degree of mutual personal friendship and liking shared by the buyer and seller”, and personal social bonds develop through “subjective social interaction” (p. 339). From a slightly different perspective, Williams et al. (1998) define social bonding as “individuals who are bonded together via the organisational members’ personal and social relationships with their counterparts in a particular firm” (p. 137). However, Fulop (2004) argues
that the network literature is constructed in a way which is highly masculinist, focusing on how men do business and build social bonds and develop relationships, “often somewhat akin to a ‘boys club’, and are visibly insensitive to how women (and other groups!) might enrich social capital”. Personal trust and emotional bonds are often claimed to be the foundations for building sound networks (e.g. Buttery and Buttery, 1994). Therefore, buyers and sellers who have a strong personal relationship are more committed to maintaining the relationship than less bonded partners (Turnbull et al., 1996; Wilson and Mummalaneni, 1986). Trust and satisfaction with the relationship partner play a crucial role in developing social bonds (Williams et al., 1998). Indeed, social bonding is one of the key factors operationalised in all models of relationship development (Crotts et al., 2000). However, social bonding plays a slightly different role in the Chinese market than in the West. In the Chinese market, social bonds may lead to business bonds (Bjorkman and Kock, 1995), whereas in the West, Han and Wilson (1993, in Wilson, 1995) argue that social bonding alone does not contribute to buyer-seller commitment, and it has to combine with other factors, such as investment and structural bonds. Hence, it is of interest to investigate the role of social bonds in this study of the business relationships between Chinese and Australian counterparts in the tourism industry.

**Structural bonds**

Social bonds are developed mainly through interpersonal relationships that are developed by organisational members and individuals who are their counterparts. Structural bonds are more focused on structural relationships between organisations. Structural bonding is defined by Williams et al. (1998) as “the degree to which certain ties link and hold a buyer and seller together in a relationship as the result of some mutually beneficial economic, strategic, technological, and/or organisational objectives” (p. 137). These bonds develop over time. Indeed it has been found that the higher the level of investment, adaptation and shared technology, the higher the level of structural bonding between partners, the higher the commitment to the longer-term relationship with partners, and the more difficult it becomes to terminate the relationship (Turnbull et al., 1996; Wilson, 1995). The meaning of structural bonding differs from that of power and interdependence which were discussed
earlier. Structural bonding is the ultimate form of network relationship, and is considered to be a highly integrated relationship, which may be formed in the development and maintenance stages of business relationships; however, the relationship between power and interdependence of two involved counterparts is the initial state of these two counterparts prior to any development of business relationships (Wilson, 1995).

Social and structural bonds are antecedents for long-term relationships with partners (Turnbull et al., 1996). In a cross-national context, knowledge of the cultural orientation of the country, together with the social and structural bonds are antecedents for long-term commitment in business relationships (Williams et al., 1998). As the nature of this study is a cross-national and cross-cultural study, this thesis will investigate the role of social and structural bonds in the development of long-term business relationships between Chinese and Australian counterparts in the travel trade.

**Word-of-mouth (WOM)**

WOM involves “messages about the organisation, its credibility and trustworthiness, its ways of operating, its services and so on (being) communicated from one person to another” (Gronroos, 2000, p. 269). Previous networking theories on factors related to network relationship development have not included WOM. However, this aspect has been substantially discussed in the area of services marketing and tourism and hospitality research. WOM referrals are very important to services marketers, and are often the crucial bases leading to the reputation building of services providers (Berry and Parasuramen, 1991). Such advertising is the most powerful element to attract new customers (Morrison, 2002). In the tourism and hospitality industry, customers are more influenced by interpersonal information from within their social networks (such as friends, relatives, associates) than by direct messages from the media (Morrison, 2002). Personal sources of information, including personal experience and WOM, is a most important factor in reducing risks when decision-making and trip planning (Fodness and Murray, 1997; Murray, 1991; Raitz and Dakhil, 1989; Sheldon, 1993). Most WOM studies have focused on consumers rather than the organisational buyer’s behaviour, even though WOM is a
key determinant of organisational buyer behaviour in the tourism industry (Money, 2000). Previous research (Kotler et al., 1998) has addressed business-to-business relationships in the tourism industry, but has not included WOM and buying behaviour. Hence, it is necessary to investigate the relationship between WOM and the buying behaviour of Chinese travel agents in this study.

Empathy

Empathy is defined as “the ability to understand someone else’s desires and goals. People have to be willing to acquire an in-depth knowledge of their partners and to know what appeals to their needs” (Yau et al., 2000, p. 19). Hwang (1987) argues that developing empathy may enable one party to see the situation from the other party’s perspective, in a truly cognitive sense, so as to assist interpreting the other’s behaviour and needs.

Empathy has been considered an important factor in relationship marketing, while cultural empathy plays a vital role in any cross-cultural marketing setting (Hutchings, 2002; Tung, 1991). Yau et al. (2000) note that empathy is culturally related to the ability of an individual to see a situation from another’s perspective. Cultural empathy has been defined as “… the ability to place yourself in the position of the buyer from another culture. In this way a strong attempt is made to understand the thinking approaches, the decision-making process and the interactions between this and the culture and other forces influencing the buyer” (Phillips et al., 1994, p. 104). In both Chinese and Western business relationships, cultural empathy can be found, with cultural “understanding” being seen as important for partners who are not from the same culture to ensure understanding (Yau et al., 2000). Although empathy has not previously been included in the network factors related to network relationship development, this factor, and cultural empathy in particular, is considered in this study.

All factors discussed above are considered important components in either relationship marketing or business network theories. Generally, power, size, interdependence and investment are factors that exist prior to the formation process of such relationships. As summarised in Table 2.3, these network and relationship
factors have different levels of involvement in different stages of developing partnership relationships in business networks; this was discussed in Section 2.3. However, the literature does not discuss any related network and relational factors which may cause the termination of business relationships. This study will therefore investigate the actual factors involved in each stage of developing partnership relationships, including the termination stage, in the Sino-Australian travel trade.

Table 2.3 Factors involved in each stage of developing partnership relationships

<table>
<thead>
<tr>
<th>The stage model</th>
<th>Factors involved</th>
</tr>
</thead>
<tbody>
<tr>
<td>The search stage</td>
<td>• Reputation</td>
</tr>
<tr>
<td></td>
<td>• Trustworthiness</td>
</tr>
<tr>
<td></td>
<td>• Basic trust</td>
</tr>
<tr>
<td></td>
<td>• WOM</td>
</tr>
<tr>
<td>The set up stage</td>
<td>• Adaptation</td>
</tr>
<tr>
<td></td>
<td>• Mutual goals</td>
</tr>
<tr>
<td></td>
<td>• Phased commitment</td>
</tr>
<tr>
<td></td>
<td>• Fragile trust/guarded trust/low trust</td>
</tr>
<tr>
<td></td>
<td>• Social bonds</td>
</tr>
<tr>
<td></td>
<td>• Empathy</td>
</tr>
<tr>
<td>The development stage</td>
<td>• Fragile trust/guarded trust  \rightarrow  resilient trust/extended trust</td>
</tr>
<tr>
<td></td>
<td>• Phased commitment \rightarrow  mutual commitment</td>
</tr>
<tr>
<td></td>
<td>• Adaptation</td>
</tr>
<tr>
<td></td>
<td>• Reciprocity</td>
</tr>
<tr>
<td></td>
<td>• Social bonds</td>
</tr>
<tr>
<td></td>
<td>• Mutual goal compatibility</td>
</tr>
<tr>
<td></td>
<td>• Performance and quality of services</td>
</tr>
<tr>
<td></td>
<td>• Empathy</td>
</tr>
<tr>
<td>The maintenance stage</td>
<td>• Social and structural bonds</td>
</tr>
<tr>
<td></td>
<td>• Mutual commitment</td>
</tr>
<tr>
<td></td>
<td>• Performance and satisfaction</td>
</tr>
<tr>
<td></td>
<td>• Resilient trust/extended trust/high trust</td>
</tr>
<tr>
<td></td>
<td>• Reciprocity</td>
</tr>
<tr>
<td></td>
<td>• Empathy</td>
</tr>
<tr>
<td>The termination stage</td>
<td>• To be investigated</td>
</tr>
</tbody>
</table>

Source: Developed for this research

Among these factors, only social bonds and structural bonds have been discussed as determinants of cross-national business-to-business relationship performance
Limited research material is available in regard to the role of these factors, which are reviewed in this chapter, in the different stages of developing business relationships cross-nationally. Nevertheless, these factors are considered pivotal in the process of developing network relationships, and more specifically within business network relationships between China and Australia. Recently, Mavondo and Rodrigo (2001) examined the effect of relationship dimensions on commitment in organisations conducting business between Australia and China. They examined the importance of most factors mentioned above (except for WOM and empathy), in doing business between Australia and China. They also incorporated some specific factors which influenced the development of Chinese business network relationships. However, their research did not include the tourism industry. This research, therefore, intends to identify the network and relational factors involved in the process of developing business-to-business relationships between China and Australia in the international travel trade, as defined in research issue 2, which is:

**RI 2: What are the key network and relational factors involved in the process of developing business relationships between Chinese authorised travel agents and Australian inbound tour operators? How do these factors relate to each other?**

### 2.5 Conclusion

This chapter has reviewed the literature on forms of cooperation and collaboration between organisations within business networks. The process of developing partnership relationships, together with factors involved in this process, was addressed. However, as most of the research has been undertaken from a Western perspective, there are some questions as to whether these Western concepts and models are applicable in the Australian/Chinese or cross-cultural context. For example, the networking theories are highly centralised in the Western literature, and the stage model is constructed in the Western paradigm. Most of the network and relational factors reviewed in this chapter have been considered important in the networking and marketing literature in manufacturing industries, but have not been investigated in the tourism industry.
Of particular interest is the focal relationships between Australian nominated inbound tour operators, many of whom are of Chinese descent, and Chinese authorised travel agents. There are also few studies that examine how Chinese operators view partnership relationships in the network context. The research issues addressed in this chapter are:

RI 1: How can we theorise the partnership relationships between Australian inbound tour operators and Chinese authorised travel agents?

RI 2: What the key network and relational factors involved in the process of developing business relationships between Chinese authorised travel agents and Australian inbound tour operators? How do these factors relate to each other?

This research is being conducted in a multidisciplinary framework, drawing on ideas from networking theories, relationship marketing and cross-cultural studies. Each one of these areas could constitute an independent study in its own right. It is the intention of this study to incorporate relevant areas into the investigation of the specific partnership relationships of the Chinese inbound travel trade to Australia; that is, the relationship between Chinese travel agents and Australian inbound tour operators of Chinese descent. These research issues focus on the stages involved in developing partnership relationships from a management and marketing perspective. The impact of cross-cultural differences on this particular process is discussed in Chapter 3.
Chapter 3 Literature Review (II) – Cultural Factors

3.1 Introduction

Culture, as a barrier, a challenge and a resource, is a heavily used, but elusive concept (Child and Faulkner, 1998). Culture is something that is shared by all, or almost all members of some social group; older members of the group try to pass on their culture to younger members. It also shapes behaviour and assists in structuring one’s perception of the world, through morals, laws and customs (Brown, 1976). National culture is said to be deeply embedded in daily life and is relatively resistant to change (Newman and Nollen, 1996).

An unfamiliar cultural environment, with differences in expectations, languages, foods, and even the concept of personal space, often produces stress and a lack of understanding for newcomers (Adler, 1986; Kaye and Taylor, 1997). To create opportunities for business cooperation, many managers have to learn the customs and courtesies of other cultures, as well as learning to understand the national character, management philosophies, and mindsets of the people (Harris and Moran, 2000). Cross-cultural understanding is difficult and sometimes painful to attain, but the rewards can also be substantial (Chen, 1995). Cross-cultural understanding may minimise the impact of culture shock, maximise inter-cultural experiences, and increase professional development and organisational effectiveness (Harris and Moran, 2000).

This chapter identifies the role of culture in the process of developing business relationships between Chinese travel agents and Australian inbound tour operators. This chapter presents a review of the literature on culture, cultural differences between China and Western countries, and the impact of these differences on business practices, such as communication, negotiation and business networking. The distinct concept of Chinese networks, guanxi, will also be introduced and reviewed, together with a discussion of Australian business networks. The notion of the guanxi-based model for Chinese travel agents and Australian inbound operators being used to develop business relationships will be considered in this chapter. Thus, two research issues - the impact of cross-cultural differences and the role of guanxi in the process of developing business
relationships between Australian inbound tour operators and Chinese travel agents - will be addressed.

3.2 Dimensions of culture within business networks

Culture is an important force determining managerial attitudes and practices; it is considered an essential tool for understanding the process of doing business (Williams et al., 1998). Harris and Moran (2000) emphasise that culture plays a critical role in cooperative and collaborative cross-national partnership relationships and business operations. More specifically, from a marketing perspective, Kotler et al. (1998) note that culture has the broadest and deepest influence on buyers’ behaviour.

Since Western management practices do not always adequately transfer to organisations operating outside Anglo spheres of influence (Newman and Nollen, 1996; Pett and Dibrell, 2001), the notion of culture-free management has been widely criticised as “being ethnocentric and of neglecting international differences in management and organisational behaviour” (Westwood and Kirkbride, 1998, p. 554). The literature in international business and management has broadly discussed the impact of national culture on an organisation’s management practice and on differing business practices from country to country (for instance, Adler, 1991; Hofstede, 1980; Tayeb, 1988; Trompenaars and Hampden-Turner, 1998; Westwood and Kirkbride, 1998; Westwood, 2001). The formation of partnership relationships requires cultivating a mindset sensitive to cross-cultural differences and cultivating the skills needed to manage cultural differences (Harris and Moran, 2000).

One of the major barriers to successful performance in cross-national business relationships has been identified as the degree of “cultural distance” between the two counterparts (Ford et al., 1998; Williams et al., 1998). Cultural distance exists between Western nations and China, and can cause cultural shock, such as when Western expatriates work in China (Hutchings, 2002; Kaye and Taylor, 1997). Adler and Graham (1989) and Swift (1999) discuss the relationship between cultural affinity, cultural closeness and cultural empathy, and see these as important in eliminating/minimising cultural distance. Swift (1999) describes cultural affinity as cultural “liking”, and suggests that it might be the catalyst for
interaction in the first place, prior to any relationships being initiated. Cultural
closeness ("similarity") can reduce the cultural barriers to help the executive “to
achieve a great degree of ‘closeness’ to the market: this is a primary ingredient of
effective business interaction” (Swift, 1999, p. 185). Cultural empathy
("understanding"), as discussed previously in Section 2.4, is conducive to
provoking positive feelings between partners (Swift, 1999). Although culture
has the potential to be both “a bridge” and “a barrier” to interaction within an
overseas market, Swift (1999) suggests that cultural affinity, cultural empathy
and cultural closeness can help reduce the cultural “barrier” (distance) between
counterparts.

However, according to Herbig and Martin (1998), China is one of the most
difficult countries to understand and adapt to. The paramount reason for the
failure of business between the USA/Europe and China is cultural
misunderstanding (Harris and Moran, 2000; Herbig and Martin, 1998; Mead,
1990; Tung, 1991; Woo and Prud’homme, 1999). Western businesspeople are
currently facing an increasing need to adapt to operations in non-Western
systems (Lovett et al., 1999). Consequently “cross-cultural cooperation cannot
be taken for granted and requires changes in attitudes, specific training and
practice, in order to learn to behave cooperatively, particularly for Western
cultures” (Fulop and Richards, 2002, p. 279). Tung (1991) suggests the
importance of respecting cultural differences in the face of such situations. It is,
therefore, critical to understand the Chinese style of doing business before
beginning one’s pursuit of business in China.

Although Australia is geographically in the Asia-Pacific region, it is a Western
society and its business executives in the export sector confront the same
problems as do those from the USA and Europe. Tixier (2000) undertook
research into Australian management’s efforts to internationalise business. The
investigations revealed that levels of international knowledge in Australia are
biased in favour of Europe because Australia is a country with an Anglo-Celtic
heritage. This is consistent with the nation’s poor record in developing
significant and meaningful changes in attitudes towards, and knowledge and
awareness of, Asia. Many Australians fail to take into account the cultural
context in which Asian business operates and, as a result, they encounter
negative Asian business experiences, based on a lack of understanding of Asian business psychology, which is as diverse as there are cultures and sub-cultures (Tixier, 2000). It appears that this is damaging many firms ability to operate successfully in the region.

3.2.1 Cultural studies in tourism
Tourism is primarily a socio-cultural activity, and socio-cultural needs and psychological experiences are thus more valuable to tourists than material needs (Reisinger and Turner, 1998). Approaching a new market without considering the cross-cultural implications of the global nature of the travel industry may lead to misleading results or an unsuccessful marketing campaign (Money, 2000). Most of the academic literature has reviewed and discussed culture as an elementary factor impacting on international tourist markets (for instance, King and Choi, 1999; Pearce et al., 1998; Reisinger and Turner, 1997). However, these studies have concentrated more on the impact on international tourists and the consequent marketing strategies. Little research has been conducted with regard to the role of culture on the interaction between Australian tourism product suppliers/marketers and their counterparts. March (1997) states that the role of culture in the development of international tourism markets should be considered when exploring the influence of business culture on developing and maintaining business-to-business relationships. The current research fills this gap by specifically investigating how cultural differences impact on the development of business relationships between Australian inbound tour operators and Chinese travel agents.

3.2.2 Cultural values
Cultural values affect individuals’ attitudes towards the form of behaviour considered most appropriate and effective in any given situation (Hofstede, 1998; Adler, 2002). Cultural value research is the most useful in cross-cultural studies concerned with international marketing activities because the cultural value is shared by people in one culture and it can thus be used to characterise the psychological similarities within cultures and differences across cultures (Summers and McColl-Kennedy, 1998). Furthermore, McSweeney (2000) argues that local and regional differences within one national culture also need to be considered to avoid cultural determinism and reductionism (i.e. explaining
everything through culture and reducing all phenomena to mono-cultural values) when undertaking cultural value research, as well as institutional differences (e.g. education, governance etc.).

The classic study of cultural differences is Hofstede’s study (1980), which focused on work-related cultural values held by employees of IBM across 50 different countries. He categorises the following four dimensions of cultural variation: power distance, individualism/collectivism, uncertainty avoidance and masculinity/femininity (Table 3.1).

Table 3.1 Four dimensions of cultural variation

<table>
<thead>
<tr>
<th>Dimensions of cultural variation</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power distance</td>
<td>Indicates “the extent to which a society accepts that power in institutions and organisations is distributed unequally” (p. 99)</td>
</tr>
<tr>
<td>Individualism-collectivism</td>
<td><em>Individualism</em> refers to a “loosely knit social framework in a society in which people are supposed to take care of themselves and of their immediate families only.” <em>Collectivism</em> occurs when there is a “tight social framework in which people distinguish between in-groups and out-groups; they expect their in-group (relatives, clan, organisations) to look after them, and in exchange for that owe absolute loyalty to it” (p. 214-215)</td>
</tr>
<tr>
<td>Uncertainty avoidance</td>
<td>Indicates “the extent to which a society feels threatened by uncertain or ambiguous situations” (p. 161)</td>
</tr>
<tr>
<td>Masculinity-femininity</td>
<td><em>Masculinity</em> with its opposite pole, <em>femininity</em>, expresses “the extent to which the dominant values in society are assertiveness, money, and material things, not caring for others, quality of life and people” (p. 277-278)</td>
</tr>
</tbody>
</table>

Source: Hofstede (1980)

Hofstede and Bond (1988) later introduced the fifth dimension, “Confucian dynamism”, also called “long-term orientation” (Hofstede, 1991), after comparing and contrasting the IBM studies with the Chinese cultural value survey which was conducted by Chinese Culture Connection (1987). “Confucian dynamism” or “long-term orientation……deals with a choice from Confucius’ ideas and that its positive pole reflects a dynamic, future-oriented mentality, whereas its negative pole reflects a more static, tradition-oriented mentality” (Hofstede and Bond, 1988, p. 16). Alternatively it can be interpreted as the
extent to which people have a pragmatic future-oriented perspective rather than a focus on the present (Hofstede, 1991). This dimension applies mainly to Southeast and East Asian cultures, which are imbued with the Confucian philosophy, such as the People’s Republic of China, South Korea, Japan, Hong Kong, Taiwan and Singapore. Rodrigues (1997) relates this dimension to work ethics in these countries, saying “Confucianism is a system of practical ethics; it is based on a set of pragmatic rules for daily life derived from experience” (p. 695). Hence, Western business people, when they do business with people from Confucian-based cultures, may find differences in areas such as commitment to the organisation, work ethics, acceptance of responsibility, the relationship with seniors, the way in which subordinates are motivated, or the handling of discipline and control (Redding, 1993).

However, Yeh and Lawrence (1995, in Barkema and Vermeulen, 1997) argue that Hofstede’s fifth dimension is strongly related to individualism. That is, people who have a long-term orientation would tend to be collectivistic, whereas those who are less long-term oriented are more individualistic. The Chinese culture, therefore, can be scored much higher than the Australian culture as collectivist. “Long-term orientation” (or Confucian dynamism) has received less attention because of the fact that scores were available for only 23 countries out of the original 72 countries in the IBM study (Barkema and Vermeulen, 1997).

Hofstede’s framework has been widely accepted and quoted in the cross-cultural management literature. The results of the research provide strong evidence that management theory and practice are culturally dependent. Hofstede’s exclusive category is the best known and has been extensively cited by researchers to help explain cross-cultural differences (Smith et al., 1996; Smith and Bond, 1998). There has been, however, some recent criticism of Hofstede’s study; some of the points of contention, which include the age of Hofstede’s data, comprehensiveness, dimensions of cultural variation, and cultural reductionism, are described below.

The age of Hofstede’s data

Nicholson and Stepina (1998) criticise the age of the study’s data. The first survey was conducted in 1967 and from 1971 to 1973. They suggest that the
world is a much different place than it was 30 years ago. Additionally, although cultural values are relatively stable, they are not immune to the impact of societal forces, so it becomes necessary to re-evaluate cultural differences in values.

**Comprehensiveness**

Although Hofstede’s survey covers more than 116,000 questionnaires in 20 different languages from 72 countries, there is a lack of samples from (former) communist nations, such as Eastern European countries and mainland China (Smith et al., 1996). Even within the surveyed population, McSweeney (2000) questions the validity of Hofstede’s results based on the uneven proportions of populations surveyed from each country. The numbers of respondents from some countries exceed 1000, whereas less than 200 come from some other countries, while only 71 and 58 respondents come from Hong Kong and Singapore respectively. Moreover, McSweeney (2000) criticises the narrowness of the population surveyed, because the so-called “national samples” used by Hofstede (1980) were exclusively from a single company – IBM.

**Dimensions of cultural variation**

Chinese Culture Connection (1987) also criticises Hofstede’s (1980) dimensions of cultural variation. The authors argue that Hofstede’s dimensions are not culture-free. “Social science is Western in origin, practitioners and instrumentation” (Chinese Culture Connection, 1987, p. 144). They suggest that an instrument derived from a different cultural tradition, and similarly applied around the world, may well yield different results from those of Hofstede.

**Cultural reductionism**

McSweeney (2000) criticises Hofstede’s (1980) assumptions of uniformity of national culture and organisational culture, although Hofstede (1991) later on acknowledges these organisational cultural differences within and between units of the same multinational organisation long after his initial research, conducted in 1980. Further, McSweeney (2000) and Bock (2000) criticise Hofstede’s (1980) single culture model where local and regional variations occur. McSweeney (2000) proposes the necessity of acknowledging cultural heterogeneity within a nation, and argues that culturally related studies should be
undertaken considering the interplay between macroscopic and microscopic cultural levels.

As mentioned previously, Chinese cultural value studies were conducted by Hofstede (1980) and the Chinese Cultural Connection (1987). Hofstede (1980) identifies Chinese cultural values through a survey in Hong Kong and Taiwan. Chinese Culture Connection’s (1987) survey includes mainland China, in addition to Hong Kong and Taiwan. Little research has been conducted to identify Chinese cultural values from the perspective of mainland China, even though there are considerable cultural value differences between mainland China, Hong Kong and Taiwan (Fan, 2000). Nevertheless, Child (1998) discusses mainland China and foreign joint venture situations in the cross-cultural context, while Nicholson and Stepina (1998) conducted the first study examining variations in cultural values in the People’s Republic of China (PRC). Theirs was a comparative study, comparing values in three countries, one in the first world (the USA), one in the developing world (PRC), and one in the third world (Venezuela). Hofstede (1980) included Australia, the USA and Venezuela in his research. Based on the findings regarding cultural value variations in both of these studies (Hofstede and Bond, 1988; Nicholson and Stepina, 1998), Table 3.2 gives a comparison of the work-related cultural differences between China and Australia using Hofstede’s four dimensions. Although the two studies were conducted in different time periods, the same instrument was used to explore the work-related cultural values cross-culturally. Nevertheless, the indicative differences are enough to provide a basic contrast for a preliminary understanding of the cultural differences between Australia and China and their potential impact on the development of business relationships between Australian and Chinese counterparts.

Table 3.2 Cultural comparison between China and Australia

<table>
<thead>
<tr>
<th></th>
<th>MASC</th>
<th>INDIV</th>
<th>UNCER</th>
<th>POWER</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRC</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Australia</td>
<td>Low</td>
<td>High</td>
<td>Medium/Low</td>
<td>Low</td>
</tr>
</tbody>
</table>

Legend
MASC = Masculinity (Vs Feaminity)
INDIV = Individualism (Vs Collectivism)
UNCER = Uncertainty Avoidance
POWER = Power Distance

Source: Based on Hostede and Bond (1988); Nicholson and Stepina (1998)
Note: the ratings of ‘high’, ‘medium’ and ‘low’ are in terms of comparisons with each other
Masculinity
In terms of masculinity, China scores relatively higher than Australia, mainly because of the deep-rooted impact of Confucianism on Chinese society. Although some significant changes have occurred since China (the People’s Republic of China) was established in 1949, traditional Chinese value structures still continue to clearly delineate distinct sex roles for Chinese men and women. In contrast, with the trend of more women entering the workforce in large numbers after World War II, gender role-typing has been on the decline in many Western societies (Nicholson and Stepina, 1998), including Australia.

Individualism
China scores relatively lower than Australia in individualism. The core value of Chinese culture, derived mainly from Confucian thought, is collectivism, which is symbolised by the importance of the extended family and the clan in Chinese society (FitzGerald, 1998). Along with socialism’s call for communal sharing in China, Chinese society has a collectivist nature in which public “face” is important. Australia, in contrast, is a country which places more emphasis on self-respect and individual rewards, individual initiative and achievement (Hofstede, 1980; Hofstede and Bond, 1988; Nicholson and Stepina, 1998).

Uncertainty avoidance
Both China and Australia are relatively low on uncertainty avoidance, although Australia is still higher than China. Chinese people can operate quite well in uncertain environments, while Australians seek more security in doing business. Tung (1988, in Nicholson and Stepina, 1998) explains that Chinese people have a very long-term orientation towards planning. When projecting years into the future, it is expected that ambiguities and uncertainty will abound. Australians, however, tend to plan and stick to rules to avoid risks, while the Chinese take a phlegmatic attitude to time and planning. They are more capable of operating in uncertain environments and more concerned about the result rather than the time dimension (Hofstede, 1980, 1997; Hofstede and Bond, 1988; Nicholson and Stepina, 1998).
Power distance

China is higher than Australia on power distance. China is more effectively engaged in autocratic leadership where people prefer to deal with other people of the same status. With Australia being typified as a lower power distance society than China, worker participation programs and mistrust of authority abound, and Australians do not have a particular preference for whom they deal with (Hofstede, 1980, 1997; Hofstede and Bond, 1988; Nicholson and Stepina, 1998).

3.2.3 Hi- versus low-context cultures

A classic cultural study conducted by Hall (1976) describes different cultures in terms of hi- versus low-context cultures. A hi-context culture is where people are deeply involved with each other, while a low-context culture is highly individualised, even alienating and fragmented, and there is relatively little involvement with others. Asian countries, such as China and Korea, are located towards the hi-context cultural pole, while Western countries, such as Australia and the U.S., represent low-context cultures (Hall, 1976, 1987; Kim et al., 1998). Different context cultures may also lead to different understandings of legal forms. In hi-context culture, agreements between people are based on mutual trust; the legal form is a “spoken” commitment rather than a “written” contract; even if a contract is signed, the partner may still request further changes (Hall, 1987).

Harris and Moran (2000) relate Hall’s study to communication, stating that hi-context cultures use hi-context communications. That is, information is either in the physical context or internalised by the person with little being communicated in explicit words or messages. They categorise China as a culture engaged in hi-context communication. On the other hand, a low-context culture uses low-context communications; Australia is a culture engaged in low-context communication. In low-context communication the listener knows very little and must be told practically everything, while in hi-context cultures, the listener is already contextualised and does not need to have much background information. In a hi-context culture, business transactions and negotiations may be fast paced, while they may be slow in low-context communication (Rodrigues, 1998).
Thus, the Chinese depend more on connections and kinship/family relationships than their Australian low-context counterparts to conduct business (Kim et al., 1998). The differences between hi- and low-context communications must be considered when Australians communicate with their Chinese partners. However, most Australian inbound tour operators are of Chinese descent; whether they have adapted into the Australian culture, and are engaged in hi-context communication, or maintain the Chinese culture of low-context communication, or stay “in between” has not been made clear in previous research. This research, therefore, will investigate communication problems between Australian and Chinese counterparts in the Chinese inbound travel business to Australia, which may result due to the low/high context cultural clash.

### 3.2.4 Five dimensions of cultural diversity

Hofstede’s study, which was limited to the IBM company, is different to Trompenaars and Hampden-Turner’s (1998) study on cultural orientation. The study, comprising over 15 years of academic and field research, assessed more than 1,000 cross-cultural training programs in 30 companies with departments spanning 50 different countries and 30,000 participants. Trompenaars and Hampden-Turner (1998) identified five dimensions of cultural diversity (shown below in Table 3.3). These five cultural value orientations greatly impact on the way people do business and manage their responses.

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Meanings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Universalism versus particularism</td>
<td>Rules versus relationships</td>
</tr>
<tr>
<td>Collectivism versus individualism</td>
<td>The group versus the individual</td>
</tr>
<tr>
<td>Neutral versus emotional</td>
<td>The range of feeling expressed</td>
</tr>
<tr>
<td>Diffuse versus specific</td>
<td>When involved in a business relationship, a specific relationship is prescribed by a contract and a diffuse relationship by real personal contact</td>
</tr>
<tr>
<td>Achievement versus ascription</td>
<td>Achievement implies that a person is judged by his/her achievements on record, but ascription denotes the status procured by an individual’s birth, kinship, sex or education</td>
</tr>
</tbody>
</table>

Source: Trompenaars and Hampden-Turner (1998)
Trompenaars and Hampden-Turner (1998) expand on the differing features of each dimension in the business context (Table 3.4). They identify that Chinese people tend more towards particularism - the right column in Table 3.4, whereas Australians tend more towards the other polar, universalism, found in the left column. Some of the features confirm the previous discussion in Section 2.4 with regard to the importance of having trust-based relationships in the Chinese business context. Chinese people, when involved in business, tend to get to know the potential partner diffusely, and do not come down to the specifics of business until after relationships of trust are established. This approach reiterates the crucial role of trust in the process of forming business network relationships, if Australian inbound tour operators intend to do business with Chinese travel agents. But trust dynamics are poorly theorised in the context of Australians of Chinese descent who show some cultural affinity with the mainland Chinese (i.e. have some cultural baggage) and yet lack the context and connections to make the partnering easier. Furthermore, these attributes may also lead to different business negotiation styles, which will be discussed in Section 3.3.

3.3 Cultural differences in business negotiation

Negotiation is critical to effective communication, and negotiation has been considered as a preferred strategy for creating win-win solutions in international business (Adler, 2002). However, cultural differences highlight the different styles in business communication and negotiation between two countries, especially Eastern and Western countries. Within one national cultural environment or between two that are similar, the negotiation process is more predictable because the negotiators do not have to be concerned with the challenges of cultural differences or language (Kaye and Taylor, 1997; Woo and Prud'homme, 1999). There are, however, many more challenges in a cross-cultural environment than in a single national cultural setting. Large differences in decision-making procedures exist across different nations (Smith and Bond, 1998). The negotiation process in cross-cultural settings is generally more complex because it encompasses unconscious cultural norms that may undermine effective communication (Chen, 1995).
Table 3.4 Dimensions of cultural differences

<table>
<thead>
<tr>
<th>Universalist</th>
<th>Particularist</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Focus is more on rules than relationships</td>
<td>• Focus is more on relationships than on rules</td>
</tr>
<tr>
<td>• Legal contracts are readily drawn up</td>
<td>• Legal contracts are readily modified</td>
</tr>
<tr>
<td>• A deal is a deal</td>
<td>• Relationships evolve</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Individualist</th>
<th>Communitarian</th>
</tr>
</thead>
<tbody>
<tr>
<td>• More frequent use of “I” form</td>
<td>• More frequent use of “we” form</td>
</tr>
<tr>
<td>• Decisions made on the spot by representatives</td>
<td>• Decisions referred back by delegate to organisation</td>
</tr>
<tr>
<td>• People ideally achieve alone and assume personal responsibility</td>
<td>• People ideally achieve in groups with assumed joint responsibility</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Affective</th>
<th>Neutral</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Reveal thoughts and feelings verbally and non-verbally</td>
<td>• Do not reveal what they are thinking or feeling</td>
</tr>
<tr>
<td>• Emotions flow easily, effusively, vehemently and without inhibition</td>
<td>• Emotions often dammed up will occasionally explode</td>
</tr>
<tr>
<td>• Statements declaimed fluently and dramatically</td>
<td>• Statements often read out in monotone</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Specific</th>
<th>Diffuse</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Direct, to the point, purposeful in relating</td>
<td>• Indirect, circuitous, seemingly “aimless” forms of relating</td>
</tr>
<tr>
<td>• Precise, blunt, definitive and transparent</td>
<td>• Evasive, tactful, ambiguous, even opaque</td>
</tr>
<tr>
<td>• Principles and consistent moral stands independent of the person being addressed</td>
<td>• Highly situational morality depending upon the person and context encountered</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Achievement-oriented</th>
<th>Ascription-oriented</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Use of titles only when relevant to the competence you bring to the task</td>
<td>• Extensive use of titles, especially when these clarify your status in the organisation</td>
</tr>
<tr>
<td>• Respect for superior in hierarchy is based on how effectively his or her job is performed and how adequate their knowledge</td>
<td>• Respect for superior in hierarchy is seen as a measure of your commitment to the organisation and its mission</td>
</tr>
<tr>
<td>• Most senior managers are of varying age and gender and have shown proficiency in specific jobs</td>
<td>• Most senior managers are male, middle-aged and qualified by their background</td>
</tr>
</tbody>
</table>

Source: Trompenaars and Hampden-Turner (1998)
What is certain is that negotiating styles in China are different from those in the West (Pye, 1982). The Chinese way of life, their philosophy, customs and their perception of law, justice and dispute settlement greatly influence the Chinese style of negotiating (Woo and Prud'homme, 1999). China is a collective society and any negotiation must cover the interests of many different parties. The Chinese are among the toughest negotiators in the world, but they have been acknowledged by Westerners as reputable and honourable negotiators (Herbig and Martin, 1998).

Previous studies on business negotiations between USA/Chinese partners reveal that ignoring cultural differences can damage or even halt negotiations (Pye, 1982; Tung, 1991). Although these variations partially reflect different laws regulating consultation with trade unions and other relevant parties (Smith and Bond, 1998), the main problems that occur in meetings are frustrations and misunderstandings which are traced to cultural differences between the two societies (Pye, 1982). Harris and Moran (2000) state that, if international negotiations are to produce long-term synergy and not just short-term solutions, individuals who are involved in the negotiations must be aware of the multicultural facets present in the process. As discussed earlier, Australia and the United States are always categorised under individualism and universalism, while China is categorised under collectivism and particularism (Smith et al., 1996; Trompernaars and Hampden-Turner, 1998). Understanding Chinese negotiation styles is pivotal for Australian tourist product suppliers who wish to initiate and develop contacts with their Chinese counterparts. However, a lack of knowledge and information on inter-business and inter-country behaviour may create problems in negotiations with partners from countries such as mainland China. These obstacles tend to amplify cultural differences by introducing high levels of uncertainty and ambiguity into the negotiations (Rodrigues, 1995).

Chinese and Western approaches to negotiation are different. Consequently, Herbig and Martin (1998) suggest that a foreign company should use the Chinese approach and develop a solid appreciation for Chinese behaviour and culture for its own advantage. They further state that the Chinese do not do business with people they do not know or trust. Thus, it is very important to develop a stable
and friendly relationship, based on mutual trust and admiration, before reaching an agreement and having a long-term business relationship.

Herbig and Martin (1998) and Tixier (2000) discuss the differences in negotiation approaches between China and Western countries (summarised in Table 3.5). The Chinese approach to negotiations focuses on personal relationships instead of the Western approach of relying on contractual relationships. Western partners generally try to resolve all issues through legal stipulations in the contract, while the Chinese partners try to rely on “friendly negotiations” (Herbig and Martin, 1998).

Table 3.5 Differences in negotiation approaches between China and the West

<table>
<thead>
<tr>
<th>Chinese approach</th>
<th>Western approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal relationship</td>
<td>Contractual relationship</td>
</tr>
<tr>
<td>Decision making: consensus building</td>
<td>Decision making: mutually agreeable conclusion</td>
</tr>
<tr>
<td>Slow deal with many procedures</td>
<td>Quick deal</td>
</tr>
</tbody>
</table>

Source: based on Herbig and Martin (1998); Tixer (2000)

As China is a collective society, it is necessary for Chinese negotiators to build consensus agreements among themselves. However, this process is time consuming for Chinese negotiators; Australians usually expect to be involved in the discussions and prefer a more collaborative decision-making approach. Indeed Australians prefer to be partners and come to mutually agreeable conclusions through negotiations (Tixer, 2000).

Based on available evidence, Chinese and Westerners have very different approaches to the process of negotiation. Thus, Westerners generally want to get into the project, make a quick deal and sign the contract, while the Chinese approach is to briefly discuss the project, slowly build consensus, get to know and trust the partner fully, acquire as much technical information as possible, and finally sign the contract. It is acknowledged that although most Australian inbound tour operators handling Chinese inbound travel to Australia are of Chinese descent, they still have difficulties in dealing with Chinese travel agents (Pan and Laws, 2001a). However, it is not clear whether these difficulties are the
result of cross-cultural differences. This issue will be investigated in the research.

3.4 Cultural differences between ethnic Chinese and mainland Chinese

In the literature, ethnic groups refer to groups of people who are socially distinguished by characteristics of cultural or national origin (Dyer and Ross, 2000). Ethnic Chinese refer to “individuals of substantial Chinese ancestry who do not live in China” (East Asia Analytical Unit, 1995, p. 11). Australia’s ethnic Chinese population is very diverse and represents all of Asia’s various Chinese communities. Their migration to Australia can be traced back to the nineteenth century, to the goldfields of Victoria. Chinese migrants who have arrived since the 1980s, can be put loosely into three categories: mainland Chinese and Southeast Asian (particularly Malaysian), who originally came to Australia to take advantage of higher quality educational institutions; ethnic Chinese who were Indo-Chinese refugees; and successful Hong Kong and Taiwanese Chinese business people, who were attracted to Australia’s stability and quality of life (East Asia Analytical Unit, 1995).

The ethnic Chinese community is not homogeneous and they differentiate among themselves according to dialects, clan and family; all of which are linked to their place of ancestral origin in or outside China. Most of these ethnic Chinese speak Cantonese, Hakka, Hokkien, Hainanese and Teochiu (East Asia Analytical Unit, 1995), which remain the main dialects spoken by the ethnic Chinese outside of China, while Chinese from mainland China also have their own dialects. Although the official language in China is Mandarin, which was originally based on the Beijing dialect, there are still dialects prevalent in different parts of China. For example, Shanghai has its own Shanghai dialect, and people in Guangdong province speak Cantonese, which is also different from the Cantonese spoken in Hong Kong. Little research has been undertaken to investigate regional cultures within China. Because of regional stereotyping among the Chinese, including a Chinese person from a different region in a Western negotiating team may not be a good idea. For example, there is a reported antipathy between Cantonese and Shanghainese (Selmer, 1997). A growing trend has been the development of ethnic Chinese international clan associations based on dialect (East Asia Analytical Unit, 1995).
Hofstede (1980) assumes that national cultural values are stable over time, however, ethnic Chinese have changed their cultural values to adapt to different environments over time. This situation can be illustrated by the fact that ethnic Chinese “have shown themselves to be highly adaptable in order to ensure their prosperity, de-emphasising, for example, those aspects of their culture likely to create serious friction with indigenous populations, and acquiring new cultural attributes superior to their own” (East Asia Analytical Unit, 1995, p. 121). This attribute explains the reason for their success at doing business in Australia; however, their adaptations to Australian culture may potentially become an impediment when doing business with mainland Chinese.

A previous study conducted with some of the nominated inbound tour operators reveals that most of these operators who deal with Asian markets are ethnic Chinese (Pan, 1999). Some migrated to Australia more than ten years ago, while some were born in Australia. Evidence suggests that Chinese from other Asian countries, such as Vietnam, are generally moving towards becoming “bicultural”. Many have adapted to the cultural, economic and social conditions of life in Australia and would like to be part of the host society, yet they also maintain their original culture and cultural identity to some extent (Nguyen and Ho, 1995). Therefore, this research will explore the cultural differences between ethnic Chinese and mainland Chinese, investigating whether ethnic Chinese who live in Australia are, like those from other Asian countries, becoming “bicultural”. If so, then we have to know how the cultural differences between ethnic Chinese and mainland Chinese impact on the development of their business relationships, as identified in research issue 3:

**RI 3: How do Australian Chinese and mainland Chinese cultural differences impact on the development of business relationships between Australian inbound tour operators and Chinese travel agents?**

### 3.5 Business network relationships and culture

“Business structures and relationships are influenced by many social and economic factors, but are significantly influenced by culture, particularly values” (Fulop and Richards, 2002, p. 274). How different players in various settings
interact with each other, and how this is affected by social and cultural differences have been acknowledged for their importance, especially when establishing new relationships in an international context (Björkman and Kock, 1995; Holmlund and Kock, 1998). In this section, two key cultural factors related to Chinese business networks will be reviewed: Confucianism and person-to-person relationships, followed by a discussion of the Chinese guanxi-based networks, which will be compared to Australian business networks. It is assumed that Australians of Chinese descents are “in between” these two forms of networking, and that they will experience difficulties with their Chinese counterparts.

3.5.1 Cultural factors and Chinese business networks

Herbig and Martin (1998) suggest that a good negotiator in China should understand not only Chinese negotiating tactics, but also the impact of human behaviour during the negotiation’s evolution, in order to conclude a good deal. The literature reveals that Confucianism and person-to-person relationships are two primary cultural factors which impact on Chinese business networks.

Confucianism

Confucianism is regarded as a philosophy of human nature that considers proper human relationships as the basis of society (Park and Luo, 2001; Yum, 1988). The main concern of Confucianism is to establish harmony in a complex society of contentious human beings through a strong and orderly hierarchy (Park and Luo, 2001). Confucianism, in the philosophical and cultural history of East Asia, which includes China, Hong Kong, Taiwan, Japan, Korea and ethnic Chinese communities, such as Taiwan and Singapore, has prevailed as the basic social and political value system for over 2,500 years (Yeung and Tung, 1996; Yum, 1988). It has long been regarded as a teaching or a doctrine of human wisdom, a philosophy guiding people toward fulfilment and perfection (Huang, 2000). The cultural factors which impact on Chinese behaviour are mainly grounded in Confucianism (Herbig and Martin, 1998; Hofstede and Bond, 1988; Woo and Prud'homme, 1999). Although China opened its gates to the West more than 20 years ago, and despite the continuation of the Communist system, its traditional Confucian culture still plays a dominant role, regardless of ideological changes in China. This influence is demonstrated in several aspects of Chinese life, such as
person-to-person relationships and in the forms of addressing each other (Herbig and Martin, 1998). Confucius developed a code of ethics that governed the interpersonal relationships through the familistic state (Lovett et al., 1999). Chinese society has been functioning as a clan-like network ever since (Park and Luo, 2001). *Guanxi*, literally translated as relationships or connections, discussed in Section 3.5.2, is deeply rooted in the Confucian heritage of the Chinese people and their way of life (Yeung and Tung, 1996).

**Person-to-person relationships**

Kiely (1996) and Fournier et al. (1998) suggest several ways of achieving a high-level relationship through establishing friendly relationships, which involve personalising your contact, providing emotional support, respecting privacy and preserving confidence in the business-to-business relationship. This might work as a template in the West but not so in Asia or in cross-cultural exchanges.

Business is based on relationships with individuals in Asia, where cultures emphasise personal contacts. The foreign business person must, therefore, be prepared to invest time in building trust in himself or herself as an individual, not only as the representative of an organisation (Mead, 1990). For the Chinese, the personal relationship is of paramount importance and defines the parameters within which business can be conducted (Herbig and Martin, 1998). As Abramson and Ai (1994) explain, Chinese people are emotional and sentimental, so they do not distinguish between personal and business relationships when they do business. However, emotions are rarely discussed in the Western context of business networks, nor its gendered dimensions (Fulop, 2004).

Person-to-person relationships are called *guanxi* in Chinese society. It is acknowledged that doing business in China is complicated, and that the Chinese business network is a *guanxi*-based network. Recently, more and more researchers have been investigating the role and phenomenon of *guanxi* in the business context. In the following sections, the dynamics of the Chinese *guanxi*-based business network will be considered.
3.5.2 Chinese guanxi-based business networks

Studies of Chinese networks have mainly focused on overseas Chinese networks (family networks), friendship and guanxi to gain an understanding of Chinese businesses (for instance, Blackman, 2000; East Asia Analytical Unit, 1995; Haley and Tan, 1999; Hutchings, 2002; Redding, 1993). Consistent with Chinese culture being a hi-context culture, the Chinese business relationship is relationship oriented rather than principle or contract oriented. Hence, it is described by some as an organic network form (Fulop and Richards, 2002). Network relationships, which Westerners take to characterise the Asian region, are different from country to country and are influenced by respective national cultures and prevailing environments (Pye, 1985). As stated in Section 3.2, Chinese business networks and culture are intertwined together. They are interdependent in the process of establishing business network relationships. Herbig and Martin (1998) liken a business relationship in China to a marriage; in business the Chinese partner wants to determine if the Western partner will make a “good spouse”.

Guanxi, as a deep-rooted social cultural phenomenon, has demonstrated its significance in Confucian society (Chen, 1995; Dunfee and Warren, 2001; Park and Luo, 2001; Yeung and Tung, 1996). FitzGerald (1998) sees guanxi as pervasive in Chinese societies. Indeed the relevant literature identifies the business network in China as a guanxi-based network (for instance, Chen, 1995; Kotler et al., 1996; Pye, 1985; Tung, 1991; Wong and Tam, 2000; Wong, 1998; Yeung and Tung, 1996). Guanxi has been acknowledged as being unique to China (Yau et al., 2000). It is a major dynamic in Chinese society, and is a key feature distinguishing Chinese companies from those of Japan and the West (Kotler et al., 1996). The benefits of guanxi in doing business in China have recently become of great interest to Western business people, and more and more researchers are investigating guanxi, its role and the phenomenon.

3.5.2.1 Definitions of guanxi

In China, guanxi can emerge from either a blood relationship or some social interconnection; the latter may be traced back to having attended the same school, lived in the same community, belonged to the same organisation and so on (Pye, 1992; Tsang, 1998). Guanxi may be used as the basis for forming
overseas Chinese clan networks and family business networks (Dunfee and Warren, 2001; East Asia Analytical Unit, 1995; Haley et al., 1998). Yeung and Tung (1996) call the connections based on blood or kinship as “ascribed” guanxi, and other connections as “achieved” or “cultivated” guanxi.

Although the concept of guanxi has been used for more than 2,500 years, it did not become the focus of attention until the Cultural Revolution. Yang (1986), in addressing the reason for the popularity of guanxi in China, suggests that the breakdown of social order during the Cultural Revolution forced people to rely on guanxi (connections) rather than the state organisational structures to secure their every day survival. For example, during the Cultural Revolution, people faced the prospect of sending their children to some very remote areas of the countryside, hence, whether they had guanxi with the central decision-making person or not played a critical role in deciding the future of their children. Those people who did not have guanxi tried to get guanxi by exchange of gifts and favours among personal connections to find ways to deal with the crisis.

Guanxi is an intricate and illusive concept (Dunfee and Warren, 2001). Tsui and Farh (1997) comment that there is no consensus in the translation or definition of the term “guanxi”. Guanxi can be defined from both a macro and a micro perspective. From the macro perspective, the meaning of guanxi refers to the existence of some kind of relationships between individuals or individuals with objects; it can be referred to as any kind of relationship (Chinese Contemporary Dictionary, 1983, p. 407). As long as it is called relationship in English, it can be translated into guanxi in Chinese.

From the micro perspective, the meaning of guanxi varies depending on differing contexts. As a social-cultural phenomenon, the literature refers to guanxi more often as interpersonal relations or connections (Bian, 1994; Davies et al., 1995; Leung et al., 1996; Xin and Pearch, 1996; Yeung and Tung, 1996). Guanxi means “creativity and flexibility through a network of personal relationships” (Wong and Tam, 2000). The meaning of guanxi, in fact, is embedded within network relationships (Davies et al., 1995). Yeung and Tung (1996) further speculate that guanxi most often takes place between two independent individuals so that a bilateral flow of personal or social transactions may help to
establish the connection. Park and Luo (2001) identify guanxi as an intricate and pervasive relational network that contains mutual obligations, assurances and understanding. Thus, the guanxi network is embedded within social relations.

The core concept of guanxi is based on friendship and affection between and among individuals, with implications of a continual exchange of favours, and with the reciprocal obligation to respond to requests for assistance (Chen, 1995; Dunfee and Warren, 2001; Pearce and Robinson, 2000). This network can be composed of informal relationships (Lovett et al., 1999). Guanxi networks can be “tight, close-knit” as participants exchange respect and affection, or through material objects or specific favours (Lovett et al., 1999; Yeung and Tung, 1996, p. 54).

Hwang (1987) classifies three sorts of guanxi when referring to interpersonal relationships (Figure 3.1). In the smallest central circle, guanxi has affective or “expressive” ties among family members and close friends. In this circle, guanxi is very tight between each member and does not need other factors to gain influence. In this tie, guanxi follows the need rule; thus, people involved in this tie are responsible for securing resources to satisfy the legitimate needs of each member. In contrast, more distant others, strangers, such as salespeople and customers, are connected by “instrumental” ties that are built up temporarily and anonymously for the purpose of material goals. The rule for interactions between these people in this tie is called the “equity rule”, where people follow pure economic transaction rules. People involved in this tie are economic actors, and follow classical contracts to deal with economic exchanges; no emotions and social relations are involved. This situation is similar to what Williamson (1985) proposes when firms are towards the market end (Section 2.2.2).

In between these two extremes are the so-called “mixed” ties, which are governed by means of renqing and face (mianzi), which will be discussed later. People use these means to expand their guanxi network and obtain resources from resource allocators. This tie is the most active domain in the guanxi network. People who share something in common belong to this tie. For example, colleagues who belong to the same organisation, or former classmates who used to study together, are linked by this kind of tie, which overlaps with
other social networks. Hwang (1987) also explains further the relationships among these three circles, suggesting that, while it is possible to transfer from an instrumental tie to a mixed tie, there is a solid line as an impediment to changing from the relationship of a mixed tie to that of an expressive tie or vice-versa.

Figure 3.1  Guanxi ties based on relationship closeness

Source: based on Hwang (1987); Huang (2000)

Guanxi is perceived to be the most important of the three cardinal requisites for business success in China, i.e. capital, capability and connections (Yeung and
Tung, 1996). The *guanxi*-based network is similar to Granovettor (1985) and Powell’s (1990) network (Section 2.2.2), which is embedded and provides social capital to its members. The key difference is that the *guanxi*-based network is a network embedded with Chinese cultural characteristics in terms of social relations, which tighten the business relationship between all involved partners, whereas in the West the business network is composed of loose social relations, and tight ones can be seen as dysfunctional (Fulop, 2004). Yeung and Tung (1996) state that *guanxi* is embedded in dyadic relationships between two people, not organisational entities. Thus it is a personal asset that cannot be transferred and, consequently, when a person with the right and strong *guanxi* leaves an organisation, the organisation will lose the *guanxi* or goodwill. The general perception is that if you manage to develop a good personal relationship with the central decision-maker you have a good chance of winning business deals controlled by this person (Kotler et al, 1996; Tung, 1991). However, some researchers, such as Guthrie (1998), Park and Luo (2001) and Simmons and Munch (1996), argue that *guanxi*, as a set of relationships, goes beyond personal relationships and includes both personal and business friendships in China, thus it has strong implications for interpersonal and inter-organisational dynamics in Chinese society. Furthermore, Dunfee and Warren (2001) and Tsang (1998) argue that *guanxi* may be associated with an organisation rather than with an individual. Tung and Worm’s survey (1997, in Dunfee and Warren, 2001), conducted in China, showed that more than 60 percent of respondents perceived *guanxi* to be a personal asset, while 20 percent believed that it belongs to the employer. Therefore, in the business context, whether *guanxi* is a personal asset, or belongs to the employer or both, becomes an important issue and one that is pursued in this thesis.

As mentioned before, there is no specific definition with respect to the meaning of *guanxi*. However, the common theme across all definitions revolves around how they all relate *guanxi* to a certain type of personal relationship, regardless of whether it involves instrumental ties or mixed ties. In this thesis, the study of *guanxi* will focus on personal relationships between senior managers of Chinese authorised travel agents and Australian nominated inbound tour operators. Their understanding of the meaning of *guanxi* and the role of *guanxi* in the development of this partnership relationship will be explored.
Guanxi is postulated to facilitate the conduct of business in a number of ways. Having guanxi relationships provides sources of information on the local markets, regulations and business opportunities as well as resources to facilitate the running of the business in China, and to facilitate the smooth transacting of business such as the collection of payments (Davies et al., 1995). Having a guanxi relationship also helps reduce risks to compensate for the relative lack of rule of law and the lack of transparency in rules and regulations (Kotler et al., 1996). Guanxi ties, therefore, can be used to gain access to new customers, keep existing clients, facilitate daily business operations or even to avoid government investigations (Dunfee and Warren, 2001). Additionally, guanxi also brings obligations as well as privileges; these obligations extend to “friends of friends”, who may not be initially involved in the guanxi network (Chen, 1995; Lovett et al., 1999; Simmons and Munch, 1996; Yeung and Tung, 1996).

3.5.2.2 Dimensions of guanxi

Trust and subsequent commitment are key elements of guanxi relationships (Simmons and Munch, 1996; Su and Littlefield, 2001; Wong and Chan, 1999). Trust-based relationships are mainly based on guanxi in the Chinese context (Boisot and Child, 1996). Thus, guanxi requires each party to be fully committed to the other (Kotler et al., 1996). These aspects of guanxi are key factors in the process of developing business relationships (Section 2.3), including different types of trust and commitment (Section 2.4). The cultural differences between China and the West underpin two options for executing a high versus a low trust strategy in the process of the formation of Sino-foreign joint ventures (Child, 1998). Based on the nature of guanxi, the meanings of trust and commitment in the Chinese guanxi context are similar to those of resilient trust/extended trust and mutual commitment from the Western perspective.

Understanding is another key feature of Chinese guanxi relationships, particularly for these Western companies which intend to do business with the Chinese. Understanding in the Chinese context includes understanding each other’s needs, appreciating each other’s good points (large or small), and always attending to each other’s problems in an empathetic sense (Su and Littlefield, 2001). Cultural affinity (discussed in Section 3.2) plays a critical role in this
context. The Chinese are more likely to welcome Western companies that understand or give *face* to Chinese reality, especially Chinese socialism (Su and Littlefield, 2001). Yi and Ellis (2000) even state that commitment and understanding are on top of the list, and *face* is only subsidiary to these two dimensions. Although understanding is not discussed as a factor in Section 2.4, the meaning of understanding is consistent with the concept of empathy in relationship marketing, particularly with respect to cultural empathy.

*Face* (*mianzi*) and *renqing* (accumulation of favours owed) are the key drivers underlying the concept of *guanxi* (Hwang, 1987; Redding, 1993). *Guanxi*, *face* and *renqing*, therefore, are the three key concepts for understanding Chinese social behavioural patterns, and their business dynamics (Chen, 1995; Davies et al., 1995; Hutchings, 2002; Wong, 1998; Wong and Tam, 2000; Yang, 1986).

**Face**

Modesty is a virtue in China, while harmony is addressed as the essence of the Chinese communication style (Fitzgerald, 1998). An individual’s *face* is defined as one’s dignity, self-respect and prestige (Chen, 1995), and the concept of *face* is very important in dealing with others in order to avoid loss of self-respect or prestige by either party (Herbig and Martin, 1998). The loss of *face* is a terrible embarrassment for any Chinese, particularly in public. *Face* is one of the key factors in understanding the Chinese dynamics of *guanxi*. *Face* is also a critical factor in the process of negotiation. Giving and maintaining *face* is advantageous to the negotiation and the formation of *guanxi* relationships (Simmons and Munch, 1998; Woo and Prud'homme, 1999).

**Renqing**

*Renqing*, defined as one of the commonly accepted social concepts regulating Chinese interpersonal relationships, and based on the Confucian concept of reciprocity, plays an important role in the cultivation and development of *guanxi* (Chen, 1995). The basic rule is “a favour for a favour, an attack for an attack”. This is in contrast to Western culture, where a business is obliged to follow the rules of equal exchanges, and whereby individuals are assigned resources in proportion to their contributions; Chinese culture favours the dominant role, as evident in the *need* rule. That is, dividends, profits or other benefits should be
distributed to satisfy recipients’ legitimate needs regardless of their relative contributions. Thus, the outcome is that they would be likely to give preference to allocating resources to those whose need is urgent (Chen, 1995; Wong, 1998).

Guanxi and renqing are the major factors influencing decision-making (Chen, 1995; Wong, 1998). Chen (1995) points out that renqing and guanxi can be interchangeable because renqing is intertwined with guanxi. Chen (1995) and Wong (1998) explain the dynamic of guanxi network-building and the process of decision-making for Chinese buyers, provided that the foreign seller intends to establish a long-term relationship, and maintain or even expand its relationship with buyers from China.

La (pulling) guanxi, guanxihu (specially connected individual or social organisation) and guanxiwang (a web of connection networks) play key roles in the process of Chinese buyers’ decision-making (Chen, 1995; Wong, 1998). La guanxi is the most common strategy in constructing networks; it is a strategy to establish relationships with others where no previous relationships existed or where an existing relationship is not close enough to be useful. With Deng Xiaoping’s market reform in China, guanxihu, which refers to those individuals or social organisations which have special guanxi with each other and would give each other preferential treatment, was introduced as a new term and a new concept. Those who are involved in different guanxihu gradually establish their guanxiwang, meaning an interconnected web of relationships, which plays a significant social role in differentiating themselves from those in other Chinese societies (Chen, 1995; Simmons and Munch, 1996; Wong, 1998). Hutchings (2002) further addresses the advantages of developing guanxiwang, commenting that developing guanxiwang may assist those who fail to become insiders to achieve the position of insider. Remaining an outsider means being trapped in a system of complete inflexibility; in terms of the organisation, “the market capitalisation of organisations may depend as much upon available resources as ability to build guanxiwang” (p. 47). Another area where guanxiwang may be of particular importance in conducting business is in overriding the complexities of Chinese bureaucracy.
3.5.2.3 The role of guanxi in Chinese business networks

Guanxi may be used as means of trust and integrity in the Chinese network (Lovett et al., 1999). Guanxi can also be used as “a gate or pass” (Yeung and Tung, 1996, p. 54) by organisations to serve as a strategic tool, especially for those without a strong government connection (Dunfee and Warren, 2001). It may also help make the Chinese network work efficiently by constituting an informal network allowing individuals to bypass the inefficiencies inherent in a communist bureaucracy (Xin and Pearce, 1996).

Empirical research reveals that the majority of people agree that guanxi (connections or relationships) is a “help” in China; and it is also a very important factor in successful negotiations with China in international trade (Leung et al., 1996). However, Yeung and Tung (1996) argue that a recent survey, conducted with the heads of the Chinese operations of 19 foreign companies investing in China, shows that guanxi is necessary for long-term business success, but is not sufficient in itself. They further explain that guanxi plays a significant role in the process of establishing relationship. However, “the significance of guanxi in ensuring continued success decreased over the life of the venture” (p. 60). Other conditions, such as technical competence, overtake the importance of guanxi to sustain success for the venture, and “the business must supply high-quality products, adopt suitable business strategies, and possess in-depth knowledge of the market” (p. 60).

Hutchings and Murray (2002) also conducted a similar study to investigate the role of guanxi in the interactions between Australian registered companies operating in China and Chinese companies. They conclude that guanxi is not as significant for larger firms as they are for small and medium enterprises (SMEs) in China. While guanxi may still be considered important for an SME’s decision-making processes and business associations, it may play a less important role in those large firms with higher orders of financial capital. With respect to this study, most Australian inbound tour operators are SMEs, whereas the Chinese travel agents are large state-owned enterprises (SOEs). Little research has been conducted to identify the role of guanxi in the formation of business relationships between these two unevenly pitched counterparts. This research, therefore, explores the role of guanxi in this context.
3.5.2.4 Differences between Chinese and Western systems of doing business

Park and Luo (2001) state that *guanxi* is not unique to China; it exists, to some extent, in every human society, at least in terms of the norms of reciprocity, and other social capital, such as trust and commitment, as mentioned in Section 3.5.2.2. What differs from culture to culture are the types of particularistic ties and the intensity of their application (Tsui and Farh, 1997). Dunfee and Warren (2001) state that imperfect Western analogues of *guanxi* are a combination of networking, reciprocity and nepotism, but the essence of “*guanxi* goes far beyond the Western concept of networking as *guanxi* is entrenched into every aspect of Chinese society, influencing social, political and commercial relations” (p. 45).

It is acknowledged that there is a big difference between Chinese and Western business systems, as presented in Table 3.6. Although there are also network arrangements between organisations in the Western system (Borys and Jemison, 1989; Buttery, et al., 1999; Fulop, 2004; Granovetter, 1985; Powell, 1990), the stereotyped Western system is still worth reviewing to compare it with the *guanxi*-type system, to help understand the Chinese system of doing business for Western practitioners. The *guanxi* system has dominated business activities throughout China and East Asia; most non-Western market systems do business on the basis of the *guanxi*-type system (Lovett et al., 1999). These areas include the Commonwealth of China, including Taiwan and Hong Kong, both of which have Confucianism as the fundamental philosophy in their daily life (Huang, 2000). Although most of the nominated Australian inbound tour operators are originally from the Commonwealth of China, their long term residence in Australia and their adoption of Australian ways of doing business may cause them to get caught “in between” the ways of doing business in China and Australia.
Table 3.6 Differences between Chinese and Western ways of doing business

<table>
<thead>
<tr>
<th>Area</th>
<th>Guanxi-type system</th>
<th>Western system</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management paradigm</td>
<td>Centred on personal relationships</td>
<td>Centred on discrete transactions and formal agreement</td>
</tr>
<tr>
<td>Orientation</td>
<td>Relationship orientation</td>
<td>Transaction orientation</td>
</tr>
<tr>
<td>Elements</td>
<td>Reputation and trust between individuals Informal contract</td>
<td>Formal legitimate contract</td>
</tr>
<tr>
<td>Transaction</td>
<td>A form of strategic alliances among individuals, entailing very general access to resources and information over indefinite periods of time</td>
<td>Focus on any particular transaction</td>
</tr>
<tr>
<td>Transaction cost</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Time</td>
<td>Time consuming, working overtime</td>
<td>Short period of time on one contract</td>
</tr>
<tr>
<td>Transaction and relationship</td>
<td>Transactions often follow successful guanxi</td>
<td>A relationship follows successful transactions</td>
</tr>
<tr>
<td>Reciprocity</td>
<td>Often links people across uneven ranks, with the weaker party calling for special favours without an equal level of reciprocal obligations</td>
<td>Entails exchanges of roughly equivalent value</td>
</tr>
<tr>
<td>Flexibility</td>
<td>Flexible but relatively permanent</td>
<td>Inflexible legal contract</td>
</tr>
</tbody>
</table>


The ways of doing business in these two systems are under two distinct management paradigms: one that is centred on personal relationships; and the other on discrete transactions and formal agreement (Simmons and Munch, 1996). In the Western system, transaction costs are relatively high, because these costs are ongoing, since a new contract must be written and monitored for each transaction. In contrast, these costs might be eliminated within guanxi-type networks (Lovett et al., 1999).
The *guanxi*-type system is very time consuming for the newcomer, who has to build a reputation and join in such a system prior to business negotiation; in the Western system, only a short period of time would be used for one contract. The time consuming nature of *guanxi* may limit its system’s capacity for growth and diversification (Lovett et al., 1999; Yi and Ellis, 2000). However, once the Chinese *guanxi* business system is established, it is difficult for competitors to imitate, because such relationships require network structural set-up and is time consuming to cultivate and sustain (Yau et al., 2000). Although there are costs related to establishing relationships of confidence in order to enter the network, the most fundamental key to *guanxi*-type networks is a preference for trading with “old friends” rather than strangers (Lovett et al., 1999).

*Differences from Hong Kong and Taiwan*

*Guanxi* has also been discussed in the context of Taiwan (Huang, 2000) and the Hong Kong setting (Yi and Ellis, 2000) respectively. One could suppose that given that people from Hong Kong and Taiwan have the advantage of being aware of Chinese culture, they should have the same or similar way of approaching *guanxi* relationships (Fruin, 1998; Gilbert and Tsao, 2000; Huang, 2000; Lovett et al., 1999). However, recent research conducted by Yi and Ellis (2000) reveals that Hong Kong and mainland executives have distinctly different ways of setting up *guanxi*. Hong Kong executives are apt to be more interested in hosting social activities and entertainment to build *guanxi* relationships, while mainland counterparts are more concerned about the question of trust, commitment and mutual cooperation, despite the fact that they have the same understanding of *guanxi* as personal relationships. Yi and Ellis (2000) and Chan and Lee (1995) further explain the reason for this dissimilarity; although Hong Kong has become part of China, since 1997, the fact is that its Chinese residents have been widely exposed to cultural influences from the West, since it was a British Colony for one and a half centuries. Hong Kong is characterised by a strong rule of law and an impartial judiciary, inherited from its colonial days, and in such an environment, business can be conducted between strangers by having a more commercial, utilitarian orientation towards *guanxi*.

The offer of tendering favours, such as lavish dinners, is only for short-term gains; it is essential but not powerful enough to maintain long-term relationships
alone (Yeung and Tung, 1996). It is therefore suggested that setting up guanxi relationships requires foreign business people from both hi-context and low-context cultures to invest time to get acquainted and develop social bonds of interpersonal trust rather than to simply throw money at the guanxi barrier by hosting lavish banquets (Yi and Ellis, 2000).

Although Taiwan inherited the Chinese traditional Confucian based culture, it has taken a different path from that of the mainland, both politically and economically. Hence, the Taiwanese culture has become unique (Huang, 2000). There has been little research into comparing the various ways of approaching guanxi relationships. It is expected that there are some differences between people from Taiwan and the mainland. This research, therefore, argues that the guanxi-based system for mainland China is distinct from that of Taiwan and Hong Kong.

The changing role of guanxi
Since the implementation of the open door policy, China has been transformed from its so-called self-sufficient and self-contained economic development model to a market-oriented economy model. China has made great economic progress, becoming a major player in world trade in the last two decades; significant changes have taken place in the domestic business environment. Dunfee and Warren (2001) list some of these changes as: increased privatisation of business firms, a movement towards more emphasis on the rule of law, changes in forms of business operation and corporate governance, increasing competition among business firms and increased foreign investment. Westerners need to adjust their previous perceptions to the current situation in China.

The content of guanxi practice is changing with China’s transition from a command economy to a market economy. There is a move from exchanging gifts, or doing favours (Yang, 1994), to actions more focused on the development of business relationships (Guthrie, 1998). The study conducted by Guthrie (1998) ends up with two different responses from managers in China. One group views guanxi as an important aspect of market economies; they also state that personal relationships enhance business and can serve as an advantage in the increasingly competitive markets during the economy transition period. The
other group views *guanxi* as decreasing in importance in China, while price, quality and service are the primary factors which shape market relationships and play an increasing role in the economic transition. This research will, therefore, investigate whether the changing role of *guanxi* can be applied to the process of developing business network relationships between Chinese travel agents and Australian inbound tour operators in the Chinese inbound tourism market to Australia.

### 3.5.3 Australian business networks

In the past, Australia has focused on domestic markets, with the exception of the mining, agriculture and tourism industries (Buttery and Buttery, 1994). In comparison with East Asian countries’ experience with business networks and a variety of other forms of inter-firm linkages, Australia has been slow to engage in any network forms, such as strategic alliances, joint ventures and other inter-organisational arrangements (Shadur and Kienzle, 1995). The Bureau of Industry Economics (1995) conducted a mail-out survey of 5,000 firms, of which 1,300 responded; they then followed-up the survey with face-to-face interviews with 40 firms across 5 industries, namely, clothing and footwear, engineering, information technology and telecommunications (IT&T), processed foods and beverages (food), and scientific and medical equipment (Sci/Med). The research reveals that only approximately one-third of the firms were involved in business cooperation and one-third of Australian manufacturers were not involved in any form of business cooperation. The high technology industries, such as IT&T and Sci/Med, had above average proportions of cooperating firms, while low-technology industries had below average levels of cooperation. Over 80 percent of cooperative network arrangements involved just two firms; around 75 percent of cooperating firms obtained major or critical benefits. Thus, from the results of this survey, it is clear that although few firms were involved in business linkages and networks, they did obtain critical benefits.

Cooperation is Australia’s future, no matter how large or small a firm is, or whether it chooses to go to global markets or niche markets; networking with other firms can offer tremendous benefits, including sharing resources, better problem solving and the ability to adopt innovation (Butler and Turners, 1995, in Ibbott, 1995; Buttery and Buttery, 1994). In addition, Buttery and Buttery
specifically discuss the benefits of networking among small businesses; “through networking, small business can overcome the problem of being small by generating economies of scale and spreading risk and, hence, reducing the incidence of corporate collapse” (p. 23). However, it should be noted that the services sector is not covered in this survey and there is limited literature available discussing business networks between service firms.

Dean et al. (1997) conducted a study on business networking between SMEs from the manufacturing and services sectors in Australia. The findings indicate that more than 50 percent of all SMEs interviewed who were not involved in formal networks were interested in and/or planning to be involved in networking in future. The findings from their research also demonstrate that services companies perceive more benefits and less inhibiting factors in participating in business networking. The benefits of networking in services companies may include more profits, sustainable growth of the company, business recognition, expansion of sales, exchange of information and improved quality of service. The factors inhibiting networking in services companies include concerns about information disclosure, the need to remain independent, the lack of suitable partners and the lack of suitable information/guidance.

In the mid-1990s, Buttery et al. (1999) studied 50 networks and over 200 businesses in Australia, mainly SMEs, including the services sector. Their research revealed that only about 20 percent of these networks were successful. They further commented that most of those successful ones were complementary operation networks, which are described in Table 3.7. The most frustrating failed networks were service networks where core operations were not significantly affected by the network activities. Fulop and Richards (2002) categorise network forms into two categories: contrived networks, those networks which have been formed largely through the intervention of third parties, such as a government (Australia provides a good example of the Western (Anglo) approach to networking); and organic networks, where business network relationships are formed without deliberate help from outside agencies, but rather by a complex system of kinship and extended family ties, as in the Chinese business network.
Furthermore, Fulop and Richards (2002) state that SMEs in individualistic and competitive countries with low-context cultures, such as the United States and Australia, have started forming cooperative, multi-firm inter-organisational relationships. Australia has over 50 percent of its workforce employed in the SME sector, and it is an expanding area for job creation. A business networks program which specially targets SMEs in Australia was launched in 1994 to make SMEs more export driven, international in outlook and competitive (Fulop and Richards, 2002). Based on Buttery and Buttery’s (1995) findings, the contrived networks in Australia can be categorised into three types: the complementary service network, the pooled service network and the pooled operations network (Table 3.7).

### Table 3.7 Types of contrived networks in Australia

<table>
<thead>
<tr>
<th>Types of network</th>
<th>Contents</th>
</tr>
</thead>
<tbody>
<tr>
<td>The complementary service network</td>
<td>A ‘soft’ network and the most common network, predominantly served the marketing and sales needs of members. Usually brought together a mix of businesses to undertake such things as joint training, quality programs, trade fairs and information exchange. The networks’ activities had no significant importance to, or impact on, the core operations of the members’ individual business and, therefore, network members had low interdependence and commitment to the network.</td>
</tr>
<tr>
<td>The pooled service network</td>
<td>A common network type. Involved businesses, or even an entire industry sector, developing joint marketing, especially for overseas markets, or joint distribution strategies. It included competitors as well as non-competitors and businesses that had no prior history of collaboration or working together.</td>
</tr>
<tr>
<td>The pooled operations network</td>
<td>A less common network type. Usually comprised businesses that were competitors in one key area of operation who came together to gain advantage predominantly from economies of scale or economies of scope.</td>
</tr>
</tbody>
</table>

Source: Fulop and Richards (2002)

The reality is that in Australia, 80 percent of tourism operators are privately owned enterprises with micro-business; some are small companies with fewer than 20 people (Lambert, 1996). They intend to develop business relationships with authorised Chinese travel agents to develop joint distribution strategies for the Australian inbound tourism market to Australia. It seems that the network between China and Australia in this context has some traits of the pooled service network. However, as Fulop and Richards (2002) state, network arrangements that work in a national context may not necessarily be ideal for working across
countries; and the network form itself is likely to be difficult to adapt to cross-cultural contexts. This research seeks to identify the nature of the business relationships between Australian and Chinese counterparts and their related network forms.

### 3.6 The *guanxi*-based network relationship development model

Based on the literature review and discussions in Section 3.5.2, and on the definition and dimensions of *guanxi* and the role of *guanxi* so far, a model depicting the process of building up business relationships between Australian inbound tour operators and their Chinese counterparts is proposed (Figure 3.2). The formation process of business relationships can be viewed in three stages: the contact stage, the trust/friendship stage and the *guanxi* stage. At the contact stage, both counterparts may acquire information about potential partners’ reputation and capability, and plan to get to know potential partners. If both counterparts are satisfied with each other’s situation, the partnership relationship may go to the trust/friendship stage, where trust/friendship will be developed. Establishing personal relationships and giving and maintaining *face*, the key dimensions of *guanxi*, may also be included in this stage. These two stages provide the foundation for the formation of the *guanxi* network, where some activities may be involved to strengthen *guanxi* relationships and expand the *guanxi* network, such as pulling *guanxi* and obtaining more *guanxi* participants and setting up a web of *guanxi* with different organisations, including a third party, such as the government. *Renqing* may also be involved in this formation process of the *guanxi* network.

Two aspects of the model can be seen as conveying:

- An increasing depth and complexity to the relationship as progress is made toward the establishment of the *guanxi* network
- A need for the simpler relationships to first be established as a prerequisite for the establishment of successively more complex relationships.

In this hierarchy model, the stages in the building of the relationships are represented by the triangle, which symbolises an iceberg. At the tip of the iceberg are the relatively superficial stages of the relationship building process; the Chinese authorised travel agencies and the Australian inbound tour operators could form a more in-depth and complex relationship as they go deeper beneath
the surface. Each successive layer of the relationship cannot be established unless the relationship in the preceding layer has first been constructed.

Figure 3.2 The proposed guanxi-based relationship development model between Australian inbound tour operators and Chinese travel agencies

<table>
<thead>
<tr>
<th>Australian inbound tour operators</th>
<th>Chinese authorised travel agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contact</strong></td>
<td></td>
</tr>
<tr>
<td>• Acquiring Information</td>
<td></td>
</tr>
<tr>
<td>• Getting to know potential partners</td>
<td></td>
</tr>
<tr>
<td><strong>Trust/friendship</strong></td>
<td></td>
</tr>
<tr>
<td>• Building trust/friendship</td>
<td></td>
</tr>
<tr>
<td>• Building up personal relationships</td>
<td></td>
</tr>
<tr>
<td>• Giving and maintaining <em>face</em></td>
<td></td>
</tr>
<tr>
<td><strong>Guanxi network</strong></td>
<td></td>
</tr>
<tr>
<td>• Guanxi network formation</td>
<td></td>
</tr>
<tr>
<td>• La (pulling) Guanxi</td>
<td></td>
</tr>
<tr>
<td>• Gain Guanxi Hu</td>
<td></td>
</tr>
<tr>
<td>(specially connected individual or social organisation)</td>
<td></td>
</tr>
<tr>
<td>• Guanxi Wang (a web of connection networks)</td>
<td></td>
</tr>
<tr>
<td>• Renqing (interpersonal relationships based on reciprocity)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Developed for this study

3.7 Conclusion
It seems that the role of guanxi in current Chinese business practice is contested. Although Figure 3.2 provides the guideline for how guanxi may be involved in the process of developing business network relationships, the model is developed on the Eastern approach to network relationships, based on the literature on guanxi and the Chinese guanxi-based business network. As mentioned before, network arrangements, which work in a national context, may not work across countries (Fulop and Richard, 2002). The proposed theoretical model will be
further developed by incorporating findings from this research. Furthermore, there is a lack of research on the role of *guanxi* in business-to-business relationships developed in the tourism industry. The extent to which *guanxi* is involved in the process of establishing and maintaining business networks, and the relationships between Australian inbound tour operators and their Chinese counterparts, remains unclear in terms of previous research. This research, therefore, will explore the role of *guanxi* in the process of relationship development between Australian inbound tour operators and their Chinese counterparts, as per research issue 4:

**RI 4: What is the role of *guanxi* in the process of developing business relationships between Australian inbound tour operators and Chinese travel agents?**

In Chapter 2, the literature on business network relationships and network and relational factors were discussed using a Western paradigm. A partnership relationship phase model was developed based on Western business practices. Chapter 3 reviewed the cultural differences between Westerners and Chinese, and the consequent impact on business relationships. Chinese *guanxi*-based networks and Australian business networks were also reviewed and discussed. From the Eastern approach to relationship development, a formation model of business relationships between Chinese travel agents and Australian inbound tour operators was proposed. However, neither of these two models has been tested in a cross-national and cross-cultural study, nor with expatriate Chinese living in Australia, given that these Australian Chinese seem to be “Australianised” in their business practices. This is, therefore, breaking new ground by bringing both the Western and Eastern paradigms of networking to bear on the problem, and eventually to incorporate them into an integrated model.

Using the literature review and subsequent discussions, a schematic depiction of the concepts discussed in Chapters 1 and 2 is provided, as well as the issues which are considered pivotal to the exploration of the research problem and research issues (Figure 3.3). These issues include the process of developing business relationships and related factors, the impact of cross-cultural differences, and the importance of *guanxi* in business relationships. As discussed
Figure 3.3 The schemata of issues and factors involved in this research

RI 1: The process of developing relationships
- Investment
- Power
- Dependence
- Size
- Search
- Set up
- Development
- Maintenance
- Termination

RI 2: Network and relational factors
- National cultural differences
- Regional cultural differences
- Communication
- Trust
- Reputation
- Reciprocity
- Commitment
- Structural bonds
- Social bonds
- Mutual goals
- Adaptations
- Performance satisfaction and quality of services
- Empathy
- WOM

RI 3: The impact of cross-cultural differences
- Working vs personal relationships
- The role of guanxi
- Dimensions:
  - Trust and commitment
  - Face
  - Renqing
  - Understanding

RI 4: Guanxi

Source: Developed for this study
before, this research is a very complex multidisciplinary study, combining aspects of management, marketing and cross-cultural studies. Each aspect of the framework is a study in itself. This research intends to incorporate previous research from both Western and Eastern perspectives to explore business network relationships between Australian inbound tour operators and Chinese travel agents. This approach is warranted because of the westernisation of migrated Australians of Chinese descent, and the postulation that *guanxi* is being eroded in favour of Western ways of doing business. The next chapter will outline the method used in this research.
Chapter 4 Methodology

4.1 Introduction
Chapters 2 and 3 reviewed the literature on business relationships, network and relational factors, the impact of cross-cultural factors, and the role of guanxi in business practices, with particular reference to the Australian and Chinese setting. The research problem and research issues were also developed throughout the literature review to investigate and understand the process of establishing and developing a business relationship between Australian inbound tour operators and Chinese travel agents in the Chinese inbound tourism market to Australia. Viable business relationships between Chinese and Australian counterparts would facilitate the development of Australia’s position as a preferred tourist destination within the Chinese market. Figure 3.3 represents a schematic depiction or a “mind map” of the study as suggested by Easterby-Smith, Thorpe and Lowe (2002) and Creswell (2003). This chapter describes the method chosen to carry out the fieldwork to empirically investigate the research problems and issues identified in the previous chapters.

Figure 4.1 presents an outline of this chapter. Firstly, the research methods used in the management, marketing and tourism research are discussed. The nature of qualitative research is examined, and the appropriateness of the qualitative approach for this study, as compared to a quantitative approach, is discussed. This study draws particularly on relativist epistemology (Easterby-Smith et al., 2002). Secondly, the research design is illustrated, with a discussion of the necessity to use prior theory and a pilot study. The sampling strategy and the sample size used in this study are also explained. Thirdly, the chapter focuses on some of the methodological issues in qualitative research, including data collection, a standardised open-ended interview instrument, the interview process, and the techniques of analysing interviews used in this study. Finally the chapter reviews some related ethical issues.
4.2 Research methods used in marketing and management research

The two most common types of research in business and management are *pure research* and *applied research* (Easterby-Smith et al., 2002). The key feature of *pure research*, also referred to as *basic research* (Patton, 1990), is that it leads to theoretical development, and there may or may not be any practical implications (Easterby-Smith et al., 2002; Patton, 1990). Pure research is a time-consuming process (Easterby-Smith et al., 2002; Gummesson, 1991; Patton, 1990). Gummesson (1991) states that studying business and management is about understanding and/or improving the performance of a business. Thus, most research intends to generate potential solutions to specific problems for a specific company or industry; this kind of research is called *applied research* (Easterby-Smith et al., 2002; Gummesson, 1991; Patton, 1990). Applied researchers “take the findings, understandings, and explanations of basic research and apply them to real-world problems and experiences” (Patton, 1990, p. 154). Given the limited time for doing doctoral research, Easterby-Smith et al. (2002) suggest incorporating both pure and applied research elements into doctoral research.

This study therefore incorporates both pure and applied research elements, aiming at exploring appropriate approaches for Australian inbound tour operators to develop and maintain productive and sustainable relationships with their Chinese counterparts. Such a relationship would help develop Australia’s position as a preferred tourist destination within the Chinese outbound tourism market. There is a dearth of research on the ways to develop Sino-Australian relations in the
tourism industry. Exploratory research is normally used in areas where there are few theories or a scant body of knowledge (Hussey and Hussey, 1997). This research intends to explore business relationships by using qualitative research methods to assist Australian tour operators/marketers to better understand how the Chinese do business in this market, an area that is still a mystery to many Westerners. Hence, this research can be considered as an exploratory study.

In addition, this research has elements of pure research. As Easterby-Smith et al. (2002) state, doctoral work needs to produce, to some extent, original theoretical contributions. This may be achieved by investigating a practical problem from two different theoretical perspectives. The nature of this research is multidisciplinary; it applies theories in management, marketing, cross-cultural studies and tourism to the research problem. Issues affecting the process of developing partnership relationships between Chinese and Australian counterparts are therefore theorised using marketing and management concepts and constructs, while issues relating to the cultural factors are logically theorised using cross-cultural studies.

“All research work is based on a certain vision of the world, employs a methodology, and proposes results aimed at predicting, prescribing, understanding or explaining” (Girod-Seville and Perret, 2001, p. 13). Epistemology, which is defined as “a general set of assumptions about the best ways of inquiring into the nature of the world” (Easterby-Smith et al., 2002, p. 31), is often considered before the researcher decides on the choice of methods, including techniques for data collection and analysis. Easterby-Smith et al. (2002) review the philosophy of research design and propose two dominant epistemology positions, that is, positivism versus social constructivism, in which three major types of studies – positivism, relativism and social constructivism – are identified based on the epistemology of social science (Table 4.1).
Table 4.1 Methodological implications of different epistemologies within social science

<table>
<thead>
<tr>
<th>Elements of Methods</th>
<th>Social Science Epistemologies</th>
<th>Social constructivism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aims</td>
<td>Discovery</td>
<td>Exposure</td>
</tr>
<tr>
<td>Starting points</td>
<td>Hypotheses</td>
<td>Suppositions</td>
</tr>
<tr>
<td>Designs</td>
<td>Quantitative</td>
<td>Quantitative and/or qualitative</td>
</tr>
<tr>
<td>Techniques</td>
<td>Experiment</td>
<td>Survey</td>
</tr>
<tr>
<td></td>
<td>Survey</td>
<td>Semi-structured interviewing</td>
</tr>
<tr>
<td>Analysis/interpretation</td>
<td>Verification /falsification</td>
<td>Probability</td>
</tr>
<tr>
<td>Outcomes</td>
<td>Causality</td>
<td>Correlation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Comparison</td>
</tr>
</tbody>
</table>

Source: Adapted from Creswell (2003, p. 6); Easterby-Smith et al. (2002, p. 34)

These three epistemologies and methods are distinct from each other. Easterby-Smith et al. (2002) identify that in both the positivist and relativist positions, it is assumed that there is a reality existing independently of the observer, and the scientist needs to identify this pre-existing reality. However, in the social constructive epistemology, the aim of the researcher is to understand how people invent structures to help them work out what is going on around them (Easterby-Smith et al., 2002). With regards to this research, the Chinese inbound travel business and the myth of business relationships between Chinese travel agents and Australian inbound tour operators necessitated that the researcher explore and identify the nature of business relationships as such. Therefore, this research is predominantly in the relativist tradition.

Experiments are often used in the positivist paradigm in order to test predetermined hypotheses, whereas from the relativist perspective, “the assumed difficulty of gaining direct access to ‘reality’ means that multiple perspectives will normally be adopted” (Easterby-Smith et al., 2002, p. 34). Therefore, semi-structured interviews were conducted in this study with both nominated Australian inbound tour operators and authorised Chinese outbound travel agents to gain the multiple perspectives on the development of partnership relationships in the Chinese inbound travel business to Australia.
Further, Easterby-Smith et al. (2002) also acknowledge that the three epistemological positions in the social sciences are “pure” versions of each paradigm, however, in management research practice, sometimes even though the basic belief of the paradigm is clear, the actual research methods and techniques used by researchers may have originated in different paradigms, and have pragmatic assumptions attached to the choices made (Creswell, 2003).

This study has a number of similar features to Tsang’s (1997, 1999 in Easterby-Smith et al., 2002) cross-cultural study, which was exemplified as the research in the relativist tradition. First, there is an assumption that the process of developing business relationships between Chinese travel agents and Australian operators is complex, embedded with social and cultural factors, and impacted by cross-cultural differences and *guanxi*. Thus, this research builds on prior theoretical propositions and constructs, as shown in Figure 3.3. Second, the interview instrument was composed of semi-structured interview questions, meaning that, as far as possible, the same questions were asked in each of the interviews. “This provided a structured and standardised set of data from which associations between variables could be investigated” (Easterby-Smith et al., 2002, p. 38). Third, documents and notes written during direct and participant observations were also used as supplementary resources to help explore and investigate the phenomenon of business relationships between Chinese travel agents and Australian inbound tour operators. Therefore, it seems that relativism is the appropriate epistemology for this study.

Quantitative rather than qualitative research methods have long dominated research in management and marketing. Quantitative research methods are characterised by the approach of deductive theory-testing. Qualitative research methods were rarely mentioned in textbooks on business research (Bonoma, 1985; Dublin, 1982; Easterby-Smith et al., 2002; Gummesson, 2000; Hambrick, 1990; O’Donnell and Cummins, 1999; Parkhe, 1993). Only recently, qualitative research has started to be applied in management and marketing research. Easterby-Smith et al. (2002) summarise the key differences between using qualitative and quantitative methods:

In the past, much attention has been given to describing, coding and counting events, often at the expense of understanding why things
are happening. This has led to a predominance of quantitative research methods which are geared, for example, to find out how many people hold particular views, or how corporate performance can be measured. By contrast, qualitative methods might concentrate on exploring in much greater depth the nature and origins of people’s viewpoints, or the reasons for, and consequences of, the choice of corporate performance criteria (p. 3).

Thus, qualitative research methods assist in directly exposing the nature of the reality, understanding the phenomenon, evaluating key themes emerging from the research, and eventually help with theory-building (Easterby-Smith et al., 2002; Lincoln and Guba, 1985; Patton, 1990). Network research has been described as pre-paradigmatic; consequently it has been recommended that research should concentrate more on theory building than theory testing (Bonoma, 1985; Tsoukas, 1989). O’Donnell and Cummins (1999) suggest the use of qualitative methods to research networking in SMEs to understand how a small firm’s owner interacts with players in the network. The great advantage of qualitative methods is that they are particularly useful in theory building for exploring relationships and concepts (Laws, 1998). From the literature reviewed in Chapters 2 and 3, it is clear that little research has been undertaken on business network relationships in the Chinese travel trade to Australia. As this research intends to apply the existing networking and relationship-building theories to this problem, it can be seen as theory building rather than theory testing.

Qualitative research methods also focus more on the process of production rather than looking at the product itself (Patton, 1987). The research questions are therefore, how or why questions (Easterby-Smith et al., 2002; Miles and Huberman, 1994; Patton, 1990; Yin, 1994). Indeed the research problem in this study focuses on how Australian tourism product suppliers and marketers might establish and maintain partnership relationships with Chinese travel agents through networking to help Australia become a preferred tourist destination within the Chinese market. In addition, what questions can be used to address research issues when the research problem is exploratory (Neuman, 2000; Yin, 1994). As stated before, this research is exploratory research, with both the how
and what questions being raised in the research issues described in Chapters 2 and 3. Thus, the use of qualitative research methods is appropriate for this study.

As stated in Chapter 1, Australia was granted ADS to the Chinese market on 22 April 1999, followed by the nomination of 30 Australian inbound tour operators to deal with 20 authorised Chinese travel agents. According to Walle (1997), when there are only a few informants in a study, qualitative research is recommended. As shown in Chapters 2 and 3, little research has been undertaken on the process of developing partnership relationships in the Chinese travel trade to Australia in a cross-national context. One of the main objectives of this research is to provide an understanding of the nature of partnership relationships between Chinese travel agents and Australian inbound tour operators. Hence, the qualitative research method is appropriate for this study, as the aim is to develop an understanding of the realities of business relationships between Australian inbound tour operators and their Chinese counterparts, and help Australian tourism product suppliers/marketers form long-term business relationships with their Chinese counterparts.

4.3 Research methods used in tourism research

As discussed before, qualitative methods have been accepted and used in market research and have gained wide acceptance in the social sciences (for instance, Bonoma, 1985; Easterby-Smith et al., 2002; Gummesson, 2000; Miles and Huberman, 1984; Walle, 1997). Anthropologists and sociologists have used qualitative research methods in tourism and travel research for some time, but researchers from economics, geography, marketing and psychology have not used qualitative research in travel and tourism fields, with the exception of research on consumer behaviour (Decrop, 1999; Riley and Love, 2000). Researchers have increasingly used qualitative techniques in consumer behaviour research to study relevant topics in meaningful and pragmatic ways (Riley and Love, 2000; Walle, 1997).

Until recently, researchers from economics, geography, marketing and psychology have questioned the value of quantitative research in the travel and tourism field, criticising it for producing findings that are not clear and producing results that cannot be fully understood by the researcher (Riley and Love, 2000;
Walle, 1997). Walle (1997) advocates that tourism researchers should explore the variety of tools and techniques available, acknowledging that “all the methods of social science are, in essence, tradeoffs allowing one option by abandoning other alternatives”, and suggesting that tourism research should “establish situations where scientific tools and subjective interpretations can best be employed (and vice versa)” (p. 528). The use of qualitative and quantitative methods in tourism research is both useful and valid. Quantitative/rigorous methods are being augmented and supplemented with more qualitative methods because the former is often unable to deal with vital problems facing marketing and tourism scholars (Walle, 1997).

Riley and Love (2000) recently reviewed the range and scope of qualitative methods used in tourism research in feature articles of four major tourism journals, from the first issues to the end of 1996. These journals are the *Journal of Travel Research*, *Annals of Tourism Research*, *Tourism Management* and *Journal of Travel and Tourism Marketing*. They reveal that journals aimed at solving industry problems, such as the *Journal of Travel Research*, *Tourism Management* and *Journal of Travel and Tourism Marketing*, published few qualitative articles, while qualitative articles were more prominent in journals with social science orientations, such as the *Annals of Tourism Research*. Furthermore, only 15 percent of authors of qualitative articles in these journals were affiliated with business, while 46 percent of authors were affiliated with anthropology and sociology (Riley and Love, 2000). These figures indicate that fewer academics have used qualitative research methods in tourism research from the business perspective. Nevertheless, qualitative methods have started to be used to provide more focused information on research to develop further quantitative research (Decrop, 1999; Walle, 1997), though the quantitative approach still plays the dominant role in tourism as well as marketing research (Riley and Love, 2000). As discussed in Chapters 2 and 3, this study is cross-disciplinary, and applies related marketing and management theories to the tourism industry, and more precisely, the Chinese travel trade to Australia. Given that no similar research has been conducted before, the qualitative approach is adopted to provide in-depth, rich textual data for understanding the business relationships between Chinese and Australian counterparts in the Chinese inbound tourism market to Australia.
Malhotra et al. (1996) suggest that qualitative research is also crucial in cross-cultural marketing research, with in-depth personal interviews as the most appropriate approach, especially when part of the research is conducted in the Far East, which includes China. Pyatt (1995) agrees that qualitative research is more appropriate when Asian people are included in the study because they are more conservative. For example, the response rate of surveys and questionnaires for Asian people is noted as being very poor, at less than five percent. Furthermore, Asian respondents are also more likely to score responses involving scales at the middle range, so as not to offend anyone. Hence situations occur when quantitative research results from different countries, such as Singapore and Thailand, are similar, although cultures and environments are known to vary widely (Cavusgil and Das, 1997).

Mavondo and Rodrigo (2001) utilised a survey to identify the relationship dimensions used in organisations which conduct business between Australia and China. Initially tried to use this scheme to supplement the qualitative research methods. However, the survey resulted in few useful outcomes, particularly with the results from the Chinese travel agents. It seemed that the Chinese respondents were not used to the survey research method. They, indeed, tended to score their responses towards the middle range of a five-Likert scale as mentioned above. Therefore, I abandoned the quantitative results from the survey that were to be included in this study, as the results did not shed light on the research problem. Thus, when such quantitative research methods do not yield useful data, qualitative research methods are a valid and recommended alternative (Walle, 1997). As this research is investigating the business relationships between Australian inbound tour operators and Chinese travel agents, it seems that the in-depth personal interview is the most appropriate method to employ. This is especially so, considering the research was conducted in both China and Australia, and that all Australian inbound operators are ethnic Chinese.

In summary, this research is in the relativist paradigm, but by using qualitative methods as the most appropriate way to conduct this research, particularly as an exploratory study investigating the process of developing partnership relationships in a cross-cultural context (Denzin and Lincoln, 2000; Easterby-
Smith et al., 2002; Gummesson, 2000; Miles and Huberman, 1994; Tsoukas, 1989). The qualitative research method is used to assist in understanding the phenomenon under study, with personal interviews being the primary source of data collection.

4.4 Criteria for the research design

The research design should act as a guideline for the researcher in the process of collecting, analysing and interpreting the data (Merriam, 1988; Yin, 1994). This research is based on prior theoretical propositions and constructs (Figure 3.3), which guide the data collection and analysis for the study of partnership relationships between Chinese and Australian counterparts in a specific industry sector.

To reiterate, this is a multidisciplinary study, focused on explaining how business relationships are formed between Australian inbound tour operators and Chinese travel agents. A qualitative research design is used in this research to help guide the researcher in understanding the rather complex phenomenon as shown in Figure 4.2. There are three stages involved in this study, which will be discussed in the following sections: i) define and design; ii) prepare, collect and analyse; and iii) analyse and conclude (Yin, 1994). The research design is also further explained in the following sections.

4.4.1 Prior theory building and pilot studies

In this study, prior theory plays a critical role in the design of the qualitative research and data analysis. A pilot study was also used to refine the research method. Emory and Cooper (1991, p. 62-63) highlight the role and value of prior theory in research:

- as an orientation it focuses and refines the range of facts that one needs to investigate
- it suggests which means of study is likely to generate the greatest meaning
- it suggests a system of classifying data in the most meaningful manner
- it can also assist in predicting other facts which should be unearthed.
Figure 4.2 Case study research design

I

Select interview cases
- Chinese travel agencies
- Australian inbound tour operators

II

Conduct 1st interview case

Conduct 2nd interview

Conduct remaining interview cases

Write individual case report

Write individual case report

Write individual case reports

III

Draw cross-case conclusions on each research issue
- Within-country
- Cross-countries

Discussion with relevant literature on each issue

Modify theory

Develop implications

Write cross-case report

Source: Developed for this research, based on Yin (1994, p. 49)
In this research, Chapters 2 and 3 reviewed the related theories from networking, marketing and cross-cultural perspectives, as an orientation for this research to focus on. Moreover, the literature review suggested key issues likely to impact on the process of developing partnership relationships between Chinese travel agents and Australian inbound tour operators. The schemata of issues and factors (Figure 3.3) suggested a system of classifying data in the most meaningful manner, and assisted in revealing other related facts through the data collection and data analysis.

A pilot study is not a pretest, but is used more formatively to assist the researcher to develop relevant lines of questioning (Yin, 1994). Additionally, a pilot study also provides the researcher with the opportunity to focus on particular areas that may have been unclear previously (Janesick, 1994). Pilot studies are necessary in exploratory research as it takes some trial and error to establish a methodology and a theoretical base for the research (Dick, 1990). Furthermore, pilot interviews can assist in testing certain questions which have been constructed based on previous studies (Janesick, 1994). The pilot study should be undertaken prior to the final selection of interview cases and data collection. Convenience, easy access and geographic proximity are the main criteria for selecting the pilot study interviews, which allow for a less structured and more prolonged relationship to develop between the interviewees and the researcher than may occur in the “real” field sites (Yin, 1994).

Three pilot interviews were conducted in this research. The first one was with the former senior manager of one nominated inbound tour operator, who used to deal with an authorised Chinese travel agent. The reasons for choosing this interviewee were as follows. First, he was experienced in dealing with the Chinese tourism market. Although he was no longer the senior manager, he still dealt with Chinese tourists as a driver guide. He therefore provided the researcher with insights into the Chinese tourism market to Australia. Second, this person was based on the Gold Coast where the researcher lives. Open-ended questions were used to encourage the interviewee to reveal his experiences of dealing with Chinese travel agents. As Yin
(1994) and Janesick (1994) state, the pilot data provides considerable insights into the issues being studied; and this information was traced back to a further focused review of relevant literature so as to ensure that significant theoretical issues and questions were related to the current studied cases. In this research, the pilot study provided the researcher with updated information on the Chinese inbound tourism market to Australia, and some features of the business relationship between Chinese travel agents and Australian inbound tour operators. It also provided the researcher with an inside understanding of the phenomenon of the business relationships between Australian and Chinese counterparts in the Chinese tourism market to Australia. The specific research problem was identified after this pilot study, and the interview instrument was designed accordingly.

The second pilot interview was conducted with the managing director of one of the nominated inbound tour operators based on the Gold Coast, who also plays an active role in the Australian Travel Export Council (ATEC). The main purpose was to obtain further understanding of the Chinese inbound tourism market to Australia from a macro-perspective. The researcher used the interview instrument to test the effectiveness and appropriateness of the questions which would be asked in the “real” field sites.

The third pilot interview was conducted with another nominated inbound operator based in Brisbane. The managing director’s native language is Mandarin. The main purpose of conducting this interview was to see whether or not the questions were suitable for asking in Mandarin. The notion of cross-cultural interviewing may be challenged by language differences and differing norms and values (Patton, 1990). Thus, pretesting of the interview questions is complicated in cross-cultural research, as “linguistic equivalence must be pretested” (Maholtra et al., 1996, p. 25). As this research was to be conducted in both Australia and China, it was thought to be most effective and appropriate to interview relevant managers of authorised Chinese travel agents in Mandarin rather than in English, although most of them do understand basic English. The interview instrument was thus translated into Mandarin by the researcher, and then back-translated to English by another Chinese native speaker to ensure accuracy and equivalence. As identified in Chapter 3,
Chinese and Australian communication styles are different. For example, Chinese people tend to use indirect communication whereas Australians favour direct communication (Trompenaars and Hampden-Turner, 1998). Consequently, the researcher considered it necessary to conduct the interview in Mandarin, based on the questions designed in English to ensure the appropriateness and effectiveness of these questions once translated into Chinese.

Easterby-Smith et al. (2002) strongly suggest that translations of the interview instrument should be adapted to suit local cultural differences. The researcher herself is a native Mandarin speaker. She worked in the tourism industry in Shanghai for several years, and has been living in Australia for more than five years. The researcher is aware of cultural differences between Australia and China through cross-cultural personal experience in these two countries and through academic cross-cultural research. The researcher took cross-cultural differences into consideration when designing the questions. As the researcher is also a native speaker of the Shanghai dialect, some interviews were conducted in that dialect for interviewees’ convenience. Furthermore, the limited funds available for this research made it unfeasible for the interview transcripts to be translated into English by other people. As the researcher is certified in English-Chinese translation, she therefore decided to translate the interview transcripts into English when necessary.

4.4.2 Sampling

In contrast to quantitative research, qualitative research usually uses small samples of participants embedded in their context and studied in-depth (Easterby-Smith et al., 2002; Gummesson, 2000; Miles and Huberman, 1994; Patton, 1990; Walle, 1997). Qualitative research tends to use purposeful sampling to select information-rich interview cases for in-depth studies (Kuzel, 1992; Patton, 1990). Miles and Huberman (1994) define a case as “a phenomenon of some sort occurring in a bounded context” (p. 25). They further explain that a case can be an individual, a small group, an organisation, a community or a nation. The case, in effect, is a unit of analysis with a focus on the study and a boundary which defines the edge of the case. Patton (1990) suggests that each interview be called a case study. Therefore, in this research, a case is defined as one interview, supplemented by documentation
Comparability is a prerequisite for valid cross-cultural comparison in cross-national studies (Maholtra et al., 1996; Neuman, 2000). Indeed, Patton (1990) has recommended 15 strategies of purposeful sampling which can be used to select individual cases. This research adopted two of these purposeful sampling strategies. One is called “criterion sampling” to “review and study all cases that meet some predetermined criterion of importance” so as to assure the quality and comparability of interview cases used in this study (Patton, 1990, p. 176). As stated in Chapter 1, China is an emerging market to Australia, and Australia was not granted ADS until April 1999. According to the list of nominated operators provided by ATEC at February 2002, there were only 30 inbound nominated operators dealing with the Chinese inbound tourism market. In return, CNTA authorised 20 Chinese travel agents to handle this business. The criterion of sampling for this research meant that all interviewed cases should be on these two lists, and that they be active in the market.

The other purposeful sampling strategy, “convenience sampling”, is considered the least desirable sampling strategy as it may result in information-poor interviews (Patton, 1990). However, Easterby-Smith et al. (2002) argue that it is crucial to have local contacts and use personal networks to obtain responses in cross-national research, given the difficulty of obtaining responses in other countries. Thus, the researcher adopted the convenience sampling strategy after applying the criterion sampling strategy. Due to this study involving cross-national research, some local contacts and the researcher’s previous personal network were used to purposefully choose interview cases, limited by the constraints of time and funding. Consequently, the selection of interview cases was purposeful in this research.

Eleven Australian inbound tour operator interview cases and 11 Chinese travel agent interview cases were selected. These 30 inbound operators were spread across Australia: 16 in Sydney, 7 in Melbourne, 4 in Queensland, 4 in Perth and 1 in Adelaide. However, the researcher discovered that some of the operators in Sydney
were no longer active in this business, although their names were still on the list. Further, while the four inbound tour operators in Perth were nominated as eligible to deal with this business in December 2001, when the researcher contacted them in 2002, they had not yet commenced dealing with the authorised Chinese travel agents. Therefore, only 26 Australian inbound operators fulfilled the selection criteria based on the rationale of the criterion sampling strategy when the fieldwork was undertaken in late 2002 and early 2003.

Eight case interviews were conducted in Sydney, two in Brisbane and one in Adelaide. Following the rationale of convenience sampling, as the researcher is based on the Gold Coast, 85 kilometres from Brisbane, two operators in Brisbane were chosen and interviewed. During the researcher’s personal visit to Adelaide, the only nominated inbound tour operator in Adelaide was interviewed.

Due to the constraints of time and funding, in the Australian context, the researcher could only choose to conduct the remaining case interviews either in Sydney or Melbourne. The researcher chose Sydney for three main reasons. Firstly, 50 percent of the nominated inbound tour operators are based in Sydney. Secondly, through the pilot studies, the researcher discovered that most of the experienced operators were based in Sydney. Thirdly, following the rationale of convenience sampling, as the researcher had conducted in-depth interviews with experienced inbound tour operators regarding the Chinese inbound tourism market to Australia in her previous research (Pan, 1999), these operators were contacted again. The researcher thus had easy and familiar access to these interview cases.

However, when contacting the 16 inbound operators in Sydney, the researcher found that three operators were currently not involved in this business, although their names were on the list. In addition, four operators were overseas and one operator declined to be interviewed. Eight interviews with inbound operators, therefore, were arranged and conducted in March 2002, prior to the 11 interviews with the Chinese travel agents. Hence, 11 inbound operators were selected in this study.
A set of 11 cases of authorised Chinese travel agents was also chosen for this research. As mentioned in Chapter 1, there are 20 authorised Chinese travel agents eligible to do business with the nominated Australian inbound tour operators, 10 in Beijing, four in Shanghai and six in Guangdong Province. Following the rationale of convenience sampling, and due to the difficulties of contacting agents in Guangdong Province, interviews were conducted with agents in Beijing and Shanghai. Through the local Chinese Travel Agent Association, the researcher obtained access to authorised travel agents in Beijing. However, when contacting these agencies, one manager was on a business trip, and two agencies declined to be interviewed. The researcher finally interviewed seven travel agencies in Beijing. Based on the researcher’s previous working contacts, all four authorised travel agents in Shanghai were interviewed. Eleven authorised Chinese travel agents, therefore, were selected in this study.

4.4.3 Sample size

It is not necessary to study a large number of cases if the researcher wants to understand, in-depth, the mechanisms of change (Gummesson, 1991). Eisenhardt (1989) and Royer and Zarowski (2001) suggest that cases should be added until “theoretical saturation” is achieved. This approach was not possible for this research due to the constraints of time and funding. As Patton (1990) states, there are no specific rules for sample size in qualitative research, but the sample size depends on “what you want to find out, why you want to find it out, how the findings will be used, and what resources (including time) you have for the study” (Patton, 1990, p.184). The advantages of qualitative research are that:

The validity, meaningfulness, and insights generated from qualitative inquiry have more to do with the information-richness of the cases selected and the observational/analytical capabilities of the researcher than with sample size (Patton, 1990, p. 185).

Thus a single case can embody a number of cases in a research study (Hussey and Hussey, 1997). In this research, two sets of 11 cases were studied. One set was the nominated Australian inbound tour operators; the other was the authorised Chinese
travel agents (Table 4.2). As noted previously, the interview cases were selected using criterion and convenience sampling strategies. Due to the constraints of time and money, these cases were not matched in terms of partnering each other. In other words, the 11 inbound tour operators and 11 authorised travel agents were not necessarily dealing with each other, and did not constitute partnerships per se.

Table 4.2  The selection of multiple cases of this research

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Cases</th>
<th>Dates</th>
<th>Positions of interviewees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chinese authorised travel agents</td>
<td>Case CA</td>
<td>3 April 2002</td>
<td>Australia &amp; New Zealand Department Senior Supervisor</td>
</tr>
<tr>
<td></td>
<td>Case CB</td>
<td>3 April 2002</td>
<td>Australia &amp; New Zealand Division Manager</td>
</tr>
<tr>
<td></td>
<td>Case CC</td>
<td>5 April 2002</td>
<td>Australia &amp; New Zealand Division Manager</td>
</tr>
<tr>
<td></td>
<td>Case CD</td>
<td>28 March 2002</td>
<td>Australia &amp; African Section Vice Manager</td>
</tr>
<tr>
<td></td>
<td>Case CE</td>
<td>1 April 2002</td>
<td>Assistant General Manager of Outbound Sales &amp; Marketing Centre</td>
</tr>
<tr>
<td></td>
<td>Case CF</td>
<td>29 March 2002</td>
<td>Manager of Australia and New Zealand Department</td>
</tr>
<tr>
<td></td>
<td>Case CG</td>
<td>27 March 2002</td>
<td>Senior Business Manager of Outbound Department, Australia &amp; New Zealand Section</td>
</tr>
<tr>
<td></td>
<td>Case CH</td>
<td>18 April 2002</td>
<td>Vice Manager of Outbound Division</td>
</tr>
<tr>
<td></td>
<td>Case CI</td>
<td>17 April 2002</td>
<td>Vice Manager of Outbound Travel Department</td>
</tr>
<tr>
<td></td>
<td>Case CJ</td>
<td>26 April 2002</td>
<td>Deputy General Manager of Outbound Tours Co.</td>
</tr>
<tr>
<td></td>
<td>Case CK</td>
<td>16 April 2002</td>
<td>Deputy Manager of Outbound Department</td>
</tr>
<tr>
<td>Australian nominated</td>
<td>Case AL</td>
<td>5 March 2002</td>
<td>Director/Manager</td>
</tr>
<tr>
<td>inbound tour operators</td>
<td>Case AM</td>
<td>7 March 2002</td>
<td>General Manager</td>
</tr>
<tr>
<td></td>
<td>Case AN</td>
<td>27 December 2001</td>
<td>Manager</td>
</tr>
<tr>
<td></td>
<td>Case AO</td>
<td>6 March 2002</td>
<td>Manager – China Market</td>
</tr>
<tr>
<td></td>
<td>Case AP</td>
<td>5 March 2002</td>
<td>Managing Director</td>
</tr>
<tr>
<td></td>
<td>Case AQ</td>
<td>27 December 2001</td>
<td>Managing Director</td>
</tr>
<tr>
<td></td>
<td>Case AR</td>
<td>30 January 2002</td>
<td>Director of Marketing</td>
</tr>
<tr>
<td></td>
<td>Case AS</td>
<td>7 March 2002</td>
<td>Managing Director</td>
</tr>
<tr>
<td></td>
<td>Case AT</td>
<td>6 March 2002</td>
<td>Sales Manager</td>
</tr>
<tr>
<td></td>
<td>Case AU</td>
<td>5 March 2002</td>
<td>General Manager</td>
</tr>
<tr>
<td></td>
<td>Case AV</td>
<td>5 December 2001</td>
<td>Managing Director</td>
</tr>
</tbody>
</table>

Source: Developed for this study

4.5 Data collection

Preparing for data collection can be a complex and difficult process, and it should begin with acquiring the necessary skills, the development of an interview
instrument and the conduct of a pilot study (Yin, 1994). This section explains the multiple sources of data in the research to achieve confirmability of this research, and the procedure of developing the interview instrument and interview process.

Considering that this project involves a long-haul trip to China, the researcher made comprehensive preparations prior to the trip, which included completing interviews with nominated Australian inbound operators. In addition, the researcher undertook participant observation of an ATEC workshop on the Chinese inbound tourism market to Australia, in order to grasp the synergy between Australian and Chinese counterparts from the Australian counterparts’ perspective. Issues emerging from the interviews and the workshop were taken into consideration by the researcher. She followed up these issues with Chinese travel agents with some probing questions to reveal how business relationships are established and developed between Chinese travel agents and Australian inbound tour operators from both Australian and Chinese perspectives.

In order to obtain informative results during the data collection phase, the researcher used qualitative research skills suggested by Patton (1990) and Yin (1994), before and during the data collection process. First, the researcher made sure that the data collection process was not routinised. In the case of the authorised travel agents, the interviewee was asked for language preferences prior to the interview in order to maximise the information that the interviewee would provide to the researcher. Although a standardised open-ended interview instrument (Appendix IV) was used, if some issues not identified in the previous literature and pilot studies emerged during the interviews, the researcher followed up by asking further questions. Second, the researcher tried to be flexible in managing some unpredictable situations, where the researcher might need to make changes to the questions or shift the sequence of questions during interviews. The researcher herself was a relatively experienced researcher, having conducted in-depth interviews in her previous research on the Chinese inbound tourism market to Australia (Pan, 1999). Finally, the researcher tried to control bias by listening to all interviewees’ responses, and she was open to different views during all interviews.
4.5.1 Multiple sources of evidence

Patton (1990) states that qualitative methods consist of three kinds of data collection: “(1) in-depth, open-ended interviews; (2) direct observation; and (3) written documents” (p.10). Miles and Huberman (1994) and Yin (1994) further include archival records and participant observation in the multiple sources of evidence in qualitative research. Among these data sources for qualitative research, in-depth, open-ended interviewing has been widely accepted as “the best” method of gathering information in qualitative research that does not lead itself to ethnographic design (Creswell, 2003; Easterby-Smith et al., 2002; Miles and Huberman, 1994; Patton, 1990). For this research, data was collected by in-depth interviews, using a semi-structured questionnaire supplemented by documents and notes written during observations, yet interviews remain the main data source for data analysis.

Interviews

Interviews may be conducted in a wide range of ways from highly formalised and structured to unstructured (Easterby-Smith et al., 2002; Patton, 1990; Rubin and Rubin, 1995). Easterby-Smith et al. (2002) outline the form of open-ended interviews, when “one aim of the interview is to develop an understanding of the respondent’s ‘world’ so that the researcher might influence it, either independently, or collaboratively as in the case with action research” or when “it is necessary to understand the constructs that the interviewee uses as a basis for her opinions and beliefs about a particular matter or situation” (p. 87). The use of open-ended questions is appropriate when the researcher lacks knowledge about the determinants of response in other cultures, and these questions “reduce cultural bias, because they do not impose any response alternatives” (Maholtra et al., 1996, p. 23). It should be noted that this research includes discussion on guanxi, which has been acknowledged as a sensitive issue in discussions in China, and the researcher felt that she would obtain more valuable and meaningful information if the interviews were in an in-depth interview format (Bian, 1994; Guthrie, 1998). Patton (1990) suggests three choices of collecting qualitative data through open-ended interviews. These are:

1. the informal conversational interview
2. the general interview guide approach
(3) the standardised open-ended interview.

The informal conversational interview is the most open-ended approach to interviewing where interviewees may not realise that they are being interviewed (Patton, 1990). Most of the questions flow from the immediate context. Therefore, this approach is very time consuming for collecting systematic information because conversations with several different people have to take place before a similar set of questions can be posed in the formal interview process (Patton, 1990). Furthermore, Patton observed that data obtained from informal conversational interviews varies because of different responses, and are difficult to analyse. This interview technique was not suitable for this study. All the interviewees are senior managers in their companies, and most of their schedules are very tight. It is almost impossible to spend time doing informal interviews and then go back with a similar set of questions. Easterby-Smith et al. (2002) advocate that researchers in management research should avoid “non-directive” interviews, and they should be clear from the start about their area of interest using interview questions that are specific and can solve their research problems. Therefore, the informal conversational interview is inappropriate for this research.

The general interview guide approach involves “outlining a set of issues that are to be explored with each respondent before interviewing begins” (Patton, 1990, p. 280). Patton further explains that even though “the outline increases the comprehensiveness of the data and makes data collection somewhat systematic for each respondent” (p. 288), the interviewer’s flexibility in sequencing and wording questions may result in substantially different responses from different respondents, hence reducing the comparability of the response data.

The standardised open-ended interview approach “consists of a set of questions carefully worded and arranged with the intention of taking each respondent through the same sequence and asking each respondent the same questions with essentially the same words” (Patton, 1990, p. 280). This approach is particularly suited to interviewing participants where there is a limited period of time. The interview is highly focused so that the respondent’s time is carefully used. The advantage of
using this approach is to produce systematic data for each interview and increase comparability of responses since respondents are asked the same questions (Patton, 1990). Furthermore, using the standardised open-ended interview increases the dependability and reliability of the research, given that evaluation users are permitted to see and review the interview instrument used in the research and the research can be repeatedly conducted by other researchers with similar results. However, the disadvantage of this approach is that it provides little flexibility in relating the interview to particular individuals and circumstances and standardised wording may constrain the relevance of questions and answers.

Considering the advantages and disadvantages of using the general interview guide and the standardised open-ended interview approaches, this research used an interview instrument composed of a standardised open-ended approach supplemented by an interview guide approach, as recommended by Patton (1990), to provide the researcher more flexibility in probing when appropriate to explore certain subjects in greater depth.

The interview instrument plays the major role in data collection in this research. The researcher used an interview instrument to put questions to the interviewees. The standardised interview approach is often used when a respondent is short of time (Patton, 1990; Yin, 1994). In this research, considering that the managers are very busy with their daily business affairs, all the interviews with Australian inbound tour operators and Chinese travel agents went for about one hour; the shortest was 35 minutes, and the longest was close to two hours (Table 4.3). The interviews focused on a particular set of questions drawn from the interview instrument, but were still open-ended so as not to predetermine the answers (Patton, 1990; Robson, 1993).

One pitfall which the researcher needs to be aware of is that some researchers who use this type of interview simply tend to corroborate certain facts that they have already thought of (Yin, 1994). Therefore, Yin (1994) suggests that the researcher should appear genuinely “ naïve” about the topic and this allows the respondent to provide his/her fresh comments. Based on this view, the interview questions in this
Table 4.3 Diversity of respondents

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Cases</th>
<th>Time interviewed (min)</th>
<th>Language used for the interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chinese authorised travel agents</td>
<td>Case CA</td>
<td>35</td>
<td>Mandarin</td>
</tr>
<tr>
<td></td>
<td>Case CB</td>
<td>40</td>
<td>Mandarin</td>
</tr>
<tr>
<td></td>
<td>Case CC</td>
<td>60</td>
<td>Mandarin</td>
</tr>
<tr>
<td></td>
<td>Case CD</td>
<td>35</td>
<td>Mandarin</td>
</tr>
<tr>
<td></td>
<td>Case CE</td>
<td>75</td>
<td>Mandarin</td>
</tr>
<tr>
<td></td>
<td>Case CF</td>
<td>40</td>
<td>Mandarin</td>
</tr>
<tr>
<td></td>
<td>Case CG</td>
<td>115</td>
<td>Mandarin</td>
</tr>
<tr>
<td></td>
<td>Case CH</td>
<td>70</td>
<td>Shanghai dialect</td>
</tr>
<tr>
<td></td>
<td>Case CI</td>
<td>100</td>
<td>Shanghai dialect</td>
</tr>
<tr>
<td></td>
<td>Case CJ</td>
<td>60</td>
<td>Shanghai dialect</td>
</tr>
<tr>
<td></td>
<td>Case CK</td>
<td>90</td>
<td>Shanghai dialect</td>
</tr>
<tr>
<td>Australian nominated inbound tour operators</td>
<td>Case AL</td>
<td>65</td>
<td>English</td>
</tr>
<tr>
<td></td>
<td>Case AM</td>
<td>70</td>
<td>English</td>
</tr>
<tr>
<td></td>
<td>Case AN</td>
<td>45</td>
<td>English</td>
</tr>
<tr>
<td></td>
<td>Case AO</td>
<td>60</td>
<td>Mandarin</td>
</tr>
<tr>
<td></td>
<td>Case AP</td>
<td>65</td>
<td>Mandarin</td>
</tr>
<tr>
<td></td>
<td>Case AQ</td>
<td>90</td>
<td>English</td>
</tr>
<tr>
<td></td>
<td>Case AR</td>
<td>115</td>
<td>Mandarin</td>
</tr>
<tr>
<td></td>
<td>Case AS</td>
<td>45</td>
<td>Shanghai dialect</td>
</tr>
<tr>
<td></td>
<td>Case AT</td>
<td>35</td>
<td>Mandarin</td>
</tr>
<tr>
<td></td>
<td>Case AU</td>
<td>35</td>
<td>Mandarin</td>
</tr>
<tr>
<td></td>
<td>Case AV</td>
<td>90</td>
<td>Mandarin</td>
</tr>
</tbody>
</table>

Source: Developed for this study

study were open-ended questions according to a list of topics (Burgess-Limerick, 1999) and were carefully designed. The interview instrument is further explained in Section 4.5.2.

**Documentation**

Documents, as a source of evidence, may relate to every case study topic, and may include letters, memoranda, agendas, official publications and reports, administrative documents, personal diaries, and newspaper clippings (Patton, 1990; Yin, 1994). Documents used in this research included company and product brochures, sales presentation materials, newspaper clippings, and company information on websites. The documents, produced independently by various media and organisations, can be regularly used in qualitative research to uncover meanings, develop understandings
and discover insights (Merriam, 1988). In this research, documentation, as a supplementary instrument in the data collection, firstly helped verify the spellings, titles and names of the organisations and related persons. Secondly, documents, especially company brochures, newspaper clippings and company information on websites, provided details of the interviewee’s company background information and the latest corporate activities in the market, particularly in the Chinese inbound tourism market to Australia. Thirdly, documents provided other specific details to corroborate information from other sources to assist the researcher to conduct interview case studies. Finally, documents enabled the researcher to make further inferences (Yin, 1994). The researcher, however, is also aware that the documents might have contained built-in biases which are unknown by the researcher (Marshall and Rossman, 1999; Yin, 1994). Therefore, documentation can only be a supplementary source of evidence for data collection.

**Direct and participant observation**

Observation played a minor role in this research. Direct observation occurs when the researcher conducts a field visit to the case site (Merriam, 1998; Patton, 1990, Yin, 1994). In this research, an interview log book was used to record field notes, such as the manner and context of responses and environmental conditions, for each case study site in addition to interviews. Participant observation was also used when the researcher was invited to an industry workshop discussing the Chinese tourism market to Australia. Field notes were taken in order to supplement the interview data with complementary evidence (Cooper and Emory, 1995; Easterby-Smith et al., 1991, 2002; Robson, 1993). The purpose of observational data is to “describe the setting that was observed, the activities that took place in that setting, the people who participated in those activities, and the meanings of what was observed from the perspective of those observed” (Patton, 1990, p. 202). Such observational data provides another source of evidence in investigations of multiple cases in this research. This approach enriches and provides the context of the interview data.

**4.5.2 In-depth interview instrument and interview process**

The interview instrument is a major device for increasing the reliability of qualitative research (Patton, 1990; Yin, 1994), and it contains “a set of substantive
questions reflecting the actual enquiries” (Yin, 1994, p. 76). As discussed earlier, the in-depth interview instrument, which contained standardised open-ended questions, guided the interview process in this study. Questions were developed according to the research problem and research issues proposed in Chapters 2 and 3, and were refined based on the pilot study results. These questions captured data, providing an overall view of the industry and relevant tourism firms in both China and Australia, and addressed the four research issues developed in Chapters 2 and 3. The relationship between research issues and interview questions addressed in the interview instrument is presented in Table 4.4.

<table>
<thead>
<tr>
<th>Research issues</th>
<th>Interview protocol items</th>
</tr>
</thead>
<tbody>
<tr>
<td>RI 1 on stages of developing business relationships</td>
<td>Part A: Q2, Q3</td>
</tr>
<tr>
<td></td>
<td>Part B: Q1</td>
</tr>
<tr>
<td></td>
<td>Part C: Q1</td>
</tr>
<tr>
<td></td>
<td>Part D: Q1, Q2</td>
</tr>
<tr>
<td>RI 2 on network and relational factors in the process of developing relationships</td>
<td>Part B: Q2</td>
</tr>
<tr>
<td></td>
<td>Part C: Q2</td>
</tr>
<tr>
<td></td>
<td>Part D: Q3, Q4</td>
</tr>
<tr>
<td>RI 3 on the impact of cross-cultural factors on this relationship</td>
<td>Part A: Q6</td>
</tr>
<tr>
<td></td>
<td>Part C: Q1</td>
</tr>
<tr>
<td></td>
<td>Part D: Q2, Q3, Q4</td>
</tr>
<tr>
<td></td>
<td>Part E: Q1, Q2</td>
</tr>
<tr>
<td>RI 4 on the role of guanxi</td>
<td>Part D: Q3, Q5</td>
</tr>
<tr>
<td>General questions</td>
<td>Part A: Q1, Q4, Q5, Q7</td>
</tr>
<tr>
<td></td>
<td>Part E: Q3</td>
</tr>
</tbody>
</table>

Source: Developed for this study

The interview instrument is reproduced as Appendix IV. It is in five parts as follows:

- Part A of the interview instrument aims to gather some background information on the cases and some general information on the current situation of the relationship between two counterparts.

- Parts B, C and D relate to how network relationships are formed and developed between these two counterparts. The researcher sought to identify the stages of forming partnership relationships, network and relational factors involved, the impact of cross-cultural differences, and the role of guanxi in the process of developing this relationship.
Part E is the supplementary part of the interview instrument, which was used for eliciting comments on the relationship with Australian counterparts compared with other counterparts from other countries, and any further information that the interviewee considered relevant but not covered in the interview.

4.6 Strategies and techniques for analysing interviews

A multiple-case approach is adopted in this research to search for general statements and themes through triangulating data by pattern matching and explanation building (Figure 4.2) (Marshall and Rossman, 1999; Miles and Huberman, 1994; Neuman, 2000; Yin, 1994). Pattern matching was adopted in this research by highlighting not only major patterns of similarities and differences between respondents’ experiences, perceptions or beliefs, but also identifying which components were significant for those examined patterns and what mechanisms produced them (Tsoukas, 1989). Using a pattern-matching logic is one of the most desirable strategies for case study analysis to enhance internal validity (Yin, 1994).

As discussed in Section 4.5, the standardised open-ended interview instrument, supplemented with an interview guide approach, was used in this study. As some of the relevant data were not found in the same place in each interview, answers from different people were grouped by themes proposed in Figure 3.3. Within-case analysis was used as the first step of analysis in this research. The in-depth personal interviews were still considered as the primary source in this research, and the results from documentations were triangulated with the findings from interviews to provide a fuller understanding of this research phenomenon (Miles and Huberman, 1994; Patton, 1990). The background information of each case, including corporate information and respondents’ personal information, was examined first.

In cross-national management research, managerial behaviour is culturally relative, and these cultures can be looked upon as both national and organisational cultures (Boyacigiller and Adler, 1991). Therefore researchers should investigate the research problem separately within each cultural context first (Easterby-Smith et al., 2002; Neuman, 2000). Given that this research includes case studies across national
borders and cultural boundaries, cross-case analysis was then adopted at two levels of the data analysis, as suggested by Malhotra et al. (1996, p. 34) below:

- Within-country or cultural unit – the data are analysed separately for each country or cultural unit. This is also referred to as intracultural analysis. The objective is to gain an understanding of the relationship and patterns existing in each country or cultural unit.

- Across-countries or cultural units – the data of all the countries are analysed simultaneously. Two approaches to this method are possible, cross-cultural analysis by comparing the results of separate within-country analysis, and pan-cultural analysis by pooling and analysing the data for all respondents from all the countries. The objective is to assess the comparability of findings from one country to another by investigating the similarities and differences between countries (Netemeyer et al., 1991).

In this research, therefore, within-country analysis was first conducted by comparing and contrasting data from each set of cases in Australia and China respectively. Secondly, across-countries analysis was conducted by not only comparing and contrasting the outcomes from each set of case analyses, but also by pooling and triangulating all the data to mix subjects from both Chinese and Australian cases.

Eisenhardt (2002) argues that “an essential feature of theory building is a comparison of the emergent concepts, theory, or hypotheses with the extant literature” (p. 24). Hence, the final stage of analysing data in this research was to correlate findings with the literature reviewed in Chapters 2 and 3, probing what is similar to, what is contradicted, and why (Eisenhardt, 2002). Each research issue in this research was therefore discussed in relation to the literature to assist in understanding the phenomenon. A further discussion was then undertaken by integrating themes which emerged from the responses to the four research issues, to respond to the research problem. Thus, the related theory-building was achieved through this process, and implications for further research were also provided (Figure 4.2).
Techniques of qualitative analysis

Content analysis was adopted in this research. Content analysis is defined as “the process of identifying, coding, and categorising the primary patterns in the data” (Patton, 1990, p. 381). With regard to the specific techniques of analysing data, Miles and Huberman (1994) state that data analysis involves at least two stages. In this research, firstly the data was coded according to the themes identified in the literature review and the refining of the researcher’s understanding of the subject. Figure 3.3 outlines the themes that emerged from the literature review prior to analysis. All the interviews were then examined based on these themes and were coded for computer analysis. New themes which occurred from interviews were added into the framework and handled in a flexible way by separating them into definite responses and possible responses (Easterby-Smith et al., 2002). Secondly, the researcher attempted to deduce the findings to understand the data in the context in which the data was collected. Data reduction and coding refers to the process of selecting, focusing, simplifying, abstracting, and transforming the data (Miles and Huberman, 1994). This is the initial step in the data analysis, and the main purpose is to reduce and organise the mass of field data to a manageable and structured amount (Grigg, 1987).

Miles and Huberman (1994) define a data display as “an organised, compressed assembly of information that permits a conclusion to be drawn” (p. 11). In this research, data was summarised by using data displays to combine or disaggregate data, compare and contrast data, and report findings visually. Displaying information assisted the researcher in discussing the emerging issues so as to answer the research issues. The various techniques used in data displays included the creation of tables and matrices of categories, narrative text, quotation, tabulating the frequency of different issues and examining their complexity and their relationships (Griggs, 1987; Miles and Huberman, 1994; Neuman, 2000; Patton, 1990; Yin, 1994).

Matrix displays were often used in this research to enter data and illustrate findings. The major criterion of building a matrix display is not to build a “correct” matrix, but to create a functional display that will give the researcher effective ways to lay
out the data to get answers (Miles and Huberman, 1994). One of the main reasons for using the matrix in this research was to increase the reliability of the research so that later researchers might repeat the process and duplicate the findings (Miles and Huberman, 1994).

In addition, the content analysis allows the researcher to draw key features and themes out of the data, and allows “the richness of some of the material to remain so it can be used to evidence the conclusions drawn and help to ‘let the data speak’ for itself” (Easterby-Smith et al., 2002, p. 119). As also suggested by Griggs (1987) and Patton (1990), direct quotes from the case studies were used in this research to add to qualitative insights and provide support to the data interpretation in Chapters 5, 6 and 7. This approach contributes to the soundness of the data analysis.

The final step in analysing data is conclusion drawing and verifying, which means drawing meanings from displayed data (Miles and Huberman, 1994). The analytical techniques in this step include condensing, clustering, sorting and linking data over time; noting regularities and patterns, deriving explanations, rechecking data, and reviewing findings amongst colleagues (Griggs, 1987). In this research, the findings were reviewed by two supervisors to recheck data and the appropriateness of the way the data was linked and sorted. The researcher has discussed the four research issues separately, and then integrated the discussions to derive a response to the research problem.

The usage of computer software program
Specific data for each unit of analysis was coded to enable comparison across cases (Miles, 1979). The NUD*IST Vivo (NVivo) computer software program was used in this research as a support system to assist in managing and analysing the volume of complex data. NVivo provides tools for handling rich data records for browsing, coding categories, annotating and gaining accessed data records accurately and swiftly, and it helps to manage and synthesise the researcher’s ideas (Richards, 2000).
The process of coding qualitative data by using the NVivo computer software program in this research is outlined below. First, coding categories were developed according to research issues. Second, all documents, one document per case, including transcripts, field notes and any other relevant written materials, were imported to NVivo software. These documents formed a document system providing the basis for processing and maintenance of all documents where appropriate (Richards and Richards, 1994). Third, the data was coded and sorted into categories. After coding and sorting most of the collected data, the remaining data was categorised under a specific item for further reference when doing data analysis. Fourth, the researcher created documents with categories under each research issue by using the doclink function of the NVivo software program, and then the researcher compared and contrasted data under each category. The core benefit of the NVivo computer software program for this research was its ability to save the researcher time and effort in cutting, pasting and subsequently searching and retrieving field notes in specific categories. Finally, an NVivo category system was developed by introducing the initial categories which were formed from topics related to research issues.

Figure 4.3 demonstrates the developed category system illustrating the relationship between data segments and research issues. Figure 4.3 was developed from the data analysis as a refined version of Figure 3.3 which was based on the literature reviewed in Chapters 2 and 3. Some new themes which emerged from the data analysis of this research and directly related to the research issues were included in Figure 4.3. Some other issues, which might not be directly related to the research issues for this study, but the researcher considered important for further developing the Chinese inbound tourism market to Australia, were included in “other issues” and “others” in Figure 4.3 for further research consideration. It should be noted that Boje (2001), Miles and Huberman (1994) and Richards and Richards (1994) argue that the computer software program does not develop and prove theories. Consistently, research has found that NVivo is no substitute for manually analysing data and developing relevant theories.
Figure 4.3  The NVivo category system

Source: Developed for this study
4.7 Tests for establishing validity and reliability

Trustworthiness is pivotal in conducting research (Lincoln and Guba, 1985). Validity and reliability can be achieved in qualitative research (Easterby-Smith et al., 2002; Lincoln and Guba, 1985; Parkhe, 1993; Patton, 1990; Robson, 1993; Yin, 1994). Four widely used criteria to demonstrate the trustworthiness of qualitative research are internal validity (or called credibility), external validity (or transferability), reliability (or dependability), and objectivity (confirmability) (Lincoln and Guba, 1985; Marriam, 1988; Miles and Huberman, 1994; Patton, 1990; Yin, 1994). The corresponding interview case study strategies for each phase of this research are summarised in Table 4.5. Each criterion will be tested in the following section.

Table 4.5 Interview case study tactics for four design tests

<table>
<thead>
<tr>
<th>Tests</th>
<th>Case study tactic</th>
<th>Phase of research in which tactic occurs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal validity</td>
<td>• Researcher’s assumptions, worldview and theoretical orientation</td>
<td>Research design</td>
</tr>
<tr>
<td>(Credibility)</td>
<td>• Triangulation (sources, analysis, and theory)</td>
<td>Data collection and data analysis</td>
</tr>
<tr>
<td></td>
<td>• Do within-country analysis, then cross-country pattern-matching</td>
<td>Data analysis</td>
</tr>
<tr>
<td>External validity</td>
<td>• Predetermined questions</td>
<td>Research design</td>
</tr>
<tr>
<td>(Transferability)</td>
<td>• Thick description of cases</td>
<td>Data analysis</td>
</tr>
<tr>
<td></td>
<td>• Cross-case analysis and cross-country analysis</td>
<td>Data analysis</td>
</tr>
<tr>
<td></td>
<td>• Specific procedure of coding and analysis</td>
<td>Data analysis</td>
</tr>
<tr>
<td></td>
<td>• Compare evidence with the related literature</td>
<td>Data analysis</td>
</tr>
<tr>
<td>Reliability</td>
<td>• Use the standardised open-ended interview instrument</td>
<td>Data collection</td>
</tr>
<tr>
<td>(Dependability)</td>
<td>• Develop case study data base</td>
<td>Data collection</td>
</tr>
<tr>
<td>Objectivity</td>
<td>• Use multiple sources of evidence</td>
<td>Data collection</td>
</tr>
<tr>
<td>(Confirmability)</td>
<td>• Establish trail of evidence</td>
<td>Data collection</td>
</tr>
<tr>
<td></td>
<td>• Have key informants review draft case study report</td>
<td>Data analysis and report writing</td>
</tr>
</tbody>
</table>

4.7.1 **Internal validity (credibility)**

Internal validity, or credibility, refers to the establishment of a phenomenon in a credible way (Lincoln and Guba, 1985). It is suggested credible findings can be achieved in the process of research design, data collection and data analysis (Lincoln and Guba, 1985; Merriam, 1988; Miles and Huberman, 1994; Patton, 1990).

In the process of research design, as stated in Section 4.4.1, this research started with a literature review of prior theories. The researcher then developed the research problem and research issues. Figure 3.3 outlined the assumptions involved in investigating the research problem. Therefore, the researcher has a pre-understanding of the phenomenon of partnership relationships between Chinese travel agents and Australian inbound tour operators. This is particularly important where exploratory research is involved as in this thesis. Researchers’ assumptions and theoretical orientation increase the credibility of the research (Easterby-Smith et al., 2002; Lincoln and Guba, 1985; Merriam, 1988; Patton, 1990).

In the process of collecting and analysing data, the triangulation technique was used to enhance the credibility of the research findings. Triangulation should be considered from the very start of the research design (Patton, 1990), particularly when the research is in the relativist tradition (Easterby-Smith et al., 2002). The findings or conclusions of qualitative research will be more convincing and accurate when triangulation is used (Jick, 1979; Patton, 1990; Yin, 1994). Triangulation refers to perceiving the same phenomenon, or research question, from more than one source of data so that the gathered information can be used to corroborate, elaborate or illuminate the research problem (Decrop, 1999). Patton (1990, p. 464) identified four types of triangulation:

- *Methods triangulation* – checking out the consistency of findings generated by different data-collection methods
- *Triangulation of sources* – checking out the consistency of different data sources within the same method
- *Analyst triangulation* – using multiple analysts to review findings
Theory/perspective triangulation – using multiple perspectives or theories to interpret the data.

Of these four types of triangulation, triangulation of sources, analyst triangulation and theory/perspective triangulation were used in this research. Triangulation is the rationale for using multiple sources of evidence (Yin, 1994). As detailed in Section 4.5.1, triangulation of sources was adopted in the process of data collection and data analysis. In-depth interviews, together with documentation collection, were undertaken in the process of data collection. Triangulation with data from within-country and cross-country was used in Section 4.6 to provide cross-validation in the process of data analysis (Maholtra et al., 1996; Miles and Huberman, 1994; Patton, 1990; Yin, 1994). Field notes were also written during and immediately after each interview. Decrop (1999) states that these notes are also very useful as they provide additional information on the textual content or indicate specific questions that do not directly appear in the interview transcripts. Analyst triangulation was used to have supervisors review interview transcripts and findings to cross-check the appropriateness of the data analysis. Theory triangulation was also achieved in this research by triangulating the theories of management, marketing, cross-cultural studies and tourism areas reviewed in Chapters 2 and 3 with the findings of the data analysis.

4.7.2 External validity (transferability)
External validity, or transferability, refers to examining how applicable the research findings are to another setting or group (Lincoln and Guba, 1985). External validity means “establishing the domain to which a study’s findings can be generalised” (Yin, 1994, p.33). This is different from quantitative research which relies on statistical generalisation. In qualitative research, the data base is critical to determining the possibility of transferring research findings to other potential sites (Lincoln and Guba, 1985). In this research, transferability was achieved in the research design and data analysis.

This research is concerned with business relationships between Australian inbound tour operators and their Chinese counterparts in the Chinese inbound tourism market
to Australia. As detailed in Section 4.4.1, predetermined questions were constructed after the literature review and pilot study to increase transferability of the research (Merriam, 1988). This research achieved external validity by providing a thick description of each interview case and developing a case study database which is explained in detail in Section 4.6 (Lincoln and Guba, 1985). Two sets of 11 cases in both Australia and China were obtained. Each case, including corporate and personal background information, was presented and discussed prior to data analysis on the research issues and the research problem. Content analysis was applied, and specific procedures for coding were undertaken using themes identified in previous literature (Figure 3.3) to achieve transferability. As this research is cross-national research, cross-case analysis within one country was also conducted first as the base for within-country analysis before cross-country analysis was conducted (Miles and Huberman, 1994). Furthermore, the data from this research project was analysed according to the four research issues which were identified from the literature review in Chapters 2 and 3, and the findings were then constantly discussed with reference to the related literature.

### 4.7.3 Reliability (dependability)

Reliability, also called dependability, refers to whether or not the results are consistent and reproducible (Lincoln and Guba, 1985). Reliability means “demonstrating that the operations of a study – such as the data collection procedures can be repeated, with the same results” (Yin, 1994, p. 33). However, data on real-life events may not converge into one consistent picture because of different researchers collecting different data; nevertheless, the potential differences can also provide a valuable additional source of information about cases investigated (Neuman, 2000).

In this research, in order to ensure that the findings could be replicated, three pilot studies were conducted, as detailed in Section 4.4.1, to test the appropriateness of questions that were constructed based on prior theories. All the questions were also tested in both Chinese and English not only to ensure the equivalence, but also to test the appropriateness in addressing questions in two countries with substantial cultural differences. A standardised open-ended interview instrument was developed to conduct interviews in the data collection phase.
In addition, a case study database was established to increase the reliability and overall quality of case study research. As suggested by Patton (1990) and Yin (1994), in this research, it contains:

- audio tapes and notes of all interviews
- printed interview transcripts of all interviews with copies on diskettes
- standardised open-ended interview instruments for each case study
- originals and copies of case study documentation, such as brochures
- observation notes, such as handwritten copies from on-site observation
- computer and printed copies of all data analysis notes under the NVivo program with associated coding templates
- correspondence and documentation relating to the preparation and implementation of the data collection.

4.7.4 Construct validity (confirmability)

Construct validity, also called confirmability, means “establishing correct operational measures for the concepts being studied” (Yin, 1994, p.33). Confirmability is related to the objectivity of the research, particularly in the process of collecting data and analysing data (Lincoln and Guba, 1985). Patton (1990) and Yin (1994) include interviews and documentation as two of the major multiple sources of evidence of qualitative research. No single source has a complete advantage over the other; in fact the various sources are highly complementary (Patton, 1990; Yin, 1994). Therefore, as detailed in Section 4.5.1, this research achieved construct validity by using in-depth interviews as a primary data source supplemented by documentation as multiple sources of evidence.

A trail of evidence was also established and maintained during the data collection process. The researcher has kept all original audiotapes and notes of the interviews, written and printed transcripts of all interviews and all documentation collected in the process of the research project. The standardised open-ended interview instrument used in this research contains all the essential evidence consistent with
the specific procedures and questions to allow the research issues to be addressed in a logical flow of questioning (Patton, 1990).

One key informant, who held a chair position in ATEC, was invited to review and comment on the analysis and findings of the interview cases. His comments were taken into consideration for further data analysis. In addition, the draft report was reviewed by two supervisors during the data analysis and report writing phase to clarify any ambiguous description and to cross-check the interpretation from raw data to data analysis, which in turn addressed the construct validity of the methodology, thus increasing the overall quality of the research (Miles and Huberman, 1994; Yin, 1994).

4.8 Ethical considerations

The primary intention of research ethics is to protect individual participants and organisations from harm or adverse consequences from research activities (Emory and Cooper, 1991). Guidelines for directing an interpretivist approach are addressed for ethical considerations (Christians, 2000). Ethical considerations in marketing research require appropriate treatment of respondents and should address a series of key ethical issues, such as privacy, deception, anonymity, accuracy and confidentiality (Christians, 2000; Emory and Cooper, 1991; Miles and Huberman, 1994; Neuman, 2000). The researcher achieved this by: 1) fully informing respondents of the intent of the research prior to the interview; 2) assuring the protection of the respondents’ right to privacy and anonymity; 3) the respondents being free to withdraw from the case study; and 4) the researcher having an obligation to behave in a manner that does not harm the integrity and reputation of the interviewed organisations. The researcher was aware that direct personal involvement in the professional real-life events of organisations in a competitive industry, and the eliciting of key informants’ personal point of views and beliefs might cause ethical dilemmas. Hence the researcher carefully explained that the purpose of the research was purely academic and that all interviewees could possibly benefit from the research findings.
4.9 Conclusion

This chapter identifies that this research is in the relativist tradition, and justifies the use of qualitative research as the appropriate method for this study. Given that this research is a multi-disciplinary study involving areas such as management, marketing research, cross-cultural studies and tourism research, the qualitative research method was chosen as the most appropriate for providing an understanding of business relationships between Australian inbound tour operators and Chinese travel agents in the Chinese inbound tourism market to Australia. In-depth personal interviews were used as the primary data source supplemented by documentation to provide a fuller picture of this rather complex business phenomenon. Since the research was conducted in both China and Australia, within-country and cross-country analysis was applied to this research, incorporated with the literature reviewed in Chapters 2 and 3. The researcher faced challenges including using dual languages (Chinese and English) and understanding cultural issues raised by Chinese and Australian counterparts. The NVivo category system (Figure 4.3) was used for further analysis on the study. Detailed data analysis of the four research issues will be presented in Chapters 5, 6 and 7.
Chapter 5 Background Information to the Study

5.1 Introduction
Chapter 4 presented a discussion and justification for the research methodology applied in this research for data collection and data analysis. As explained in Section 4.4.2, the researcher followed the criterion sampling and convenience sampling strategies, and selected 11 Chinese cases and 11 Australian cases for the study. As already stated, due to limited time for conducting fieldwork and limited funding, the interviewed cases were not matched samples. It was never established if any of the cases were in fact each other’s counterpart. A future study might yield very interesting findings using a matched sample, which might contradict or support findings reported in this thesis, and would also be of significant interest to the tourism industry.

This chapter begins by providing some brief background information on each case (i.e. subject) involved in this research, followed by a within-country analysis to distinguish the similarities and differences between the cases. Cross-country analysis is then used to identify the organisational and/or businesses differences between Australian inbound tour operators and Chinese travel agents, and the current situation of the business relationships between these two counterparts.

5.2 Details of interviewed cases
Section 4.5 explained how the cases were selected. As recommended by Patton (1990), background descriptions of both the Chinese and Australian companies or businesses, and the study participants, are presented in order to set the scene for the data analysis. Based on Part A of the interview instrument (see Appendix IV), and case profiles provided by interviewed subjects, the first part of the interview identified the profile of each company, including their experience in the inbound tourism business to Australia, the number of partners in the other country, and the proportion of their travel business devoted to Chinese outbound business to Australia. Related documentation, such as corporate brochures and news clippings, was used to supplement the background information provided by the interviewees.
Direct observation through visits to the case sites was also used to allow the researcher to estimate the size of the business or company, since some of the cases, particularly Australian businesses, did not provide written materials on their business profile.

5.2.1 Brief descriptions of the Chinese travel agents

As part of the data collection (Section 4.5), the researcher asked each respondent whether or not he/she could provide company profile pamphlets. All the Chinese interviewees provided such booklets. Table 5.1 lists the 11 Chinese cases, their background information, and their experience in Australian markets. The background information presented in this table is based on interviews and documents collected from the interviewees. In addition, CNTA ranks all Chinese travel agents nationally, according to the number of tourists that the company received in the past year, company revenue, profits and market capitalisation, and provides an annual list of the top 100 travel agents (China Travel News, 2003). The 2001 ranking of each Chinese travel agent is provided in each respondent’s profile to show their status in the Chinese travel marketplace. A brief profile of each company is presented below. The cases are presented in order of being interviewed. The prefix “C” denotes a Chinese case.

Brief profile of each company investigated

- Case CA was the first joint venture travel agent established in China since China lifted the restriction on foreign investment in the travel business in December 2001. Therefore, Case CA was not ranked in the 2001 annual list of the top 100 travel agents. The registration capital of Case CA is 50 million RMB yuan (approximately equivalent to AU$10 million). The parent company of Case CA is based in Hong Kong. The scope of Case CA’s business includes inbound travel, domestic travel and outbound travel. When the interview was conducted in April 2002, the company had just commenced operations. Interviewee CA reported that she deals directly with customers through their office in Beijing. In addition, the company receives business through its sub-agents. However, due to business confidentiality, she did not reveal the number of sub-agents and unauthorised agents being used by the company. The company plans to expand
Table 5.1 Background information on authorised Chinese travel agents

<table>
<thead>
<tr>
<th>Case (C’s)</th>
<th>Chinese</th>
<th>Company’s years in the outbound market to Australia</th>
<th>Interviewee’s years in the outbound market to Australia</th>
<th>Gender of the interviewee</th>
<th>Number of current counterparts in Australia</th>
<th>Location</th>
<th>Proportion of travel business to Australia</th>
<th>Distribution channels*</th>
</tr>
</thead>
<tbody>
<tr>
<td>CA</td>
<td>4 months</td>
<td>2</td>
<td>Female</td>
<td>1</td>
<td>Beijing</td>
<td>N/A*</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>CB</td>
<td>3</td>
<td>3</td>
<td>Female</td>
<td>3</td>
<td>Beijing</td>
<td>Average 1,000, 800-900 in 2001, 1/3 of total outbound business</td>
<td>Most of them</td>
<td>Little</td>
</tr>
<tr>
<td>CC</td>
<td>5</td>
<td>5</td>
<td>Male</td>
<td>4</td>
<td>Beijing</td>
<td>Less than 25% of total number of outbound tourists, 1/3 of the total profits</td>
<td>Nil</td>
<td>Yes</td>
</tr>
<tr>
<td>CD</td>
<td>3</td>
<td>3</td>
<td>Female</td>
<td>5</td>
<td>Beijing</td>
<td>2000, less than 10% of total number of outbound tourists, 4 to 5 times the profit of groups to Southeast Asian countries</td>
<td>Intend to develop</td>
<td>Yes</td>
</tr>
<tr>
<td>CE</td>
<td>3</td>
<td>3</td>
<td>Male</td>
<td>2</td>
<td>Beijing</td>
<td>1200-1500 15% of the total business including the number and turnover</td>
<td>60% of the business</td>
<td>Relatively weak</td>
</tr>
<tr>
<td>CF</td>
<td>2</td>
<td>5</td>
<td>Male</td>
<td>1</td>
<td>Beijing</td>
<td>Small in number, but with a big portion of turnover of the outbound business</td>
<td>Yes</td>
<td>Nil</td>
</tr>
<tr>
<td>CG</td>
<td>3</td>
<td>4</td>
<td>Female</td>
<td>1</td>
<td>Beijing</td>
<td>More than 2000</td>
<td>Nil</td>
<td>Yes</td>
</tr>
<tr>
<td>CH</td>
<td>6</td>
<td>5</td>
<td>Male</td>
<td>3</td>
<td>Shanghai</td>
<td>15% of the total number of outbound tourists, and about 30% of the total profit</td>
<td>Yes</td>
<td>Little</td>
</tr>
<tr>
<td>CI</td>
<td>3</td>
<td>3</td>
<td>Male</td>
<td>3</td>
<td>Shanghai</td>
<td>10-15% of the total number, and 20-25% of the total profit</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>CJ</td>
<td>4-5</td>
<td>4-5</td>
<td>Male</td>
<td>4</td>
<td>Shanghai</td>
<td>1200 tourists in 2001, estimated 3000 in 2002, 30% of the total profit</td>
<td>Nil</td>
<td>Yes</td>
</tr>
<tr>
<td>CK</td>
<td>4-5</td>
<td>4-5</td>
<td>Male</td>
<td>2</td>
<td>Shanghai</td>
<td>2000, 5% of the total number of tourists</td>
<td>Intend to develop</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Developed for this study

*N/A- Case CA started to run the business four months before the interview was conducted, so no figure was provided.

*Wholesale- the authorised Chinese travel agents get business through their sub-agents. Retail- the authorised Chinese travel agents get direct business through their outlets.
by establishing six branch offices in China. Prior to joining this company, interviewee CA had been involved in the outbound travel business to Australia for two years with another company. Case CA only has one Australian counterpart, and it is the branch office of the parent company in Australia.

- **Case CB** is a SOE established in 1986. The scope of Case CB’s business includes inbound travel, domestic travel, outbound travel, air transportation services, hotels, restaurants and art galleries. The China Citizen Travel Centre, as one of Case CB’s subsidiaries, is in charge of outbound travel and domestic travel. Case CB was ranked 19th in the list of the top 100 travel agents in China in 2001 (*China Travel News*, 2003). Case CB deals with the Chinese outbound tourism market mainly as a wholesaler, and it handles little retail business. Case CB began operating in the Australian market early in 1999 before Australia was granted ADS. Case CB has three Australian counterparts. Interviewee CB has managed this business since the company began its outbound travel business to Australia. She stated that they did not have any relationship with the Australian inbound operators prior to the commencement of the business.

- **Case CC** is a SOE established in 1986. The scope of Case CC’s business includes inbound travel, domestic travel, outbound travel, air transportation services, and an exhibition art company. Case CC was ranked 29th in the list of the top 100 travel agents in China in 2001 (*China Travel News*, 2003). Most of Case CC’s customers are direct customers for leisure and technical visits, and they do not have sub-agents. Case CC has four Australian counterparts. The interviewee was a tour guide for seven years and was then transferred to several other tour companies. He joined the company in 1997, and has been in charge of Chinese outbound travel to Australia since then. He stated that they did not have any relationship with the Australian operators before commencement of their business. The first ADS tour group in Beijing was organised by Case CC.

- **Case CD** is a SOE established in 1984. The scope of its business includes inbound travel, domestic travel, outbound travel, and air transportation services.
Case CD was ranked 3rd in the list of the top 100 travel agents in China in 2001 (China Travel News, 2003). The outbound travel company, as a subsidiary of Case CD, mainly focuses on the Chinese outbound travel business. Case CD’s outbound business to Australia is from direct customers through their five outlets in Beijing, and they intend to develop the wholesale business as well. Case CD has five Australian counterparts. Interviewee CD started to specialise in the Australian market in 1999, and did not have any relationship with Australian inbound tour operators prior to the start of Chinese outbound travel business to Australia.

- **Case CE** is a SOE established in 1987, and is one of the subsidiaries of a large group. The scope of the business includes inbound travel, domestic travel, outbound travel, air transportation, hotels, real estate and property management. They also have overseas offices in Japan, UK, Singapore and Hong Kong. The outbound travel business belongs to a specialised Outbound Sales and Marketing Centre. Case CE was ranked 33rd in the list of the top 100 travel agents in China in 2001 (China Travel News, 2003). Case CE has two Australian counterparts. Case CE obtains business mainly through their sub-agents and unauthorised travel agents, however, their retail business is relatively weak. They only have two outlets for direct customer service. However, the interviewee commented that the outlets do not play an effective role in promoting this business, saying:

  Due to the situation that sales people in these outlets are required to sell other ADS destinations apart from Australia, they are not familiar with Australian tourist products. They only provide the surface information to our customers. If customers are interested in these products, they are still referred to us to deal with them.

The interviewee was previously engaged in the inbound travel business and moved to the outbound travel business in 1999. He also stated that they did not have existing relationships with their current Australian counterparts before they started this business.

- **Case CF** was established in 2000. As a result of the reform of SOEs in China, three authorised travel agents were amalgamated into one SOE, which was
ranked 22nd in the list of the top 100 travel agents in China in 2001 (China Travel News, 2003). Case CF became a subsidiary of this company, doing outbound travel business. The scope of their business includes leisure travel, business travel, technical visits, study tours, and visa and passport consultations. The interviewee has been engaged in this business for five years. He worked in one of the former three authorised travel agents before Case CF was established. Case CF only does wholesale business and has one Australian counterpart. The Australian counterpart is also a subsidiary of Case CF.

- **Case CG** is a recently restructured SOE, and became a listed company in 2000. Case CG re-engineered its business to focus on e-travel business and Chinese citizen travel, which includes outbound travel and domestic travel. The scope of the business includes business travel, domestic travel, outbound travel, and on-line services. Case CG was ranked 2nd in the list of the top 100 travel agents in China in 2001 (China Travel News, 2003). The interviewee has been involved in the outbound travel business for four years, with Case CG commencing operations in this business in 1999. Case CG does not do any wholesale business, and they obtain their business through their 16 retail outlets in Beijing. Case CG has only one Australian counterpart. The business association with their Australian partner was established based on nepotistic relationships between senior managers in Case CG and their Australian counterpart.

- **Case CH** and another authorised travel agent were merged into one hotel and travel group in April 2001. Case CH is a SOE. However, Case CH still maintains independence in its operations. The scope of its business includes inbound travel, outbound travel and domestic travel. Case CH was ranked 45th in the list of the top 100 travel agents in China in 2001 (China Travel News, 2003). Case CH started to deal with outbound travel to Australia in 1996. The business was mainly focused on business trips to Australia prior to Australia being granted ADS. Now that Australia has been granted ADS, Case CH mainly deals with wholesale business and handles only a small amount of retail business. Case CH has three Australian counterparts. The interviewee explained, “we can only work with a limited number of Australian operators because of the limited
source market.” The first ADS group in Shanghai was organised by Case CH. The interviewee used to deal with the European and American markets for business travel. He stated that they did not know any of the Australian inbound tour operators before they started this business.

- **Case CI** is a SOE which was established in 1979. The scope of its business includes inbound travel, outbound travel, domestic travel, ticketing, and coach services. Case CI was ranked 23rd in the list of the top 100 travel agents in China in 2001 (*China Travel News*, 2003). Case CI has more than ten outlets to carry out its retail business as well as doing wholesale business through their sub-agents. Case CI started to deal with Chinese outbound travel to Australia once Australia was granted ADS. Case CI has three Australian counterparts. The interviewee has been in the outbound business for more than ten years. He stated that he did not know any of the Australian inbound tour operators when they decided to commence this business.

- **Case CJ** is a SOE, originally founded in 1956 as a travel agent, and becoming a group company having a range of businesses in 1995. The scope of their business includes inbound travel, outbound travel, domestic travel, ticketing, and coach services. Case CJ was ranked 16th in the list of the top 100 travel agents in China in 2001 (*China Travel News*, 2003). Case CJ does not do any wholesale business; instead it conducts all its business through its 16 outlets in Shanghai. Case CJ is one of the two interviewed Chinese travel agents with ISO9000, which is an international series of guidelines to companies on what is required of a quality system (Medlik, 2003), thus the company specifically emphasises the quality of services delivered to customers. Case CJ started operating Chinese outbound travel business to Australia before Australia was granted ADS. Case CJ has four Australian counterparts. The interviewee has been engaged in the outbound travel business to Australia for four to five years. He stated that he did not know any of the Australian inbound tour operators before they commenced their search for Australian counterparts.
• **Case CK** is a SOE established in 1954, and becoming a listed company in 1994. The scope of its business includes inbound travel, outbound travel, domestic travel, coach services, hotel operations, restaurants, and office buildings. Case CK also has overseas offices in Hong Kong, Tokyo and New York. Case CK was ranked 7th in the list of the top 100 travel agents in China in 2001 (*China Travel News*, 2003). Case CK currently operates through its 11 outlets in Shanghai, and intends to develop the wholesale business to obtain substantial market share. In addition, Case CK is the only other interviewed Chinese travel agent holding ISO9000. Case CK has two Australian counterparts. The interviewee has operated in the outbound travel market to Australia since Case CK commenced this business at the end of 1997 before Australia was granted ADS. He stated that they did not know any of the Australian inbound tour operators before they started the outbound travel business.

**Cross-case analysis**

From the descriptions of these 11 interviewed cases, it can be concluded that these companies, or their parent companies, are large-sized SOEs (except Case CA), which operate a variety of businesses, including inbound travel, outbound travel and domestic travel. All the interviewed cases (except Case CA) were ranked from No. 2 to No. 45 in the list of the top 100 travel agents in China in 2001 (*China Travel News*, 2003). Two interviewed cases have overseas offices (Cases CE and CK). Some of the interviewed companies have embarked on changes, such as restructuring and re-engineering (Cases CF and CG). It seems that Chinese outbound travel business has played an important role in Chinese travel businesses. Some agents have formed a separate subsidiary, such as Outbound Travel Agent or Chinese Citizen Travel, to be in charge of the outbound business (Cases CB, CE, CF and CG). All of the interviewees are experienced in the outbound business to Australia, with most of them having three to five years’ experience. Some of the interviewees moved from one authorised travel agent to their current company (Cases CA, CC, CE and CF).

Amongst the 11 interviewed cases, seven are based in Beijing and four in Shanghai. The findings from the interviews reveal that there are three different channels for
finding their Australian counterparts: 1) their Australian counterpart is their branch office in Australia or a subsidiary in Australia (Cases CA and CF); 2) their counterparts have a nepotistic relationship with the Chinese travel agent (Case CG); and 3) their counterparts did not have any relationships with the Chinese travel agents prior to the start of the Chinese outbound travel business to Australia (Cases CB, CC, CD, CE, CH, CI, CJ and CK). Hence, it seems that the majority of the interviewed cases did not have prior relationships with their current Australian counterparts. All the Chinese travel agents have between one and five Australian counterparts.

With regard to distribution channels, five agents’ major source of business was obtained through their retail outlets (Cases CC, CD, CG, CJ and CK); four agents had wholesale as their major source of business (Cases CB, CF, CH and CE); and two agents claimed that they had both (Cases CA and CI). All the authorised Chinese travel agents are permitted to deal with other ADS countries. Although the proportion of the business to Australia is smaller than other Southeast Asian markets, particularly in terms of the number of tourists, the profit margin is much larger. One of the respondents, Case CJ, stated, “The profit we make from one person travelling to Australia is the profit for a whole group of tourists going to Asia.” Interviewee CD consistently commented on this difference in profit margins, saying: “The profit we earn from each group probably will be the profit you can earn from four to five groups to Thailand.” She further explained that there are only 20 authorised Chinese travel agents dealing with Chinese outbound travel to Australia; however, there are 67 Chinese travel agents dealing with Chinese outbound business to Southeast Asian countries. The limited number of authorised agents gives these agents an oligopolistic position in pricing in the Chinese market. The findings from the data reveal that some of the agents have developed their wholesale business to increase their market share in China (Cases CD and CK).

5.2.2 Brief descriptions of the Australian inbound tour operators
Table 5.2 shows the background information of the 11 Australian inbound operator cases. As demonstrated in Figure 1.6 (p. 22), unlike the Chinese travel agents, the Australian inbound tour operators do not have a retail/wholesale distribution system.
An Australian inbound tour operator’s role is to coordinate with other tourist product suppliers, such as hotels, restaurants and coaches to provide land services to international tourists. Table 5.2 specifically lists the ethnicity of the interviewees to foreshadow differences in their responses to questions, and to illustrate the mix of ethnic backgrounds. As stated in Sections 1.3 and 1.5, all the authorised Chinese travel agents deal with the other 23 ADS countries, in addition to Australia. However, the Australian inbound operators deal with various inbound markets, as listed in Table 5.2. Another interesting revelation from Table 5.2 is that most of the Australian inbound tour operators are of Chinese descent, despite operating in Australia. The background information listed in Table 5.2 is based on interviews and documents collected at the end of each interview. Six respondents provided business pamphlets (Cases AL, AM, AN, AO, AS and AU), and the others claimed that they did not have such documents. Brief background information on each of the Australian cases is presented in order of being interviewed. The prefix A denotes an Australian case.

**Brief profile of each company investigated**

- **Case AL**’s parent travel company was established in 1971. Case AL became an independent company in 1988, and specialises in inbound travel, domestic travel, and ticketing. Case AL used to deal with two Chinese authorised travel agents. The Chinese travel agents urged their Australian partners to cut prices on land services, but Case AL found itself unable to operate with these low prices. Therefore, they terminated these relationships and currently only deal with small-sized unauthorised Chinese travel agents. Case AL deals with tour groups coming with both ADS and non-ADS visas; that is, leisure travel groups and technical visits. The China market comprises approximately 10 percent of their business. In addition, they also deal with the Hong Kong, Singapore, Malaysia, Thailand and Philippines markets. The interviewee, one of the founders of the company, is originally from Hong Kong and has lived in Australia for over a decade. He speaks Cantonese and English, but does not speak Mandarin well.

- **Case AM** was established in 1987 as an inbound tour company. Case AM is one of the key inbound tour operators in Australia dealing with Chinese groups.
### Table 5.2 Background information on nominated Australian inbound tour operators

<table>
<thead>
<tr>
<th>Case (A’s)</th>
<th>Age of firm</th>
<th>Company’s years in the Chinese market</th>
<th>Interviewees’ years in the Chinese market</th>
<th>Gender of the interviewee</th>
<th>Number of counterparts</th>
<th>Liaison offices in China</th>
<th>Portion of the Chinese market</th>
<th>Ethnicity of the interviewee</th>
<th>Other inbound markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>AL</td>
<td>14</td>
<td>6</td>
<td>6</td>
<td>Male</td>
<td>Small agents</td>
<td>Nil</td>
<td>10%</td>
<td>Hong Kong</td>
<td>Southeast Asian countries</td>
</tr>
<tr>
<td>AM</td>
<td>15</td>
<td>5</td>
<td>5</td>
<td>Male</td>
<td>5</td>
<td>Beijing</td>
<td>60-70%</td>
<td>Hong Kong</td>
<td>Japan and Southeast Asian countries</td>
</tr>
<tr>
<td>AN</td>
<td>3</td>
<td>3</td>
<td>5</td>
<td>Female</td>
<td>3</td>
<td>Nil</td>
<td>30-40%</td>
<td>Taiwan</td>
<td>Taiwan, Singapore and Malaysia</td>
</tr>
<tr>
<td>AO</td>
<td>10</td>
<td>10</td>
<td>9-10 months</td>
<td>Female</td>
<td>10</td>
<td>Shanghai</td>
<td>More than 50%</td>
<td>Beijing, China</td>
<td>Taiwan</td>
</tr>
<tr>
<td>AP</td>
<td>6</td>
<td>6</td>
<td>7-8</td>
<td>Male</td>
<td>3</td>
<td>Nil</td>
<td>More than 70%</td>
<td>Hong Kong</td>
<td>Hong Kong, Malaysia, Singapore, Philippines, Canada and the U.S.</td>
</tr>
<tr>
<td>AQ</td>
<td>13</td>
<td>13</td>
<td>13</td>
<td>Male</td>
<td>3 in China and others from interstate operators</td>
<td>Nil</td>
<td>10%</td>
<td>Brunei, but ethnic Chinese</td>
<td>Hong Kong, Southeast Asian countries and Western countries organised by counterparts in Sydney</td>
</tr>
<tr>
<td>AR</td>
<td>12</td>
<td>12</td>
<td>12</td>
<td>Female</td>
<td>Too many</td>
<td>Nil</td>
<td>70%</td>
<td>Born in Hong Kong, but lived in Taiwan for a long time</td>
<td>Mainly Taiwan with American and Canadian Chinese tourists</td>
</tr>
<tr>
<td>AS</td>
<td>11</td>
<td>9</td>
<td>7</td>
<td>Female</td>
<td>10</td>
<td>Shanghai</td>
<td>95%</td>
<td>Shanghai, China</td>
<td>Singapore and Hong Kong</td>
</tr>
<tr>
<td>AT</td>
<td>8</td>
<td>8</td>
<td>3 months</td>
<td>Female</td>
<td>Did not provide the number</td>
<td>Shanghai</td>
<td>100%</td>
<td>Mainland China</td>
<td>Nil</td>
</tr>
<tr>
<td>AU</td>
<td>25</td>
<td>5</td>
<td>5</td>
<td>Female</td>
<td>One in China and other Hong Kong agents</td>
<td>Nil</td>
<td>20%</td>
<td>Mainland China</td>
<td>Southeast Asian countries</td>
</tr>
<tr>
<td>AV</td>
<td>9</td>
<td>N/A*</td>
<td>N/A*</td>
<td>Female</td>
<td>Branch office in Hong Kong</td>
<td>Nil</td>
<td>N/A*</td>
<td>Mainland China</td>
<td>Hong Kong, Taiwan and South Africa</td>
</tr>
</tbody>
</table>

Source: Developed for this study
Note: * Case AV has Chinese tourists from their branch office in Hong Kong, thus Case AV does not directly deal with the China market.
Case AM has five authorised travel agents as their Chinese counterparts in Beijing, Shanghai and Southern China. Case AM also has a liaison office in Beijing to coordinate business with their Chinese counterparts. Case AM handles more ADS groups than non-ADS groups. The China market makes up about 60-70 percent of their total business. In addition, Case AM has inbound travel business from Japan and Southeast Asian countries. The interviewee is originally from Hong Kong and has been in Australia for nine years. He speaks Cantonese and English, but does not speak Mandarin well.

- **Case AN** is an inbound tour company established in 1999, specialising in the China and Taiwan markets. In addition to its operations in the Taiwan, Singapore and Malaysia markets, the China market covers about 30-40 percent of its total business. Case AN’s office is a home office. The interviewee used to work for another nominated inbound operator for two years before she started her own business. Case AN has three authorised travel agents as their Chinese counterparts. The interviewee is originally from Taiwan, and has been in Australia for 14 years. She is fluent in both English and Mandarin.

- **Case AO** is one of the key players in the Chinese inbound tourism market to Australia. Case AO is an inbound tour company established in 1992. The Chinese market comprises over 50 percent of its total business, and the rest is from Taiwan. Case AO has more than 10 authorised Chinese travel agents in Beijing and Shanghai. Case AO has a liaison office in Shanghai, and is opening another one in Beijing, although they have already had one person coordinating the business in Beijing. Case AO handles more ADS groups than non-ADS groups. Case AO has successfully chartered planes for Chinese tourists visiting Australia. The interviewee is originally from Beijing, and she used to work for another nominated inbound tour operator. She has lived in Australia for ten years, and she speaks English and Mandarin.

- **Case AP** is an inbound tour company established in 1997. Case AP is also one of the key inbound tour operators in Australia dealing with Chinese groups.
More than 70 percent of its business is from the China market. Case AP has three Chinese counterparts. The interviewee, the founder of the company, had more than 20 years experience in Hong Kong travel agents prior to his migration to Australia. He has been in Australia for more than 11 years. He used to work for another nominated inbound tour operator and specialised in the China market. When he was working for that operator, he handled the first official group visiting Australia. The interviewee is well respected in the tourism industry and praised by a few other interviewed operators for his business integrity. He is originally from Hong Kong, but speaks Mandarin quite well.

- **Case AQ** is an inbound tour company established in the 1980s. Due to its location in Adelaide, Case AQ obtains 50 percent of business directly from its three Chinese counterparts, and the other 50 percent from its counterparts in other cities in Australia, particularly Sydney and Brisbane. Case AQ operates tours in Adelaide as an add-on option for Chinese tour groups. Case AQ handles the South Australia portion on behalf of its counterparts in Sydney and Brisbane. According to the interviewee, Case AQ is the most active Asian inbound operator in South Australia, and handles 80 percent of Asian tourist arrivals in South Australia. The composition of Case AQ’s business includes 60 percent from Asian markets and 40 percent from Western markets. The interviewee is managing director of this company. He founded another tour company specialising in outbound travel prior to the establishment of this inbound tour company. He is ethnic Chinese originally from Brunei, and has been in Australia for 13 years. The interviewee also has a high position in the Chinese Business Association in Adelaide, and has close contacts with the State Government and South Australia Travel Commission. He had experience in the outbound travel business in Brunei prior to his migration to Australia. He speaks Mandarin, English and several other Chinese dialects.

- **Case AR** is an inbound tour company established a decade ago. Case AR not only deals with authorised agents based in Beijing, Shanghai and Guangzhou, but also deals with many small agents outside these three designated regions. The Taiwan market used to be its biggest market supplemented by tourists from
mainland China; however, with the economic downturn in Taiwan in 2001, the mainland China market has increased, making up about 70 percent of its total business. The interviewee was born in Hong Kong, but raised in Taiwan, and has been in Australia for 28 years. She speaks Mandarin, Cantonese, Hokkien and English.

- **Case AS** is an inbound tour company established in 1997. Case AS is one of the key players in the Chinese inbound tourism market to Australia. Case AS mainly focuses on the China market, which comprises 95 percent of its total business. Case AS has a liaison office in Shanghai, and 10 authorised Chinese travel agents as their counterparts. When the interview was conducted, interviewee AS stated that they had started to run an outbound travel business as well. The interviewee is originally from Shanghai, and has been in Australia for a decade. He speaks Mandarin, English and Shanghai dialect.

- **Case AT** is an inbound tour company established in 1994. The China market is their sole market. Case AT has a liaison office in Shanghai. Although Case AT is a nominated operator, it does not handle much business from ADS groups; instead, they handle a lot of technical official visiting groups. The interviewee is originally from mainland China, and has been in Australia for five years. At the time of the interview, she had only recently started to work for this business. She speaks Mandarin and English. She was unable to provide information about the number of counterparts Case AT has in China. She stated that the managing director was the person in charge of forming partnerships with Chinese travel agents, but the director was sick in China when the interview was conducted.

- **Case AU** is the longest serving and most experienced Australian inbound operator specialising in Southeast Asian markets. The company was established in 1978. The China market comprises approximately 20 percent of its total business. In addition, Case AU has its own coach services. Case AU has one authorised Chinese travel agent as their counterpart in China, and also gets Chinese business from its Hong Kong partners. The interviewee is originally
from China, raised in Taiwan and has been in Australia for more than 30 years. She speaks Mandarin, Cantonese, Taiwanese and English.

- **Case AV** started to operate in Australia in 1993. The head office of Case AV is in Taiwan with other branch offices located in Hong Kong and South Africa. Although Case AV is a nominated operator, the interviewee, the managing director, stated that they do not deal directly with Chinese travel agents. All its Chinese business comes through its Hong Kong branch office. The interviewee is originally from China, and worked in one of the biggest Chinese travel agents for eight years before she came to Australia. She has been in Australia for a decade. She speaks Mandarin and English.

**Cross-case analysis**

In Australia, 80 percent of tourism operators are privately owned enterprises with micro-business, some small firms employing fewer than 20 people (Lambert, 1996). As previously mentioned, through the researcher’s direct observation of the case sites, it was established that seven of the Australian interviewed cases are small businesses with under 20 employees (Cases AN, AO, AP, AQ, AR, AT and AV), and four cases are medium sized with more than 20, but fewer than 50 employees (Cases AL, AM, AS and AU). From the descriptions of these 11 cases, it can be concluded that these companies are privately owned small or medium sized enterprises. The findings from the interviews identify that there are at least three ways of obtaining Chinese business. Ten out of 11 cases (except Case AV) agreed that forming partnerships directly with Chinese travel agents is the main channel for establishing Chinese outbound travel business to Australia. Another way of finding Chinese business counterparts is through subsidiaries or other agents in Hong Kong, such as Cases AU and AV, or through counterparts in other states of Australia, if the operator is not at one of the major gateways to Australia for the China market, such as Case AQ.

It appears that all the operators handle both ADS and non-ADS groups, meaning that they handle both leisure travel and technical visit groups. Some agents handle more ADS groups than non-ADS groups (for instance, Cases AM and AO), whereas some
handle more non-ADS groups than ADS groups (for instance, Cases AL and AT). All cases, with the exception of Case AT, have more than one tourist market outside the China market. Most of their other tourist markets are focused in Southeast Asian countries. The number of their counterparts in China varies. One case only has one counterpart (Case AU), while most have three to five counterparts in China (Cases AM, AN, AP and AQ), and some even have more than five Chinese partners (Cases AL and AR). The findings reveal that Australian operators’ Chinese partners include 20 authorised travel agents for both leisure visits and visits for other purposes, such as education and business, and unauthorised agents located in cities outside Beijing, Shanghai and Guangdong Province, for visits other than leisure purposes (Cases AL and AR).

The findings from the data illustrate that Australian inbound operators are experienced operators who have been dealing with the Chinese inbound tourism market for periods ranging from three years (Case AN) to 13 years (Case AQ). Most of this business was initiated prior to Australia being granted ADS by the Chinese Government. All of these inbound businesses were established by Australian Chinese who are first generation migrants either originally from Hong Kong, Taiwan or from mainland China, except for one ethnic Chinese from Brunei (Case AQ). Most of the interviewees have been handling the Chinese tourism market for at least five years, except for Cases AO, AT and AV.

The interviews also reveal that there are four key players in the Chinese inbound tourism market to Australia. All of them are based in Sydney, three of whom were interviewed (Cases AM, AO and AS). All three have liaison offices in China to facilitate business, as does Case AT. It should also be noted that the senior managers of these key operators, who are directly responsible for the China market, are originally from mainland China.

5.2.3 Cross-country analysis
As expected, from the description and discussion of the features of Chinese travel agents and Australian inbound tour operators, the structure of Australian business is different from that of Chinese companies. Ten out of 11 interviewed Chinese travel
agents are SOEs (except Case CA) with a portfolio of businesses including both inbound and outbound travel; whereas all the Australian inbound tour operators are small and medium-sized enterprises (SMEs), a few of which are family operated businesses, with the range of business mainly focused on inbound travel operations. This distinct organisational structure may directly influence how business relationships are developed between these two counterparts.

As mentioned in Section 4.4.3, the interviewed cases in this study are not matched samples of business partners. Compared with the large number of counterparts that Australian inbound tour operators have, Chinese travel agents have a limited number of Australian counterparts, ranging from one to five. The Chinese travel agents, as buyers, have more bargaining power, whereas the Australian inbound tour operators, as suppliers/sellers, try to find as many clients/customers as possible. The large size of the Chinese companies suggests that the particular pattern of partnering would give rise to particular forms of power relationships. We can speculate that the relationships with authorised travel agents could be characterised as kingdom network relationships, as suggested by Howard (1990) (Section 2.4). However, although all the Australian inbound tour operators are SMEs and suppliers, and are pressured to find as many Chinese partners as possible to grow their China business, most of them also have other Asian inbound markets in operation. These other Asian businesses may give them leverage in terms of deciding on their degree of involvement with their Chinese counterparts. Therefore, it is not clear whether it is a kingdom network or a hybrid network between Chinese travel agents and Australian inbound tour operators. Case AQ is an exception, as it not only has three Chinese travel agents, but also has business relationships with other interstate nominated Australian operators. This form of network relationship bears the hallmark of hybrid networking, where small businesses deal with dominant companies but still have room to manoeuvre and form business relationships with other small businesses (Howard, 1990). The impact of power on the process of developing partnership relations will be discussed throughout the following chapters.
5.3 Conclusion

This chapter briefly reviewed the profiles of each interviewed case in this study. One of the significant findings is that all the Australian operators are of Chinese descent, hence the business relationships between Chinese travel agents and Australian inbound tour operators are virtually relationships between Chinese and ethnic Chinese. Whether the process of developing partnership relationships between Chinese and Australian counterparts is distinctly different from that of the Western paradigm (Figure 2.3 and Table 2.3), and whether there are still cultural differences which may impact on the development of business relationships as such will be investigated in the following chapters. Chapters 6 and 7 will further analyse the process of developing partnership relationships between these two counterparts and the impact of cross-cultural factors and guanxi on the development of these relationships.
Chapter 6 Data analysis
– Partnership relationship development process

6.1 Introduction
Chapter 5 provided background information about each interviewed case in this study. Chapters 6 and 7 will explore the research issues developed in the literature review (see Chapters 2 and 3). In particular, Chapter 6 investigates the first two research issues proposed in Chapter 2, and they are:

RI 1: How can we theorise the partnership relationships between Australian inbound tour operators and Chinese authorised travel agents?

RI 2: What are the key network and relational factors involved in the process of developing business relationships between Chinese authorised travel agents and Australian inbound tour operators? How do these factors relate to each other?

The relationship development model (Figure 2.3) was discussed and examined in Section 2.3, with the conclusion being drawn that most business-to-business relationships go through the search, set up, development, maintenance and termination stages (for instance, Dwyer et al., 1987; Ford, 1980; Larson, 1992; Wilson, 1995). Furthermore, the network and relational factors involved in the process of developing partnership relationships between Chinese and Australian counterparts were reviewed and summarised in Section 2.4 (Table 2.3). As stated previously, no research has been conducted on the stages of developing partnership relationships in international trade, especially tourism. Figure 6.1 illustrates the themes that emerged from the dataset using the NVivo computer program and shows that the process of developing partnership relationships between Chinese and Australian counterparts is culturally influenced and fertilised. For example, mo he (a running-in process), mo qi (tacit understanding) and mo shi (institutionalised process) are the distinct outputs emerged from the cultural cultivation. Furthermore, it seems that having a similar ethnic or co-regional background as the Chinese travel agents may accelerate the process of developing partnership relationships between Chinese
Figure 6.1  The NVivo category system on partnership relationship development

- Power, dependence, and size
- Investment
- Similar ethnic background
- Co-regional background

Channels

Search
Set up
Development and maintenance
Termination

Selection criteria

- “Competitive systems”
- “Whoever comes first is master.”
- Face to face meetings
- Negotiation

Cultural impact

Renqing
WOM
Adaptation
Trust
Commitment
Empathy

Mutual goal
Price
Quality
Reputation
Social and structural

Research issues

Network and relational factors

Source: Developed for this study
Note: Culturally impacted attributes
and Australian counterparts. This chapter discusses the features and related factors involved in each stage of developing partnership relations between Chinese travel agents and Australian inbound tour operators. To help shed light on these research issues, within-country and cross-country analyses are used to identify any partnership patterns.

6.2 The search stage
As discussed in Section 2.3, companies mainly undertake the evaluation process during this stage in industrial marketing. The findings from this study confirm that companies evaluate their potential partners’ prior reputation and capability, and also apply their own criteria when selecting potential counterparts. In addition, the findings confirm that the search stage is also an information gathering stage, where companies get to know each other as they interact with each other through different channels. In the following sections, these features and the related network and relational factors involved will be analysed in detail, and within-country and cross-country analyses will also be undertaken.

6.2.1 Channels for finding potential counterparts
In this section, the channels for finding potential counterparts are listed and discussed from both the Chinese travel agents and the Australian operators’ perspectives (Table 6.1A and Table 6.1B). Detailed discussions for each set of cases for the different channels in China and Australia follow.

6.2.1.1 Findings from Chinese travel agents
As shown in Table 6.1A, during the search stage, most Chinese travel agents search for potential counterparts through various channels. The most popular channels for locating potential Australian counterparts are through sales calls, followed by the ADS list, and introduction by senior executives in the company to the managers who are in charge of the Chinese outbound travel business to Australia. It seems that when Chinese travel agents have an existing relationship with an Australian counterpart which predates ADS, they are more likely to be able to skip the search stage. Each channel will be discussed according to its frequency as shown in Table 6.1A.
Table 6.1A  Different channels to find potential counterparts – Chinese travel agents

<table>
<thead>
<tr>
<th>Different channels</th>
<th>Case CA</th>
<th>Case CB</th>
<th>Case CC</th>
<th>Case CD</th>
<th>Case CE</th>
<th>Case CG</th>
<th>Case CH</th>
<th>Case CI</th>
<th>Case CJ</th>
<th>Case CK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales calls</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>ADS list</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Introduced by senior executives in the company</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-existing relationships prior to ADS</td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intra-organisation</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Introduced by friends and business partners</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

Source: Developed for this study

Interviewee CD commented, “All is possible”, meaning that they used every possible channel to search for potential counterparts. 6 out of 11 cases (Cases CC, CD, CE, CH, CI and CK) mentioned *sales calls* in the search process. Sales calls are normally initiated and organised by the Australian Government authorities, such as the Australian Tourism Commission (ATC), Tourism Queensland (TQ) and other state tourism organisations. The ATC coordinates and organises a number of international trade shows and events each year to promote Australia as a premier travel destination, and to meet with travel agents and wholesalers from around the world. The data reveals that there are two kinds of sales calls most often used by Chinese travel agents in the Chinese tourism market to Australia. One is organised by ATC and/or other state tourism authorities to present Australian tourism products and services to both authorised and unauthorised Chinese travel agents, as well as Chinese citizens in China. The other important event held annually is the Australian Tourism Exchange (ATE), which brings both authorised and unauthorised Chinese travel agents to Australia to familiarise them with Australian tourist products and to promote new tourist products. In addition, the ATE provides an opportunity for Chinese buyers to meet Australian tourist product suppliers. These sales calls provide good opportunities to promote Australian tourist products to Chinese travel agents and to help Chinese travel agents meet their potential Australian counterparts.
All the interviewed Chinese travel agents acknowledge the work of the Australian Government authorities, such as the ATC and TQ, and the support they have shown for this market.

The *ADS list* of nominated Australian inbound operators, which is distributed by the Australian Government, plays an important role in the process of Chinese travel agents searching for potential counterparts (Cases CC, CI, CJ and CK). Eight interviewed Chinese travel agents (Cases CB, CC, CD, CE, CH, CI, CJ and CK) (Section 5.2.1) did not have any prior relationships before they commenced the Chinese outbound travel business to Australia, and some of these started their search for agents using the ADS list. Interviewee CI stated, “We had no idea which agent to choose, although through the ADS list and meetings, we started to get to know our potential operators.” Thus, it appears that the search stage can be viewed as somewhat ad hoc, involving an iterative process of narrowing down contacts on the ADS list.

Interviewees in Cases CB, CD and CG noted that they were *introduced to Australian potential partners by senior executives in their companies*, either the head of their department, senior executives in their company or the head of another department in their company. Interviewee CB described how senior executives are introduced to their potential partners: “The head of their department and other senior members of our company went to Australia. They got to know a few operators in Australia, and then these operators were introduced to us by these senior members.” Cases CD and CG agree that where a relationship exists with an Australian tour operator for inbound business in China, senior executives may recommend these operators as potential business partners for Chinese outbound business to Australia. Interviewee CD provided an example:

The inbound department in our company receives a lot of business from an Australian tour operator (not named); in return, the Senior Manager in the inbound department strongly recommends that we use that operator as our potential business partner. We thus feel obliged to follow this recommendation, so we at least start to consider the possibility of using these recommended agents.
Respondent CG also commented, “Doing business with Australian operators sometimes also has the sense of helping each other.” As a result, for some cases the search stage involves reciprocal business relationships. This situation indicates that *renqing* (accumulation of favours owed), which was discussed in Section 3.5.2, can play a vital role during the search stage.

Some agents (Cases CD, CF and CK) had business relationships with Australian inbound operators prior to Australia being granted ADS. Consequently, the partnership relationships were already established between these two counterparts. In such cases the search process is focused on the *pre-existing relationships*. The Australian counterpart of Case CF later became a subsidiary of the company.

The features of Cases CA and CF (Section 5.2.1) are different from the others in that both have only one business partner in Australia. Case CA’s partner is the branch office of its parent company in Australia, and Case CF’s partner is its own subsidiary. As Fruin (1998) categorises network organisational research into inter-organisation and intra-organisational research, both of these cases obtain their business partners through *intra-organisational networks*. These relationships, therefore, are financially tied to each other by necessity, rather than choice. Only Case CH mentioned that they located their counterparts through *introductions by friends and other business partners*.

### 6.2.1.2 Findings from Australian inbound tour operators

Table 6.1B lists the channels used by the Australian nominated inbound tour operators to find potential counterparts. Attending sales calls is also the most common channel used by Australian operators to search for potential Chinese counterparts. In addition, some Australian operators have taken the initiative to make their own sales calls and have set up liaison offices in Beijing and Shanghai to facilitate access to potential Chinese counterparts. Introduction by a third party, such as friends and government overseas offices or local Chinese government organisations, is also mentioned by respondents. The details of each channel will be discussed according to the frequency of responses.
### Table 6.1B  Channels for finding potential counterparts – Australian inbound tour operators

<table>
<thead>
<tr>
<th>Different channels</th>
<th>Case AL</th>
<th>Case AM</th>
<th>Case AN</th>
<th>Case AO</th>
<th>Case AP</th>
<th>Case AQ</th>
<th>Case AR</th>
<th>Case AS</th>
<th>Case AT</th>
<th>Case AU</th>
<th>Case AV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attending sales calls organised by the government</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Own sales calls</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Having liaison offices in the source market</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Chinese government organisations</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Government authorities’ offices in China</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Intra-organisation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
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<td></td>
</tr>
<tr>
<td>Pre-existing relationship</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>ADS list</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Introduced by friends</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Approaching operators in other states</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

Source: Developed for this study

After Australia was granted ADS, most Australian operators went to China to do *sales calls* with the ATC (Cases AL, AM, AN, AP, AQ and AR). They also invited Chinese travel agents to Australia to attend the ATE, as well as other functions and tradeshows organised by state government authorities, which provided many opportunities to get to know potential Chinese counterparts (Cases AL, AM, AN, AQ and AR). Cases AL and AN agree that it is very important to attend these functions and tradeshows. In addition, some operators also tried to contact authorised Chinese travel agents’ overseas offices to obtain information about potential Chinese partners. For example, Case AM obtained some information about potential counterparts through CITS Hong Kong office. Some operators, such as Case AR, even attended tradeshows organised by the Chinese Government. However, this interviewee admitted that these trade shows were not effective, due to the fact that even if these people were interested in visiting Australia, they could not get visas without going through Chinese authorised travel agents.
Nevertheless, some Australian operators, such as Cases AM, AP, AQ and AR, discovered that although the ATC events provided good initial contacts with potential Chinese travel agents, they did not have enough time to talk individually with potential Chinese counterparts. Hence, these operators started to make their own sales calls to Chinese travel agents. They selected agents with whom they thought they could potentially establish successful partnership relationships. Cases AL and AM also did their own market research. They firstly ruled out those agents who already had stable relationships and were satisfied with their Australian inbound tour operators. Case AL commented: “We will not waste our time continuing to contact these Chinese agents any further. Instead we will target those who have the potential possibility of becoming our business partners.”

Out of the 11 cases, four have liaison offices in China to facilitate their business (Cases AM, AO, AS and AT). All these offices are either based in Shanghai or Beijing. It seems that these liaison offices play an important role in terms of coordinating and facilitating business from the Beijing and Shanghai markets. Interviewee AO outlined the advantages of having offices in the source market:

We have a Shanghai office. The Shanghai office plays the role of middleman (agent). The office is very close to our counterparts, making the operation more convenient. Since they are close to the source market, they also know the market well. Our staff in the Shanghai office has been working there for a long time, so they have well established relationships with our Chinese counterparts.

This finding is consistent with the role of Australian operators’ liaison offices in Korea for the Korean inbound tourism market to Australia. King and Choi (1999) state that having liaison offices in the source market for tourism strengthens the operators’ competitiveness and secures business in the Korean market to Australia (See Section 2.6).

Furthermore, the Australian government authorities’ offices in China also assist inbound tour operators to find potential counterparts (Cases AN, AP and AQ). For
example, Case AQ works closely with the South Australian State Government, which provides them with background information about potential counterparts through the state government offices in Beijing and Shanghai. The managing director of Case AQ also works closely with the state government authority, city council and other business associations, such as the Chinese Chamber of Commerce in Australia, to obtain business from technical visit groups from China.

Cases AL and AS found their potential counterparts through local Chinese government organisations. Through the CNTA in Beijing, Case AL obtained information about some non-ADS agents located in rural areas and other provinces outside Beijing, Shanghai and Guangdong Province, offering potential for organising technical visit groups.

Case AU had established their partnership relationship with their Chinese partner before Australia was granted ADS. They also receive business through their branch office in Hong Kong. While Case AV does not have direct contact with Chinese travel agents, they also receive business through their branch office in Hong Kong.

All cases, except Cases AU and AV, stated that they used at least two to three different channels to search for their potential counterparts and gather information about them. It is clear that the search stage is also an information gathering stage for Australian inbound tour operators. In the literature (Section 2.3), the search stage is more or less related to the evaluation stage (Dwyer et al., 1987; Ford, 1980; Heide, 1994; Kanter, 1994; Larson, 1992). However, the findings reported here demonstrate that the search stage also includes information gathering. Case AS noted that they obtained some business through Chinese government authorities, such as the Department of Foreign Trade Affairs prior to Australia being granted ADS. At that time, some Chinese travel agents approached them directly. Since then, Case AS has enjoyed its dominant position as one of the few key players in the Chinese inbound tourism market to Australia. Case AS acted as the first mover, which is defined as “a firm that takes an initial competitive action” (Hitt et al., 2001, p. 197), and obtained a competitive advantage by establishing partnership
relationships with their counterparts in China earlier than any other Australian inbound tour operator.

Case AQ’s position is different from others interviewed, because the operator is based in Adelaide, which is not the usual gateway for Chinese tourists. The three main gateways for Chinese tourists are Sydney, Melbourne and Brisbane. In addition to seeking counterparts in China, Case AQ also intended to find other nominated operators based in Sydney, Melbourne and Brisbane as business partners who could promote Adelaide as an add-on option for Chinese tourists. Case AQ, therefore, approached these operators and tried to strategically establish partnership relationships with them and to eventually form alliances with them.

Only Case AN claimed that they got to know, or gained access to, potential Chinese travel agents through the ADS list. It seems that Australian operators do not consider the ADS list as important as do Chinese travel agents. The reason is that, under the agreement between the Australian and Chinese Governments on ADS, Australian operators can handle both ADS groups and technical visitor groups. They have to contact authorised Chinese travel agents to deal with the ADS groups, but this is not necessary with the technical visitor groups. The use of unauthorised travel agents is therefore a possibility for technical visitor groups, but most Chinese visitors to Australia still travel under ADS visas. However, Chinese authorised travel agents have to contact Australian nominated inbound tour operators to handle both their ADS groups and technical visitor groups. Therefore, the ADS list is very important for the Chinese travel agents, since they have to choose their Australian counterparts from the list; whereas it is not so important for the Australian operators, since they can handle ADS groups from authorised agents and technical visitor groups from both authorised and unauthorised Chinese agents.

Although WOM (word-of-mouth) has not been considered as an important factor related to network relationship development, WOM referrals have been broadly discussed in services marketing, and the tourism and hospitality industry (for instance, Berry and Parasuramen, 1991; Morrison, 2002). Supporting previous studies on the role of WOM referrals (Morrison, 2002; Sheldon, 1993), the current
findings from the research reveal that WOM plays a critical role in the search stage for some Australian inbound operators. Both Cases AT and AR claim that they got to know potential counterparts through friends. Respondent AR stated, “Our partners from Beijing are all through WOM referrals. We did not know these people in Beijing, but, through WOM, we were introduced by our previous counterparts who did business with us.”

Furthermore, the findings demonstrate that positive WOM is considered a symbol of quality assurance at the supply end. It seems that the Chinese agents would take the initiative to approach those operators with good reputations, based on WOM comments. Interviewee AP provided an example, saying, “Although I do not do business with some Chinese travel agents, it seems that they know me, particularly with regard to the quality way I handle this business. They therefore would come to approach us to handle some of their VIP groups.”

The establishment of the reputation of a business is not only a basis for economic transactions, but also of social exchange (Powell, 1990). This study identifies that WOM plays an important role in the process of establishing the reputation of a firm. In addition, WOM referrals create a snowball effect in providing more business to Australian inbound tour operators. Case AR obtained their business through the spread of WOM among Chinese travel agents. She stated, “The Chinese counterparts consider us as a good inbound tour operator based on good services provided to groups, good introductions to products, and our ability to arrange itineraries. Our Chinese counterparts also claimed that they could always learn things from us. Our good reputation has resulted in some Chinese agents approaching us.” These comments indicate the importance, for the Australian inbound tour operators, of guaranteeing the quality assurance of services provided to Chinese tourists and of WOM referrals.

6.2.1.3 Cross-country analysis
As discussed previously, it seems that both authorised Chinese travel agents and Australian inbound tour operators used different channels to gather information about their potential counterparts and to get to know them. Both parties
acknowledge that sales calls play an important role at the early stage of the formation of a relationship. However, some Australian inbound tour operators found that sales calls were not very effective because they provided limited time to communicate and to discuss potential cooperation and collaboration strategies with the Chinese travel agents.

Both parties got to know each other by introductions through third parties, such as senior managers, friends and government authorities. It appears that Chinese travel agents rely more on senior executives in their companies, friends and other business partners to introduce their potential counterparts, while Australian inbound tour operators rely more on introductions by Australian government authorities. This observation confirms that Chinese travel agents depend more on social relations than Australian operators. Both groups start to search for their potential counterparts from the ADS list provided by CNTA and ATC, but Chinese travel agents rely more on the list than do Australian inbound operators.

In this study, the use of intermediaries, such as liaison offices in China, facilitates Australian inbound tour operators to operate in the Chinese outbound travel business to Australia. This finding supports the literature (Rodrigues, 1995) which suggests that, in a cross-national context, intermediaries are often used to deal with the complexities faced in a foreign country, such as mainland China. In such countries bureaucratic systems are embedded in the decision-making process of a SOE. The previous literature (Money, 2000) on WOM studies has focused more on consumers than on organisational buyer behaviour (Section 2.4). This study identifies that WOM plays a critical role for some Australian inbound tour operators in the process of searching for potential counterparts. WOM is the basis of establishing a good reputation for the company, and positive WOM referrals for Australian inbound tour operators result from quality assurance in services provided to Chinese customers.

6.2.2 The selection criteria for potential counterparts

The search stage is also an evaluation stage, where each company develops its own set of measures to assess a potential partner’s capability and prior reputation, both of individuals and companies, prior relations with other companies, and other related
issues (Dwyer et al., 1987; Ford, 1980; Kanter, 1994) (Section 2.3). It is a stage in which to evaluate whether or not the potential counterparts are trustworthy (Larson, 1992; Ring, 1997; Wilson, 1995). The findings from the data support the literature (Dwyer et al., 1987; Ford, 1980; 1998; Heide, 1994; Kanter, 1994; Larson, 1992) revealing that a major part of the search stage involves evaluation. Both Chinese travel agents and Australian inbound tour operators have their own selection criteria for choosing potential counterparts. The choice criteria used to assess potential counterparts by both groups is analysed and discussed below.

6.2.2.1 Findings from Chinese travel agents

Table 6.2A lists the criteria that the authorised Chinese travel agents follow when searching for potential counterparts. As discussed in Section 5.2.1, Case CA’s Australian counterpart is a branch office of its parent company. Case CB did not become involved in the selection process of their Australian counterparts, as the senior executive manager of Case CB designated their Australian partner. As illustrated in Table 6.2A, the most common selection criterion was the ADS list. The Chinese travel agents considered this a prerequisite when selecting potential Australian counterparts. It seems that having liaison offices in China is one of the key criteria that Chinese agents would consider when they choose their potential partners. The company’s size and capability, price and quality of services, mutual goals and similar ethnic background, are all criteria that the Chinese travel agents would consider. In this section, the Chinese travel agents’ selection criteria for potential Australian counterparts will be discussed based on the frequency of the cited responses.

Seven cases (Cases CC, CD, CE, CH, CI, CJ and CK) remarked that they started to search for potential partners according to the ADS list provided by the Australian government. According to the agreement on ADS between the Chinese and Australian governments, Chinese travel agents have to contact nominated Australian inbound tour operators to deal with the Chinese outbound travel business to Australia. Therefore, whether the name of their potential counterpart is on the ADS list or not, the list is a prerequisite and a starting point for the Chinese travel agents to search for potential counterparts.
Table 6.2A  Selection criteria for potential counterparts - Chinese travel agents

<table>
<thead>
<tr>
<th>Selection criteria</th>
<th>Case CA*</th>
<th>Case CB*</th>
<th>Case CC</th>
<th>Case CD</th>
<th>Case CE</th>
<th>Case CF</th>
<th>Case CG</th>
<th>Case CH</th>
<th>Case CI</th>
<th>Case CJ</th>
<th>Case CK</th>
</tr>
</thead>
<tbody>
<tr>
<td>On the ADS list</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Having liaison offices in China</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company’s size</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Company’s reputation</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Company’s capability</td>
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<td>Price</td>
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<tr>
<td>Similar ethnic background</td>
<td>✓</td>
<td>✓</td>
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<td></td>
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<tr>
<td>Co-regional background</td>
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<td>✓</td>
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<tr>
<td>Understanding of the local culture</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Mutual goals</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Quality of services</td>
<td>✓</td>
<td>✓</td>
<td></td>
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<td></td>
<td></td>
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</tr>
</tbody>
</table>

Source: Developed for this study
Note: * Case CA’s Australian counterpart is a branch office of its parent company as discussed in Section 5.2.1. Case CB did not discuss their selection criteria because the senior executive manager in the company designated their partner in Australia.

**Having a liaison office in China** has become an advantage for Australian inbound tour operators, as it enables geographic proximity to the source market and allows the Chinese travel agents to get to know their potential counterparts more conveniently (Cases CE, CG, CH and CK). This finding reflects the fact that all the key Australian operators have offices in China (Cases AM, AO and AS), although these are not matched pairs of partners. In addition, it seems that Chinese travel agents are very cautious when choosing their potential partners. Gathering a company’s background information plays an important role for Chinese travel agents to gain confidence in potential Australian partners. This information includes the company’s size (Cases CE, CG, CI and CK), reputation (Cases CD and CG) and capability (Cases CD, CG and CI), factors which will be discussed in more detail.

Both Cases CG and CI are big travel agents and are key players in the Chinese market (Section 5.2.1). A distinct difference in organisational structure between the Australian inbound tour operators and Chinese travel agents is that Australian
operators are privately owned enterprises, whereas Chinese agents are large-sized SOEs (except Case CA which is a joint venture) (Section 5.2.3). The Chinese travel agents (Cases CE, CG, CI and CK) expressed their perceptions of their ideal counterpart as a big Australian inbound operator that has substantial market share in Australia. The size of the company, therefore, is a criterion when Chinese travel agents consider and select their potential counterparts. Both Cases CG and CI expressed a preference for potential counterparts who have the same/similar market position in the Australian market as they have in the China market. Given the constraints on the further development of small companies, they stated that they did not consider small Australian operators as potential partners, particularly small family businesses. They consider the company’s size as a priority when evaluating their potential counterparts. Interviewee CG explained, “Some small operators (in Australia), such as husband and wife companies, would like to cooperate with us, and they work hard. However, the small scale and limited carrying capacity of these Australian operators would become a hindrance for further development of this business. For example, we could hardly send large numbers of our tourists to these Australian inbound tour operators.” Therefore, the difference between the organisational structures in China and Australia potentially limit the development of successful relationships. This finding fully supports the literature (e.g. Child and Faulkner, 1998) which reveals that when a firm seeks a partner, it normally prefers firms of similar size and stature in order to have a “strategic fit” (Section 2.3). However, in the networking literature, it has been shown that in manufacturing, large companies such as Toyota deliberately sought small-scale suppliers in order to, inter alia, dominate them.

Also confirming the literature (Larson, 1992; Wilson, 1995), both Cases CD and CG stated the necessity of assessing the prior reputation of their potential counterparts when choosing potential counterparts. Prior reputation includes both company and personal reputation (Powell, 1990). As trustworthiness is the antecedent of trust (Mayer et al., 1995; Smith and Barclay, 1997), interviewee CG further confirmed, “The good prior reputation of our potential counterpart is essential as it brings the trustworthiness of that company, and the person who is in charge, to this business. This will give us the confidence to later establish and develop business relationships
with our partner.” Hence, it seems that the establishment of a trustworthy reputation is the antecedent of the development of any form of trust between business counterparts for some Chinese operators.

*A company’s capability* has been raised as a critical criterion when Chinese travel agents choose their potential counterparts (Cases CD, CG and CI). In this study, capability includes the company’s size, its position and competitiveness in the Australian market place and the specific staff allocated to deal with the Chinese market (Cases CG and CI). In addition, other capabilities are on the list for assessing potential counterparts; for example, the ability to receive tour groups, which includes: the ability to get hotel rooms, particularly during the three Chinese golden weeks (Section 1.3); the quality of coaches and meals; accessibility to experienced Chinese tour guides; and the ability to get domestic flight seats in Australia with reasonable airfares. These are all examples of capability (Cases CD, CG and CI). Moreover, Case CG also assessed the experience of potential counterparts and their knowledge regarding the operation of the Chinese inbound travel business to Australia. CG claimed that some of the sales people from inbound operators did not have the knowledge and experience for dealing with this market when they came to do sales calls to Chinese travel agents.

*Pricing* is another criterion some Chinese counterparts consider when they choose potential counterparts (Cases CD, CI and CH). However, there are exceptions. For example, Case CJ did not consider pricing as a determining factor in doing business, stating, “If some agents come to approach us by firstly asking us to cut our price, we will not accept their offer. My principle is to stay within a price range; as long as they can provide us good quality of services, we can cooperate with them.” Thus, although pricing is a reasonably dominant factor in doing business, not all interviewees considered it as a defining factor in doing business. Nevertheless, a theme that emerged in this study is that some operators still focus on price when selecting partners.

*Quality of services* is another concern of some of the Chinese agents when they evaluated their potential counterparts (Cases CD, CI and CJ). Respondent CJ
remarked that to some extent, “quality of services has been considered more important than pricing when it comes to selecting counterparts.” Case CI further explained, “We are looking into long-term tourist resources, so we are careful in choosing our Australian partners. We have to make sure that our partners will guarantee the quality of the service they provide to our customers.” Hence, given their long-term business planning strategy, some of the Chinese travel agents prioritise the quality assurance of services as a key criterion when choosing their potential counterparts.

Having *mutual goals* was noted in the literature as important in the selection of potential counterparts (Child and Faulkner, 1998; Geringer, 1991; Hill and Jones, 1995), and also appeared in the selection criteria for some of the Chinese travel agents (Cases CF, CH and CJ). Having mutual goals facilitates cooperation between partners, and increases satisfaction and commitment between the two partners (Buttery and Buttery, 1995; Heide and John, 1992; Wilson, 1995). Case CF reiterated the importance of having mutual goals, saying, “Having mutual goals is the basis of problem solving in the process of developing business relationships between our Australian counterparts and us.”

One distinct criterion that emerged from this study and has not been previously noted was having a *similar ethnic background*. The Chinese travel agents seek potential Australian operators with a similar ethnic background to their own (Cases CC, CG and CK), preferably from mainland China. The same ethnicity of the senior managers of both parties has emerged as a criterion for some of the Chinese travel agents in searching for their potential counterparts. Case CG confirms the necessity for Australian inbound tour operators to have Chinese staff at the operational level.

Furthermore, it seems that some of the Chinese travel agents have *co-regional background* preferences. One of the main reasons for Case CK particularly choosing their current Australian counterpart was that the managing director of that company was originally from Shanghai, which was also where the interviewee came from. Another example was Case CC, whose company is based in Beijing, who remarked, “I would not establish business relationships with operators originally
from Shanghai if I could find an operator who is originally from Beijing.” However, it seems that the response to this issue is quite contradictory, as Case CI stated his preference for choosing Australian Caucasian operators as service providers, because they totally understand the Australian culture, so they can provide good services to Chinese tourists. He further commented, “It does not matter whether the potential counterparts are Chinese or not. One thing I am certain is that Australian drivers provide better services than ethnic Chinese drivers.” So, on balance, three cases strongly advocate using Australian operators from a similar ethnic background, including two cases stating their preference for Australian operators of similar co-regional background as their counterparts, and one case stating that it is not always so important. Nevertheless, the responses indicate the importance of having cultural closeness, as suggested by Swift (1999) (Section 3.2), when Chinese travel agents select their potential Australian counterparts. Cultural closeness will be discussed further in Chapter 7.

6.2.2.2 Findings from Australian inbound tour operators

Table 6.2B lists the criteria on which Australian operators based their selection of potential Chinese counterparts. It should be noted that Case AM designated their representative in China to choose their Chinese counterparts, so the interviewee, the general manager of Case AM, was not aware of the criteria. Case AT did not mention the selection criteria. Four cases noted that they did not have strict criteria since they are buyers/suppliers in the Chinese inbound travel business to Australia. Nevertheless, most of the operators listed their criteria as: the terms of payment, having mutual goals, evaluating potential counterparts’ background, and the price issue. These key criteria will be discussed further.

However, based on the interviews, it appears that there is no single method for selecting Chinese partners. As Case AO remarked, “There is no strict criterion.” Four operators commented that, due to their position as sellers in a mass market, they could not pick and choose their potential Chinese partners (Cases AL, AO, AS and AV). Respondent AS agreed, “We are in the passive position, and it is up to the buyer to accept our prices and quality of services….As long as they give us groups and businesses, we will do it.” Chinese travel agents, such as Cases CE, CJ and CK,
agreed that they, as buyers, play the proactive role in this cooperative business relationship (except Case CB, whose senior executives in the company designated their Australian partner).

Table 6.2B Selection criteria for potential counterparts - Australian inbound tour operators

<table>
<thead>
<tr>
<th>Selection criteria</th>
<th>Case AL</th>
<th>Case AM*</th>
<th>Case AN</th>
<th>Case AO</th>
<th>Case AP</th>
<th>Case AQ</th>
<th>Case AR</th>
<th>Case AS</th>
<th>Case AT*</th>
<th>Case AU</th>
<th>Case AV</th>
</tr>
</thead>
<tbody>
<tr>
<td>On the ADS list</td>
<td>✓</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Terms of payment</td>
<td></td>
<td>✓</td>
<td></td>
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<td>✓</td>
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<td>✓</td>
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<tr>
<td>Mutual goals</td>
<td>✓</td>
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<td>✓</td>
<td>✓</td>
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<tr>
<td>Personality match</td>
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<td>✓</td>
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<tr>
<td>Pricing</td>
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<td></td>
<td>✓</td>
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<tr>
<td>Quality of services</td>
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<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
<td></td>
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<tr>
<td>Evaluating potential counterparts’ background</td>
<td>✓</td>
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<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>No strict criteria</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Developed for this study
Note: * - Case AM designated its representative in China to choose its Chinese counterparts, so the interviewee, the general manager, was not aware of the criteria. Case AT did not mention the selection criteria.

Nonetheless, although Australian inbound operators are suppliers in this business, and they comment that they cannot pick and choose their potential Chinese counterparts, they still have their own criteria (except Case AS), options and choices for selecting their Chinese counterparts. Case AO explained the process of selecting a potential counterpart, saying: “The Chinese travel agents choose their Australian partners first. If we are chosen, we will then decide whether to deal with them or not.” Case AV revealed that the terms of payment and pricing are major concerns when the inbound tour operators decide to choose their potential counterparts. Interviewee AL claimed, “Some of them (Chinese authorised travel agents) do not have enough experience and I only select those I think are good.” Cases AL and AU interviewed their potential counterparts and assessed the company background information, their ability to deal in this market, and their market power.
Case AN is in a niche market and takes a proactive role, “We are not sitting here, waiting for the business to come in. We trace the work and business in Australia, and then we pass the information back to our Chinese partners. Therefore, we work not just as a normal inbound operator playing the role as a ‘bridge’, but we help to look after each other to reach mutual benefits.” In addition, it seems that some Australian operators are also aware of their Chinese counterparts’ tactics in choosing partners. Case AM explained, “Chinese travel agents do have a few Australian partners. They will not exclusively have us (our company) as their only partner. They will choose different Australian partners to look after different standards of Chinese groups, such as budget, standard and luxury.” This response explains why most Chinese travel agents have two to five counterparts (Section 5.2.1).

From the above findings, it seems that Australian and Chinese partners have different types of power in forming partnership relations. Chinese travel agents, as large-sized enterprises and buyers, have the power to choose their partners. Although some Australian operators, as SMEs and suppliers, admit that there are no strict criteria, these operators still apply certain criteria when selecting their Chinese counterparts, as the Australian operators can choose unauthorised Chinese travel agents to form partnerships, even though the business may only be limited to the niche business, that is, non-ADS visits. Therefore, in this study, the relationships between Australian and Chinese partners are similar to hybrid networks, as proposed by Howard (1990). The key feature of hybrid networking is that SMEs deal with large-sized dominant companies, which do not become “parents” of the SMEs. These SMEs still have their own room to manoeuvre through diversified markets (Howard, 1990) (Section 2.4). This situation is exemplified by the niche market where Australian inbound tour operators take a proactive role in selecting their partners. Although the hybrid network is usually used to describe relationships between manufacturing firms within one country, it seems that it is also applicable to this form of service network.

The terms of payment are crucial selection criteria for inbound tour operators (Cases AN, AR and AV). Unlike the large-sized state owned Chinese travel agents, all
Australian inbound tour operators are SMEs, some of which are family businesses. 
Hence, cash flow is likely to become a problem if Australian operators cannot 
receive payment promptly. Child and Faulkner (1998) and Powell (1990) state that 
if dependency is high, then involved partners must be able to secure their resources 
from network relations (Section 2.2). In this case, cash flow is the major resource 
to keep the Australian operators functioning and running their businesses. Having 
partnering relationships would make Australian operators increase their dependency 
on Chinese travel agents and increases the need to be able to extract financial 
payments promptly. Therefore, the major concern for some Australian operators in 
choosing their potential Chinese counterparts relates to the terms of payment. The 
respondent of Case AN highlighted this point, “We run a small business, probably it 
is hard for you to imagine how much capital we have to hold if they do not pay us on 
time. Sometimes it can be half a million, or up to one million dollars. There is no 
way we can hold and pay upfront to other suppliers, such as for the accommodation, 
the coach company and attraction places, when we collect the money 19 to 20 days 
later.” Case AR claimed that delays in payment happened very often; this delay 
lowers the credibility of their Chinese counterpart. In dealing with this situation, 
Case AR gave Chinese travel agents three chances, if after three chances they still 
delayed payment then they would terminate the relationship. Case AR admitted that 
there was a lot of pressure doing business with their Chinese counterparts, stating, 
“We cannot do business without getting payments. I think that many inbound tour 
operators have had this kind of experience, so they don’t like to deal with Chinese 
travel agents. We make an effort to deal with them, while we don’t earn much profit, 
and we still have to bear this kind of risk. All in all, it is too difficult.” Consequently, Case AR terminated one relationship with their Chinese counterpart. 
It seems that Case AR did not care much about losing this relationship, because Case 
AR had other markets in which to operate. Therefore, slow payment is not 
perceived as opportunism but risk taking associated with dealing with bureaucratic 
inertia and delays.

*Goal compatibility* is another criterion that Australian inbound tour operators 
address when they choose their Chinese business partners. Some operators, such as 
Cases AN, AP and AQ, choose their potential counterparts according to their own
needs and whether their goals are compatible with their Chinese counterparts. These agents mainly deal with a niche market, and they therefore only talk to operators who are interested in special itineraries, incentive tours or special hobby programs, instead of the mass tourism market. Case AP focuses more on dealing with upmarket incentive tours, and quality of services, instead of volume of business. Therefore, they would like to find potential counterparts who have the same/similar goals as their own, although the interviewee of Case AP admits that it is difficult to find the right counterpart in their specific niche market segment. These operators, targeting a niche market, tend to place a high degree of confidence in their counterparts. Furthermore, the managing directors of Cases AP and AQ take a hands-on approach to every tour group to guarantee the quality of services. However, operators dealing with the mass market did not address the issue of goal compatibility. This situation further confirms the notion that, although Australian inbound tour operators are suppliers and SMEs, operators who deal with niche markets have specific criteria, particularly concerning goal compatibility, when they choose their potential counterparts. They have the power to choose their counterparts. This feature is consistent with the hybrid network situation that Howard (1990) describes. In hybrid networks, particularly where niche markets are concerned, instead of the big companies playing the dominant role, it is SMEs with specific skills and technologies who dominate the network in many respects.

6.2.2.3 Cross-country analysis
As discussed above, Chinese travel agents are buyers, and Australian inbound operators are suppliers/sellers; this, therefore, creates inequality in the network relationship. The potential counterpart’s background information is a major concern for most Chinese travel agents choosing their counterparts. It seems that the Chinese travel agents employ clearer criteria on which to base the selection of their counterparts than do the Australian inbound tour operators. Australian inbound tour operators are suppliers/sellers, and some of them position themselves quite passively in terms of the choice of their potential counterparts. Some operators state that there are no clear criteria for choosing their Australian potential counterparts. Nevertheless, most of the Australian inbound tour operators mention certain
selection criteria, such as pricing and the terms of payment, in selecting their counterparts.

Financial issues are a major concern for a number of Australian inbound tour operators who mainly operate as SMEs. Once the partnership relationship is set up, most of the Australian operators in the mass market (ADS market) have a high dependence on their Chinese counterparts. Therefore, Australian inbound operators are still cautious in selecting their Chinese counterparts, although they are in a passive position in terms of being sellers/suppliers in this business relationship. Furthermore, those Australian operators who deal with Chinese niche markets (e.g. technical visits, education tours and incentive groups) to Australia specifically emphasised goal compatibility with their potential Chinese counterparts, but also said they exercised choice in selecting their partners. Australian inbound tour operators, as SMEs and suppliers/sellers, typically form a hybrid network-type relationship with Chinese travel agents, who are predominantly large-sized companies and buyers. Diverse and niche markets create room for manoeuvrability. This study also reveals that having a similar ethnic background, or even co-regional background has become the key selection criteria when Chinese travel agents select their potential counterparts.

6.3 The set up stage
In Chapter 2, the set up stage was presented as a time consuming stage for both counterparts to reach mutual goal compatibility (Dwyer et al., 1987; Ford, 1980). Given that both counterparts are uncertain about their trust in each other, a trial period for potential counterparts is usual prior to any substantial commitment being made to each other (de Laat, 1997; Dwyer et al., 1987; Ford, 1980; Larson, 1992). Fragile trust/basic trust and guarded trust may be established at an early stage of networking (Brenkert, 1998; Ring, 1997; Ring and Van de Ven, 1994); however, resilient trust still needs to be developed and might not emerge in partnering (Ring, 1997) (Section 2.4). This section explores the characteristics of the set up stage, and network and relational factors involved in this stage of developing partnerships between Chinese and Australian counterparts.
6.3.1 Findings from Chinese travel agents

Table 6.3A summarises the issues involved in the set up stage from the Chinese interviewees’ points of view. The findings show that negotiation is heavily involved in this stage, as the Chinese travel agents try to get to know more about their potential counterparts. Chinese travel agents prefer to have face-to-face meetings, a time consuming process. A trial period is normally included at this stage of relationship building.

Table 6.3A Issues involved in the set up stage - Chinese travel agents

<table>
<thead>
<tr>
<th>Issues</th>
<th>Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negotiation involved, mainly on pricing</td>
<td>CA, CB, CC, CE, CH, CD, CG, CJ, CK, CF</td>
</tr>
<tr>
<td>Time consuming</td>
<td>CA, CD, CF</td>
</tr>
<tr>
<td>Use of multiple inbound tour operators</td>
<td>CB, CC, CI, CJ</td>
</tr>
<tr>
<td>Getting to know each other</td>
<td>CD, CF, CG, CH</td>
</tr>
<tr>
<td>Having face-to-face meetings</td>
<td>CG, CH, CJ</td>
</tr>
<tr>
<td>Trial period</td>
<td>CG, CJ</td>
</tr>
</tbody>
</table>

Source: Developed for this study

Ten out of the 11 respondents claimed that negotiations were involved in this stage (Cases CA, CB, CC, CD, CE, CF, CG, CH, CJ and CK). Herbig and Martin (1998) and Tixier (2000) note that the Chinese negotiation style is characteristically slow with many procedures. Case CD remarked that it took time negotiating with their potential Australian partners. The respondent of Case CG stated that the negotiation should follow the Chinese rules, which were “having discussions in doing everything between two partners” (you shang you liang). During the process of negotiation, respondent CI recalled that they could openly discuss issues that emerged during negotiations. The data shows that there are two major issues involved in the process of negotiation; one is the terms of payment, and the other is pricing.

Respondent CC explained the reason why they could not make prompt payments to Australian agents. Due to the restrictions of the Chinese foreign currency administration, it usually takes two months for the Chinese travel agents to transfer a payment overseas. However, it seems that the Chinese travel agents did not consider this a big issue, as interviewee CC responded, “As long as the operator understands
the situation, the terms of payment are not a major concern, but pricing is always the main focus in negotiations.” However, the Australian operators (Section 6.2.2.2), who are mainly SMEs, responded that they considered the terms of payment as one of the selection criteria when they chose their potential counterparts. As privately owned SMEs, they have limited financial resources, and particularly, limited cash flow.

The other key negotiation occurs on pricing. Gaining profits is the priority for Chinese travel agents (Cases CA, CB, CC, CE, CG, CH, CK and CJ), and they therefore bargain hard on price with their potential counterparts. Cases CB and CC reported that their counterparts could satisfy their requests in general, although bargaining on prices was involved. Interviewee CA stated that they were not worried about the quality of services that their potential counterparts would provide, but the only thing they were concerned about was price. The respondent of Case CH supported this view saying, “Once price is set up, we will kick off our business accordingly, therefore, to some extent, price is our bottom line.” However, Case CJ’s response on pricing was different, suggesting a ‘win-win’ strategy, which means a fair trade with reasonable prices agreed by both partners. Additionally, the respondent of Case CJ placed greater emphasis on the quality of services that the Australian operators could offer.

During the process of negotiation, it is inevitable that there will be some difficulties. Interviewee CC commented, “If everything is fine, what you said is right, what I said is right, in the end, there will not be any business deals coming into fruition, because both of us are on different stands and it is normal to argue on some issues to defend our own interests.” However, interviewee CE stated that there is no difficulty in negotiations if both parties have the intention of cooperating. Previous research has assumed that social activities are important as a good starting point for conducting business with the Chinese (Kotler et al., 1996) (Section 3.5.2.4). Surprisingly, only the interviewee of Case CC addressed the importance of social activities, such as going to karaoke (ge ting) and having coffee during the negotiation process in the set up stage.
As identified previously, the Chinese respondents start to get to know their potential partners in the search stage. At the set up stage, they expressed their intentions to get to know different aspects of their counterparts (Cases CD, CF, CG and CH). Some of the aspects, which were considered as the basis of developing fragile trust, included getting to know the potential partner’s personality to ensure that their personalities match (Cases CD and CF). Others included making sure that staff at the operation level can communicate with each other (Cases CF, CG and CH); and adapting to each other (Case CD). Case CD summarised the set up stage: “It is a complex decision choosing which Australian operators to establish business relationships with.”

Once the Chinese travel agents considered that their potential counterpart was “ok”, a trial period would be applied prior to any contractual or other form of pledging commitment, as suggested by de Laat (1997) (Cases CG and CJ). Interviewee CG stated, “When we start to do business with a new operator, we normally give them an opportunity of handling one or two groups for a trial. If they handle well, we will gradually give them more groups to handle.” Hence, gradually the partnership comes into fruition. In de Laat’s (1997) typology, this is a form of phased commitment, which minimises the risk of opportunism.

Four cases stated their intention to use two to three counterparts (Cases CB, CC, CI and CJ). These cases also provided reasons for having multiple counterparts. First, Chinese travel agents like to always have a second or third counterpart as a backup in case anything unexpected happens to the current counterpart. Case CI provided an example: when Chinese tourists complain about the poor services provided by the current counterpart, then the Chinese travel agents might suspend the current one, and use the second or third counterpart. This tactic is consistent with the Chinese proverb, “A clever rabbit has three burrows” (which means that a rabbit can hide away in any of them so that it will not get caught). Second, interviewee CJ spoke of the Chinese “competitive system” (jing zheng shang gang). Cases CC and CJ both established relationships with multiple counterparts as a strategy to keep their counterparts competing with each other all the time, thus these operators could guarantee good quality services to Chinese tourists. Case CC alternated the use of
their counterparts, one operator for a period of time, then another for another period of time. This strategy was introduced by the SOEs in China when many large-sized manufacturing SOEs started to restructure and re-engineer, resulting in hundreds of employees being laid off. Limited positions and an unexpected number of applicants forced applicants to compete hard with each other to get a position, hence, the “competitive system” came into existence and is now used throughout the Chinese business system.

It seems that structural bonds play an important role in tightening the partnership relationships between Chinese and Australian counterparts. Structural bonds, which are related to structural relationships between organisations, develop over time (Turnbull et al., 1996; Wilson, 1995). The higher the level of structural bonding between partners, the higher the level of credible commitment to the long-term relationship with the partners, and the more difficult it becomes to terminate the relationship (Turnbull et al., 1996; Wilson, 1995). Commitment is both a sign of trust and can be a proxy for it, and giving guarantees to purchase from a partner is a signal that resilient forms of trust are emerging between partners (de Laat, 1997). The Chinese travel agents, such as Cases CA and CG, admitted that once the relationship was set up, the Chinese party would not use other operators, so as to demonstrate their mutual commitment and loyalty to their existing partners.

Chinese travel agents still have the mindset of “whosoever comes first is master” (xian ru wei zhu). Case CG explained that if an Australian operator approached a Chinese travel agent, and successfully managed to set up the business relationship, the Chinese counterpart would normally work with them and would not easily switch to another counterpart. This response reflects the situation that Case AS came across (also see in Section 5.3.1.2). Case AS, a key Australian operator, acted as a first mover to establish a relationship prior to Australia being granted ADS. This move gave Case AS the competitive advantage of having fixed stable business partners and giving them a guaranteed foothold in the Chinese inbound travel business to Australia.
Having face-to-face meetings with counterparts is seen as crucial to setting up a relationship, especially given the hierarchical organisational structure of Chinese SOEs (Cases CG, CH and CJ). Chen’s (2001) comments on SOEs reflect that these organisations can be “slow-moving and highly centralised bureaucratic organisations with a reputation for inefficiency” (p. 162). Most SOEs, descendants of the old planning system, are large firms which are protected by the government (Park and Luo, 2001). The research found that Chinese travel agents prefer their potential counterparts to visit them. Case CG responded, “We prefer them (Australian operators) to come and meet us, because it is much easier for them to meet us than for us to go there. They are managing directors and they can make decisions, but even if we go there, in the end we still cannot make the final decision.” This response, to some extent, emphasises the necessity of having intermediaries, such as liaison offices in China, to facilitate business and help maintain relationships.

6.3.2 Findings from Australian inbound tour operators

Table 6.3B summarises the issues involved in the set up stage from the point of view of the Australian respondents. Negotiations are involved in the set up stage, although some Australian operators think that there are no difficulties in negotiations. It is a time consuming process, and written contracts may be signed up at this stage. Having face-to-face meetings is considered important in the set up stage.

The topic of negotiation raised some interesting discussions from these respondents. Five cases stated that they did not have any difficulty in negotiating with their counterparts (Cases AL, AN, AQ, AS and AT). Furthermore, it seems that the intermediaries, such as offices in China, have taken on an important role in the process of setting up the business relationship. One Australian operator (Case AM) used their representative in Beijing to negotiate with their potential counterparts. While several issues were apparent in the data, it seems that pricing was still a major focus in negotiations. Cases AL, AN and AQ thought that the Chinese agents were immature when negotiating on price. They further commented that Chinese travel agents negotiate on price based on the number of days in a trip to Australia, whereas agents in other Asian countries, such as Hong Kong and Singapore, negotiate on prices based on the itineraries of the tourist packages. This situation further
confirms the literature (Section 1.5) which concludes that the Chinese market is very different from other Asian markets.

Table 6.3B  Issues involved in the set up stage - Australian inbound tour operators

<table>
<thead>
<tr>
<th>Issues</th>
<th>Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Getting to know each other</td>
<td>AL, AR</td>
</tr>
<tr>
<td>Time consuming</td>
<td>AN, AP, AV, AR</td>
</tr>
<tr>
<td>Negotiation involved, mainly on pricing</td>
<td>AL, AM, AN, AQ, AR, AS, AT</td>
</tr>
<tr>
<td>Intermediaries in negotiation</td>
<td>AM</td>
</tr>
<tr>
<td>Trial period</td>
<td>AR</td>
</tr>
<tr>
<td>Written contracts</td>
<td>AQ, AS, AV</td>
</tr>
<tr>
<td>Educating Chinese counterparts</td>
<td>AN, AQ</td>
</tr>
<tr>
<td>Having face-to-face meetings (regular visits)</td>
<td>AL, AM, AR</td>
</tr>
</tbody>
</table>

Source: Developed for this study

Case AU responded that the process of negotiation may involve discussion of technical problems because each itinerary for each group was slightly different, requiring different arrangements for accommodation, unless it was a series of groups with fixed itineraries. However, the Australian operators considered that these problems were not serious. Consistent with the responses from the Chinese travel agents, Australian operators are very concerned about pricing (Cases AL, AR, AN, AQ, AS and AT). The interviewee of Case AM illustrated the process of negotiation, commenting, “What we usually do is to provide a typical itinerary with quotations to potential counterparts. In addition, we also provide some options for changing itineraries, based on the potential Chinese counterparts’ requests prior to the negotiation.”

The set up stage is a transition stage in building up trust (Dwyer et al., 1987; Ford, 1980; Larson, 1992). Interviewee AR agreed that the set up stage was the stage for transferring from “strangers” to “acquaintances”, where trust was initiated. Cases AL and AR both stated that they would like to get to know their potential counterparts’ backgrounds prior to developing a sense of trust with them. Case AR claimed that friendship might be established before the business relationship is set up. Case AL remarked that the successful organisation of the first group tour with
the Chinese partners led to the establishment of some trust and business relationship between the two counterparts.

A number of respondents commented that it can be *time consuming, getting to know their Chinese counterparts* (Cases AN, AP, AR and AV). Similarly, they said that it takes time to set up relationships with potential counterparts, because each partner comes from a different background with different goals, and with different personalities (Cases AR and AV). The interviewee of Case AL commented, “There are no fixed terms, because we keep on bargaining on price with each other. One party moves the price up a little, and the other one goes down a little, in the end we get the deal with each other.” Cases AN, AP and AR remarked that it took a long time for them to set up relationships with their Chinese counterparts. However, there was no fixed duration of time to set up the business relationship. Case AN spent two to three years establishing the relationships, while it only took Case AL one to two months.

Furthermore, the findings from the interviews highlight that there can also be variations in the set up time depending upon the geographic region. For instance, Case AR remarked that it took less than one month in Guangdong Province, but longer in Shanghai (about three months) to set up a business relationship. The major reason seems to be that agents in Shanghai spend more time discussing detailed itineraries as well as negotiating on pricing. However, it appears that once both partners reach a verbal agreement on itineraries and prices, things move smoothly and fast. The interviewee of Case AR said, “Once they got the itinerary, the group came into being in two to three days.” Therefore, it seems that it is a very time consuming process for both partners to build trust and set up the relationship. However, once the verbal commitment on price and tour group arrangement is made, things move fast and smoothly in some places but not necessarily others.

Another reason for the *time consuming* process is the *guanxi* network, which will be discussed in further detail in Section 7.3. The interviewee of Case AR provided a good example, having been to one city in China eight to ten times in the three years prior to successfully doing business with their Chinese counterparts in 2001. She
commented that the reason it took so long was because she was outside the Chinese business network, and it took time to transfer from being an outsider to an insider. The literature refers to this phenomenon in certain business contexts as *guanxiwang* (a web of connection networks) (Chen, 1995; Wong, 1998).

One outcome of negotiation is the necessity of *educating Chinese travel agents* during the set up stage. For instance, both Cases AN and AQ considered it necessary to educate their Chinese counterparts on some issues, such as “cheap does not mean good.” The interviewee of Case AQ reported that they had to make sure that the Chinese partners understood what they were getting, because “sometimes conflicts arise from the inconsistency with what they (Chinese travel agents) have been promising to tourists and what we (Australian operators) were asked to do (by the Chinese travel agents).”

It seems that some Chinese travel agents are like Westerners in doing business - direct and straight to the point in negotiations. This is inconsistent with the Chinese national culture, as discussed in Section 3.2.4. Trompenaars and Hampden-Turner (1998) state that people from oriental cultures tend to be indirectly circuitous when they communicate with each other. The respondent of Case AQ said, “Chinese travel agents are shrewd in terms of negotiations, however, they come straight to the point when they negotiate with us.” Even if both parties could not reach an agreement on price, Case AR commented that Chinese managers were still very polite, “I think that even if they are not happy with the negotiation results, they will not tell us.” This indicates that Chinese managers tended to *save face* in this situation. However, only one Australian operator commented on the changing nature of Chinese negotiation styles.

It seems that Chinese travel agents are wary of setting up a relationship with their Australian counterparts. Similar to the findings from the Chinese respondents, the Australian operators, such as Case AR, admitted that their potential Chinese counterparts provided them with a few groups for *a trial* prior to any kind of *phased commitment*. However, once the relationship was set up, with only some technical issues left to be sorted out, it took only two weeks from preparation to confirmation
of group arrivals (Cases AU and AV). The findings from the interviews reveal that the Australian operators had a variety of forms of commitment. For instance, Cases AQ, AS and AV had written contracts with their counterparts (sign of fragile trust), based on successful negotiations with their Chinese counterparts, while Case AQ viewed each quotation as an individual contract rather than having a contract for a whole year. However, the respondent of Case AR stated that they signed the contract when they first set up the relationship, and after a while there was no contract (sign of resilient trust). Hence, it appears that written contracts appear to be a kind of formality, but resilient trust and mutual commitment are even more important. The interviewee of Case AN responded, “Commitment is one of the key factors, and then both parties are working towards the same direction, same goal and same dreams.” This relationship between trust and commitment has been reported in the literature - trust influences relationship commitment and may lead to higher levels of commitment to a partner, normally the buyer, in the organisational context (Morgan and Hunt, 1994). As already mentioned, de Laat (1997) states that during the process of creating and building up credible commitments, resilient trust can be formed. The data from this study confirms that the set up stage is a transition stage for building up credible commitments, such as phased commitments, and transforming fragile trust into resilient trust.

It seems that having face-to-face meetings is important, in addition to communication by telephone and fax (Cases AL, AM and AR). Case AL commented, “Even after a few days of meeting and getting to know each other, the gap is getting closer between us.” Case AR made regular visits to China, commencing with key agents in China. As stated in Section 5.2.2, Australian operators are privately owned SMEs, with the managing directors of these companies being the owners of the companies, as well as the decision makers. Therefore, it seems that personal sales calls made to China are very effective, as Case AM commented, “When it comes to the deal, it can be signed off immediately on the spot in China.”
6.3.3 Cross-country analysis

Both counterparts agree that, during the set up stage, it is very time consuming to get to know their potential counterparts and negotiate with each other. Pricing is the main focus in negotiations between Australian and Chinese partners. Due to the nature of Australian operators as privately owned SMEs, the Australian inbound operators are more concerned about the terms of payment during the negotiation process because of cash flow problems.

The findings highlight that Chinese partners are very cautious in establishing a partnership. A trial period is used and can include phased commitment, which is a means of signalling certain forms of trust. It seems that it also takes time for Chinese partners to build up resilient trust in their Australian partners. Therefore, a transition stage from very low trust/fragile trust to resilient trust may begin during the set up stage. Although the process of establishing the relationship is time consuming and involves various procedures, some of the Chinese travel agents admitted that once the relationship was set up, the Chinese party would not use other operators. This attitude also demonstrated Chinese travel agents’ loyalty and a willingness to make a credible commitment to their partners. Verbal commitments, rather than written contracts, between two partners have been considered critical in terms of the success of establishing this business relationship. This equates with the notion of a “handshake” that typifies resilient trust.

The findings also reveal some of the features of the Chinese business system, which help explain some Chinese business behaviour, such as the “competitive system” and “whoever comes first is master”. Hence, it is important to have appropriate education programs provided to both Australian and Chinese counterparts on different business behaviours and different business systems. In addition, this study shows that intermediaries, such as liaison offices, also play quite an important role for the Australian inbound tour operators in establishing relationships with their Chinese counterparts. The intermediaries take on the role of negotiations in the set up stage, and they also educate Chinese counterparts in doing business with Australians.
6.4 The development and maintenance stage

Section 2.3 identifies the characteristics of the development stage as being focused on the integration of partners into the network (Ford, 1980). The maintenance stage is the stage where further adaptations and integrations are carried out to eventually achieve stable, institutionalised processes for cooperation (Ford, 1980; Wilson, 1995). However, the findings from the current research suggest that there is no clear demarcation between the development and maintenance stages. The Western paradigm tries to delineate neatly and tidily the stages of forming network relationships, but it does not match the fluidity of networks and the partnering dynamics found in this study. The empirical findings indicate that it makes no sense to conceptually separate these two stages and they are therefore discussed simultaneously.

6.4.1 Findings from Chinese travel agents

Table 6.4A summarises the issues involved in the development and maintenance stage from the perspective of the Chinese interviewed cases. Three distinct Chinese terms, *mo he* (a running-in process), *mo qi* (tacit understanding) and *mo shi* (institutionalised process), emerged from the data analysis, introducing a modification to the cross-national context of relationship building.

Table 6.4A Issues raised in the development and maintenance stage - Chinese travel agents

<table>
<thead>
<tr>
<th>Issues</th>
<th>Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mo he stage</td>
<td>CA, CD, CH, CF</td>
</tr>
<tr>
<td>Conflicts</td>
<td></td>
</tr>
<tr>
<td>The pricing issue</td>
<td>CA, CD, CE</td>
</tr>
<tr>
<td>Technical problems</td>
<td>CB, CJ</td>
</tr>
<tr>
<td>No conflicts</td>
<td>CC</td>
</tr>
<tr>
<td>The terms of payment</td>
<td>CG</td>
</tr>
<tr>
<td>The quality of land services</td>
<td>CB, CE, CI</td>
</tr>
<tr>
<td>Mo qi</td>
<td>CB, CD, CJ, CK, CF, CH</td>
</tr>
<tr>
<td>Mo shi</td>
<td>CA, CD, CH, CF</td>
</tr>
<tr>
<td>Time consuming</td>
<td>CA, CF, CK</td>
</tr>
<tr>
<td>Aiming for long-term relationships</td>
<td>CH, CI, CD, CG, CE, CF, CJ</td>
</tr>
</tbody>
</table>

Source: Developed for this study

Chinese travel agents refer to the development and maintenance stage as *mo he*, a Chinese term which means a running-in process for both counterparts in adapting to
each other. This process is important and it assists in building up rapport in doing business between the two counterparts. The *mo he* stage occurs in the transition between the set up and development stages, as well as throughout the development and maintenance stages, as claimed by Case CD. Although the relationship is already set up at this stage, Case CD claimed that both partners have to *mo he* on many issues, which are also the source of conflicts. These issues include pricing, technical problems, the terms of payment and the quality of land services. This stage is also a fragile stage; if both counterparts cannot *mo he* on these issues, the relationship may be terminated (Cases CA, CD, CH and CF). The *mo he* stage is also very time consuming (Cases CA, CF, CH and CK). Case CH commented, “We had difficulties and conflicts, however, during these years’ cooperation, we have learned how to accommodate each other.”

Ten of the 11 cases (except Case CC) claimed that there were *conflicts* and problems that occurred in the *mo he* stage. However, the interviewee of Case CB responded that they normally could resolve these conflicts by themselves. The interviewee of Case CH commented, “Conflicts exist all the time, but they are not serious enough for us to change our counterpart.” Cases CB and CJ agreed that there are some conflicts regarding *technical problems*, such as the arrangement of itineraries, constant changing of itineraries, inability to hold enough air seats with reasonable airfares, and hotel locations.

*The pricing issue* is still the main cause of conflicts between counterparts (Cases CA, CD, CE). Case CA explained that sometimes it was inevitable for the Chinese travel agents to cut costs in order to compete and survive in the Chinese outbound tourism market. Given that most Chinese tourists are very price sensitive (Pan and Laws, 2001a), this situation forces Chinese travel agents to focus more on price competition in the Chinese outbound tourism market. Some Chinese travel agents also expressed their hopes for more understanding by their Australian counterparts on this matter (Cases CA, CD and CE).

*The quality of land services* is another key issue in developing and maintaining relationships (Cases CB, CE and CI). The interviewee of Case CC commented that
there was no conflict with their partners as long as they could guarantee quality of services. Interviews revealed that some of the Australian inbound tour operators could not provide the sustained standardised quality of services that they had promised to the Chinese travel agents. Case CE remarked, “We ask for the standard price, but the quality of services provided to us is not stable, sometimes good, and sometimes poor. Apparently our Australian counterpart would like to get higher profits. They get more profits by using shopping guides, having duty free shopping, and changing the location of the hotel from the city to suburban areas.”

Performance satisfaction depends greatly on the quality of services delivered to customers (Fitzsimmons and Fitzsimmons, 1994; Harvey, 1998). The findings from the data confirm that having quality services is not only one of the criteria used by Chinese travel agents to choose their counterparts, but is also critical for developing and maintaining business relationships between Australian and Chinese counterparts. Customer satisfaction is very important for Chinese travel agents (Cases CA, CJ and CK). Case CA responded, “Customer satisfaction is always considered an important factor in the process of developing and maintaining this relationship with our Australian partners.” Case CJ explained his understanding of Chinese customer satisfaction, saying “…after the trip, customers should have the feeling that their trip was value for money.”

Even though there might be some conflicts between Australian and Chinese counterparts, Chinese travel agents tend to solve the problems through negotiation, compromise and cooperation (Cases CK, CB, CD and CJ). Case CK commented, “Our counterparts, generally speaking, are very cooperative. As long as they can do it, they will try their best to satisfy us.” Furthermore, the findings from the data demonstrate that Chinese travel agents deal with conflicts in fairly strict terms. Cases CB and CJ elaborated their ways of dealing with conflicts. If problems occurred regarding land services, the Chinese travel agents requested the Australian inbound tour operators to solve the problems in Australia, and not to pass these problems back to China. With regard to technical problems, the Chinese travel agents firstly analysed what caused these conflicts before doing anything. However, as illustrated by Cases CD and CJ, if the problem was caused by the Australian
partner, the Chinese travel agent normally gave their partner an alert. If the problem was serious, prompting tourists to make complaints when they came back from Australia, the Chinese agent would suspend their partner as a token of punishment. If the Australian partner admitted the error that they made, the Chinese agents would resume the business relationship. However, if the problem was very serious, causing damage to the image of the Chinese company, the Chinese counterpart would terminate the relationship.

_Mo qi_, a Chinese term, means tacit understanding and good cooperation between counterparts. Chinese travel agents strive to achieve _mo qi_ with their Australian counterparts, claiming that it is the essence of long-term business relationships (Cases CB, CD, CF, CH, CJ and CK). The achievement of _mo qi_ is based on mutual trust and integrity. Case CI responded, “Mutual trust and integrity reflect on our Australian partner’s behaviour as what they say is the same as what they do.” The feature of mutual trust is similar to that of resilient trust, which involves a personal form of trust (Ring, 1997). When two counterparts reach the _mo qi_ state, both counterparts can thoroughly understand each other, adapt to each other, and show empathy to each other. As interviewee CF remarked, “… when our cooperation reaches a certain degree, we don’t need to make offers and counteroffers, as long as both agree on a price…” Thus, it seems that an outcome of the maintenance stage (as Westerners describe it) is a reduction in time-consuming negotiations to a more tacit understanding of business practice between the counterparts. The success of the _mo he_ stage results in _mo shi_, which means an institutionalised process of cooperation in which the business relationship may be extended beyond the original people who formed the business relationship (Cases CA, CD, CF and CH). This is the procedure mentioned by Ford (1980; 1998) and Wilson (1995) when stable relationships are achieved between partners in the Western paradigm.

Another aspect of the _mo qi_ state can be manifested as mutual support. As Case CB noted, there is a willingness to support each other and work together to get more market share in the Chinese market. Respondent CJ stated, “Our relationship has gone beyond bargaining on prices, instead sometimes I would take the initiative to cut off some management fee so as to provide more profits for our counterpart to
compensate for the profit loss from the last group.” Interviewee CF also noted, “At this stage, I have you (my counterpart) in my mind, and you have me in your mind.”

Therefore, it appears that *mo qi* translates into *social bonding* between these two partners as previously identified in the literature (Crotts et al., 2000; Wilson, 1995; Wilson and Mummalineni, 1986). The study confirms that social bonding binds buyers and suppliers/sellers who have a strong personal relationship, and it assists in developing business relationships. Both involved partners are more committed to maintaining the relationship than might be evident amongst less well-bonded partners. Strong social bonding also assists in doing business. Case CA provided an example: if the Chinese travel agent needs the Australian partner’s immediate help in some urgent situation, and the Australian partner provides help promptly, the business relationship goes deeper. This is consistent with a Chinese proverb which equates to the Western proverb, “A friend in need is a friend indeed” (*huan nan zhi jiao xian zheng qing*). Hence, social bonding and personal relations are the foundations of building strong, enduring networks (Buttery and Buttery, 1994).

Interviewee CJ commented, “The objective of having a *mo qi* relationship is to achieve a win-win situation between my partner and myself.” However, *mo qi* may have its downside. Interviewee CK claimed, “Our relationship with our counterparts is becoming more *mo qi*, but the quality of tour guides is going down, although the price is cheaper.” The unique *mo qi* state between the Australian and Chinese partners parallels some of the features described in the maintenance stage in the Western literature, namely that partners adapt to each other and become more interdependent through operational and strategic integration (Ford, 1980; Larson, 1992; Wilson, 1995).

Herbig and Martin (1998) describe a business relationship in China as similar to a marriage - the Chinese partner wants to determine if the Western partner will make a good spouse with whom to have *long-term relationships*. This sentiment was expressed by Cases CD, CE, CF, CG, CH and CI. The respondent of Case CG confirmed, “The business relationship with our counterpart is like a marriage.” Although it takes time to search, choose, set up the relationship and build up rapport
with each other through the *mo he* stage, once the relationship is well established, they would rather stick to an existing counterpart than use new agents (Cases CH and CI). *Resilient trust*, expressed in terms of a marriage, becomes integral to the relationship evidenced by mutual commitment to each other. Hence, the crucial point of maintaining the business relationship is to *maintain the mutually agreed rules* of doing business (Cases CH, CI and CJ), as repeated transactions accompanied by a good track record also facilitate the development of fragile trust into resilient trust, and the establishment of reputation, which is one of the key forms of social capital in network relationships (de Laat, 1997; Lane, 1998; Ring, 1997) (Section 2.4).

All in all, it seems that in the *mo qi* state, the two counterparts become more interdependent, and the relationship becomes more stabilised. Both counterparts experience and overcome difficulties together. Interviewee CH emphasised, “Both of us know each other ‘inside out’.” In addition, the relationship may progress to further cooperation. For example, Case CK demonstrated their willingness to further develop their relationship with their counterparts by cooperating on designing tourist products and developing tourist resources.

### 6.4.2 Findings from Australian inbound tour operators

Table 6.4B summarises the issues involved in the development and maintenance stage from the Australian inbound tour operators’ points of view. In this stage, having regular visits to their Chinese counterparts was considered important by the Australian inbound tour operators. Case AL described the different ways of doing business between China and Australia, and explained the situation, saying “These agents (Chinese agents) have dealt with operators in Hong Kong and other Southeast Asian markets, and they apply the same way of doing business with these agents to us. That is, there is more emphasis on personal contacts with operators in Hong Kong and other Southeast Asian regions.” He further claimed, “The different ways of doing business forced both of us to compromise to reach agreement in the *mo he* stage.” Knowledge of *mo he* stage is not unexpected amongst people of Chinese descent living abroad. However, in this study, only one Australian operator, Case AL, mentioned the *mo he* stage. Furthermore, it seems that it is a time consuming
process, and interviewee AL admitted that the gap between their partner and themselves had become smaller in the last two years, saying “We know what they want and they know what we can offer.” Business practices will be discussed in more detail in Section 7.2.

Table 6.4B Issues raised in the development and maintenance stage -
Australian inbound tour operators

<table>
<thead>
<tr>
<th>Issues</th>
<th>Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mo he stage</strong></td>
<td>AL</td>
</tr>
<tr>
<td>Conflicts</td>
<td></td>
</tr>
<tr>
<td>No conflicts</td>
<td>AU, AP, AR</td>
</tr>
<tr>
<td>The pricing issue</td>
<td>AM, AL</td>
</tr>
<tr>
<td>Technical problems</td>
<td>AL, AM, AO, AQ, AS, AV</td>
</tr>
<tr>
<td>The terms of payment</td>
<td>AM, AT, AP, AL</td>
</tr>
<tr>
<td><strong>Mo qi</strong></td>
<td>AO</td>
</tr>
<tr>
<td>Regular visits</td>
<td>AL, AM, AN, AP, AQ, AR</td>
</tr>
<tr>
<td>Personnel change</td>
<td>AL, AM, AR</td>
</tr>
<tr>
<td>Aiming for long-term relationships</td>
<td>AN, AU, AO, AQ, AR</td>
</tr>
</tbody>
</table>

Source: Developed for this study

During the process of developing and maintaining relationships between counterparts, the Australian operators admitted that conflicts were inevitable (Cases AL, AM, AO, AQ, AS, AT and AV). However, Cases AP, AR and AU claimed that there were no conflicts with their counterparts. The findings from the data reveal that there were a few different reasons for conflicts. Conflicts may result from technical problems (as noted by Chinese counterparts) in the operation; however, Cases AL, AM, AO, AQ, AS and AV responded that this kind of problem was easily resolved. Case AM provided an example: some of the Chinese counterparts were unfamiliar with Australian tourist products, and they provided their Australian counterparts with some inaccurate information which caused some misunderstandings and conflicts between the Australian inbound tour operators and Chinese travel agents. Other conflicts may be caused by Chinese travel agents misunderstanding what customers expect to see when they travel in Australia.

It seems that both Australian and Chinese counterparts were quite happy to compromise to resolve conflicts. Technical problems are most commonly solved by
explaining the situation to the Chinese travel agents and Chinese tourists, and compromising by cutting down the price or other forms of compensation (Cases AL, AM and AV). Case AQ responded, “If it is a genuine conflict, we are quite happy to compromise.” Furthermore, Case AQ also claimed his objective was to satisfy Chinese customers as a priority in dealing with the Chinese inbound travel business to Australia, even though sometimes he had to compromise. Both Cases AQ and AS agreed that these technical conflicts could be resolved between both parties, and the Australian inbound tour operators normally tried to solve the problem in Australia.

It seems that if the Australian operators solved the problem in Australia, the conflict may not result in any damage to the business relationship between these two counterparts. However, if the conflict or problem was sent back to China, this may become a serious problem, because the Chinese tourists may complain to the Chinese travel agents and the relevant media, and the Chinese travel agent’s image and reputation may be damaged in the Chinese tourism marketplace. Hence, the business relationship may be damaged. However, Case AM seemed to be very confident about their business relationships with their Chinese counterparts, saying “There is always a way to solve this kind of problem…..even if it is a big conflict, and they (Chinese agents) do not give us the business, after a while, the business will come back again, because after all we are very competitive in many ways.” Case AM’s confidence results from its leading position in the marketplace. However, Case AM’s confidence might be misplaced as the Chinese travel agents, such as Cases CD and CJ, commented that one serious conflict might cause the termination of a business relationship.

The pricing issue was a major focus of conflict (Cases AL and AM). Although both counterparts have established the relationship, it seems that the Chinese travel agents still keep cutting prices as low as possible. Interviewee AM commented that they tried to solve this conflict by cutting profits within his company’s limit, but if Chinese travel agents bargained beyond this limit, the relationship might be terminated at this stage. However, he admitted that they sometimes had to cut down their price, even going beyond their limits, in order to obtain other more profitable business that might come from their Chinese partners. For instance, he responded, “In order to get other technical visit groups, which are more profitable, from our
Chinese counterparts, we have to satisfy our Chinese partner’s request on cutting prices on ADS groups.”

The findings from the data identify that another crucial issue for Australian counterparts, hindering the development of the relationship, was the terms of payment. The delay of payment is a common problem. Case AM complained that they typically receive payments two months after the tour group visits Australia because Chinese travel agents have difficulty in sending money overseas. Cases AL and AM responded that they suffered because of delay in payments. For instance, the delay in payments caused Case AM to pay interest to the bank for the money they borrowed for the operation of the group, despite offering a low price to the Chinese agents. Delay in payments caused cash flow problems for Cases AN and AT.

Australian operators, such as Case AM, commented that the Chinese travel agents became more demanding, saying “The longer they (Chinese travel agents) deal with the market, the more requests they will make, such as cutting price while still improving the quality of services.” It appears that having liaison offices in China might facilitate operators in dealing with these conflicts. Interviewee AO elaborated, “We do not have direct contacts with our Chinese counterparts in operations. Our staff members in the Shanghai office deal with them. If there were technical conflicts, members in Shanghai would solve these problems. Unless it is a big issue, such as overstay or public holidays in Shanghai, our Chinese partner then would contact us directly with regard to these matters.” The lack of knowledge about a partner’s capabilities, reputation and competitiveness encourages SMEs to have intermediaries in the foreign country to minimise the cultural gap and facilitate the business (Rodrigues, 1995). However, Rodrigues (1995) also noted that there might be prohibitive costs involved, and trust might be abused by using the liaison office. Nevertheless, since all the liaison offices in this study belong to Australian inbound tour operators, these problems may not arise.

Consistent with the findings in the set up stage in Section 6.3, it is still considered very important for Australian inbound tour operators to visit their Chinese
counterparts regularly in the development and maintenance stage (Cases AL, AM, AN, AP, AQ and AR). Interviewee AR responded, “It is very important to have face-to-face meetings.” It seems that the operators need to meet their Chinese counterparts often and spend time with them to stabilise the business relationship. Cases AM, AP and AQ regularly visited China twice a year. In addition, Case AQ visited not only their counterparts but also government offices. Respondent AL commented, “The more we see them, the more we understand each other, so the easier it is to maintain the relationships.” According to Case AR, if the operator did not visit their Chinese counterparts regularly, their business might fade away. However, Case AQ admitted that they could not visit them five or six times a year, because they had to visit other markets as well. It was noted that it is therefore necessary to keep in contact with Chinese counterparts through a combination of methods, such as telephone, fax and emails to keep them posted about new Australian tourist products, and other accommodation options (Cases AN, AR and AQ).

Consistent with the Chinese travel agents’ aim, Australian operators were also aiming for long-term relationships with their counterparts (Cases AN, AO, AQ, AR and AU). Interviewee AN explained, “This is the only way to do business. You always look for long-term business relationships. If you are short-sighted or narrow minded, you will never get success in business.” These long-term relationships include both the managerial and operational levels (Case AR).

However, the Australian inbound tour operators expressed some concerns in terms of maintaining relationships. The relationship might become turbulent because of personnel changes at the Chinese managerial level. Cases AP, AL and AR complained about the constant personnel changes in their Chinese counterparts. Interviewee AL gave the following example:

Mr A was in the management position for six months, Mr A has gone, and here comes Mr B, and then we have to start the relationship from the beginning again. It is said that doing business in China is person to person business, because they don’t follow the system. The work
they provide is not done according to the system. Mr B normally changes the way of doing things to get more confidence in himself, so sometimes it is really kind of wasting your time to deal with them, and now you have to start again. We don’t change any member of our company, but they are always changing their staff members. This makes it difficult to do business with them. It takes a long time to mo he, and cope with each other. We taught our staff in the operational level how to deal with the business. However, just after they became familiar with the operational process, they were transferred to other departments in the Chinese company. This happens in China very often.

It is apparent that this situation resulted in part from the Chinese organisational structure as a SOE. The appointment and internal transfer of staff members are determined by the senior managers in the Chinese company, whereas Australian operators are privately owned enterprises and they have more stabilised staffing. This situation may cause difficulty for Australian operators in stabilising and maintaining partnership relationships with their Chinese counterparts. Cases AL and AR further commented that personnel changes at the managerial level may change their Chinese counterpart’s way of doing business. The Chinese so-called mo qi state, therefore, might be broken, and two involved counterparts might have to go back to the mo he stage to re-integrate with each other to achieve stability. Therefore, a stable relationship formed through the mo he stage may withstand changes in personnel in the Chinese company.

6.4.3 Cross-country analysis

In the Western paradigm, the development and maintenance stages are those stages where partners adapt and integrate with each other and create greater dependency and increasing switching costs (Dwyer et al., 1987; Ford, 1980). The findings from this study confirm these features in these stages. During the process of developing partnership relationships, the relationship between Australian and Chinese counterparts becomes embedded in social and personal relations, but the relationship may withstand changes in personnel from either counterpart.
There is no distinct demarcation between the development stage and the maintenance stage in developing partnerships between Chinese travel agents and Australian operators. Therefore, this is a cultural artefact of this type of cross-national relationship. The mo he stage occurs in the development and maintenance stage, and in the transition between the set up stage and the development and maintenance stage. The Chinese travel agents perceive that negotiations, compromise and cooperation are heavily involved in the mo he stage. Conflicts may occur in this stage. However, it seems that both counterparts can experience and overcome difficulties together. Mo qi is the state that both partners reach in the mo he stage where mo shi is accomplished in operations. The mo qi state can be typified by: resilient trust; mutual commitment, which can involve forms of credible commitments; and social bonding between Australian and Chinese counterparts.

Another finding from this study is that Chinese travel agents place more emphasis on mo he and mo qi, whereas few Australian operators mention these terms. However, the findings show that both Australian operators and Chinese travel agents handle conflicts in a consistent manner. The pricing issue and the terms of payment, which have been raised in the set up stage, also arise at the mo he stage. This occurrence reflects what is described in the Western literature at the development and maintenance stages where an integration process for partners in the network is needed to continue developing their relationships. In this process, there are some adaptations and integrations still to occur. Negotiations may also be involved to resolve conflicts (Dwyer et al., 1987; Ford, 1980; Heide, 1994).

It seems that both partners still aim for long-term relationships. However, the Chinese travel agents request frequent contact. Consistent with findings from the set up stage, having face-to-face meetings is considered very important in the mo he stage by Chinese travel agents because they help to bring geographic closeness, enhance understanding and facilitate maintenance and stability within the relationships in a cross-national context.
6.5 The termination stage

The termination stage was reviewed in Section 2.3. Although it takes great bilateral efforts to build up relationships, the dissolution of the relationship may occur more easily and can be initiated unilaterally (Dwyer et al., 1987; Kanter, 1994). This section discusses the reasons for terminating business relationships from both the Chinese and Australian counterparts’ perspectives.

6.5.1 Findings from Chinese travel agents

Table 6.5A lists the reasons for authorised Chinese travel agents terminating business relationships with their Australian counterparts. The findings from the data identify that most Chinese agents (except Case CE) have changed their counterparts before, and there might be a variety of reasons for terminating the business relationship with their partners. Consistent with the literature (Dwyer et al., 1987; Heide, 1994; Kanter, 1994), termination of the relationship may happen easily if it is initiated unilaterally.

Case CH responded that their relationship with their Australian partner was terminated because of one party’s unilateral change of the initial mutual goals. Case CH’s Australian partner changed their initial goal from focusing on the mass market to the niche market. However, Case CH’s main business did not change and still focused on the mass market. The inconsistency of the initial mutual goal made the relationship break down.

Table 6.5A Reasons for terminating business relationships - Chinese travel agents

<table>
<thead>
<tr>
<th>Reasons for terminating relationships</th>
<th>Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unilateral change of the initial mutual goals</td>
<td>CH</td>
</tr>
<tr>
<td>Change of personnel in the Australian counterparts</td>
<td>CE, CK</td>
</tr>
<tr>
<td>Change of personnel in the Chinese travel agents</td>
<td>CG</td>
</tr>
<tr>
<td>Low quality of services delivered to Chinese tour groups</td>
<td>CD, CE, CJ</td>
</tr>
<tr>
<td>The pricing issue</td>
<td>CH, CD, CK</td>
</tr>
</tbody>
</table>

Source: Developed for this study
The change of personnel on either the Australian side or the Chinese side may also terminate the partnership relationship with their Australian counterparts. For instance, Cases CE and CK explained that the change of senior personnel in their Australian counterparts caused the termination of their business relationships with their counterparts. Case CG admitted that the change of senior personnel in their own company triggered the change of their current Australian counterparts, and she commented that there was no certain rule for this kind of situation.

Business relationships may also be terminated when serious problems occur, such as the low quality of land services delivered (Cases CD, CE and CJ). As discussed earlier, both Australian and Chinese cases agreed that it was inevitable to have some conflicts or problems during the operation at the mo he stage, and problems were normally expected to be resolved in Australia, particularly with regard to land services. Case CE claimed that if problems were brought back to China, the Chinese travel agent would consider terminating the relationship with their Australian counterpart.

Pricing has been identified as a crucial factor in negotiations, and it is one of the key reasons for conflicts between Australian and Chinese counterparts. The findings identify that pricing is still the most critical factor in the termination of relationships (Cases CH, CD and CK). Interviewee CK explained, “The market shows no mercy. In fierce price competition, if the price is too high, we can not sell our tourist products to (Chinese consumers).” However, the Chinese travel agents are buyers, and some of them, such as Case CE, perceive themselves as being in an advantageous position, and are not worried about the termination of the relationship. Interviewee CE commented, “We meet a lot of (Australian) operators every year; we can easily find another one if we are not happy with the response from our current partner on the price issue.” This scenario illustrates the perception of Chinese travel agents that they have more power than their counterparts in their relationships. This contrasts with networking relationships in Japan, where small suppliers have partnership relationships with lead companies, and while these small companies are under pressure to cut costs, they still get support from lead companies in the form of financial and technical support allowing the small suppliers to continually upgrade
their technology and product techniques (Howard, 1990). In this study, it seems that substitutability is a major power threatening small-sized Australian inbound tour operators.

Findings from the data revealed that the pricing issue could cause the termination of the relationship with Australian partners, but it could also allow resumption of a partnership relationship if the Australian partner was willing to cut their price (Case CK). Hence, it appears that the pricing issue is the most important concern for the Chinese travel agents in setting up, developing and maintaining relationships, as well as terminating and resuming the relationship. Nevertheless, reasons for terminating the relationship can be varied, and interviewee CC commented, “It is hard to say (why we terminate a relationship).”

**6.5.2 Findings from Australian inbound operators**

Table 6.5B lists the reasons for Australian operators terminating business relationships with their Chinese counterparts. The findings reveal that three cases (Cases AN, AO and AV) had never changed their Chinese partners. All the other Australian inbound operators claimed that they had changed their Chinese partners. They agreed that Chinese travel agents played a proactive role in setting up and terminating the relationships. It seems that the pricing issue is still the key reason for terminating relationships. In addition, it should be noted that there are fewer reasons mentioned by Australian inbound tour operators than the Chinese travel agents.

<table>
<thead>
<tr>
<th>Reasons for terminating relationships</th>
<th>Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>The pricing issue</td>
<td>AL, AM, AN, AO, AR, AS</td>
</tr>
<tr>
<td>Unilateral change of the initial mutual goals</td>
<td>AP</td>
</tr>
<tr>
<td>Delay in payment</td>
<td>AR</td>
</tr>
</tbody>
</table>

*Source: Developed for this study*

*The pricing issue* is the key factor for the Australian inbound tour operators terminating business relationships with their Chinese counterparts (Cases AL, AM, AN, AO, AR and AS). Case AS remarked, “Some Chinese travel agents came to
work with us because of the price we offered to them, and some left because they found that other operators offered even lower prices.” The Australian operators responded to this kind of situation with a “let them go” attitude, because they commented that they could not keep on cutting their prices (Cases AM, AN, AO and AR). Case AR suggested, “What we can do is to offer a better price within our limit.” Although the pricing issue plays a critical role in the success of the relationship, Australian operators still have to attend to their bottom line in doing business. Case AL stated his experience, “The Chinese travel agents kept asking to cut prices, and asked us to use duty free shops to gain kickbacks to supplement our profits. At the beginning I refused to do it in this way, so they (my Chinese counterparts) all left, but now I agree to do it in this way. However, they have all gone and will not come back.” Hence, it seems that once the relationship is terminated, it is hard to restart it. However, this response is contradictory to the Chinese travel agent’s comments that the relationship might be restarted if the Australian operators were willing to cut their price (Case CK).

The unilateral change of the initial mutual goal is another reason for terminating the relationship. In this research, there were incidents of this happening when the Chinese counterparts shifted their initial goal from quality concerns to price orientation. The relationship, therefore, was terminated because of the goal’s incompatibility with their Australian counterpart. Case AP provided an example where some senior managers of Chinese companies shifted their focus from the retail business to the wholesale business in order to gain greater market share. This shift indicated that they would become more price sensitive and more emphasis would be put on the number of tourists instead of the quality of services. Therefore, their goal was incompatible with Case AP’s, and the business relationship was terminated.

However, the findings from the data revealed that business relationships might be resumed once the Chinese travel agents find that their new counterparts do not provide good quality of services to their customers, and realise that their previous counterparts are extremely good in terms of providing quality services. This situation occurred in Cases AM, AN, AO and AR. For instance, Case AR claimed
that they once terminated the relationship with their Chinese counterpart because of delay in payment. However, the relationship resumed when their counterpart approached them with totally changed attitudes. Case AR did not know the exact reason for this sudden change, but the interviewee guessed that it was because of the good quality of services they provided to their Chinese partner in the past.

### 6.5.3 Cross-country analysis

It appears that both Chinese and Australian counterparts agree that Chinese travel agents play a pivotal role in the process of setting up and terminating business relationships. *Quality assurance of services* also seems to be important, as it can be the reason for terminating relationships, and can also be the reason for resuming relationships. Since the Australian operators provide land services directly to Chinese tourists, the *performance satisfaction* of Chinese tourists largely depends on the *land services* provided by the Australian inbound tour operators.

Further, consistent with network studies (Buttery and Buttery, 1995), it seems that *having mutual goal compatibility* is extremely important in the process of forming these relationships. It is one of the determining factors both for setting up relationships and terminating them. *The pricing issue* is also another key reason for both counterparts to terminate the relationship. Personnel change in senior staff members may change *mo shi* in operation, and the business relationship therefore has to be built up again. Moreover, it appears that the Chinese travel agents have different ways of doing business from the Australian inbound tour operators. Hence, terminations may occur due to different business practices. This issue will be further discussed in Chapter 7.

### 6.6 Conclusion

This chapter analysed the data on research issue 1, that is, the process of developing business relationships between Chinese travel agents and Australian inbound tour operators in the Chinese inbound travel trade to Australia. This study argues that Figure 2.2, which is based on a Western paradigm of developing partnership relationships, requires cultural sensitisation, and thus proposes a cyclical model to
better explain the network dynamics between Australian inbound tour operators and Chinese travel agents (Figure 6.2).

Figure 6.2  The process of developing partnership relationships in the Chinese inbound tourism market to Australia

The search stage

The development and maintenance stage

Pre-existing relationships

Chinese authorised travel agents

Australian nominated inbound tour operators

The long-term relationships

The termination stage

The set up stage

New search

Mo he  (a running-in process for both counterparts in adapting to each other)

Mo qi (tacit understanding and good cooperation between counterparts)

Mo shi (an institutionalised process of cooperation)

New search

Source: Developed for this study.
Note:  
Move to next stage
Unsuccessful in the current stage
Resume the relationship
The stage model in this study includes four stages instead of the five as proposed in the literature, and this is because the development and maintenance stages identified in Western theory are considered by Chinese travel agents as one stage where *mo he* (a running-in process), *mo qi* (tacit understanding) and *mo shi* (institutionalised process) occur. Hence, the four stages of developing partnership relationships in the cross-national context of this study are the search stage, the set up stage, the development and maintenance stage (including *mo he, mo qi and mo shi*) and the termination stage. As noted, the process of developing partnership relationships between Chinese and Australian counterparts is time-consuming. The ultimate goal for both counterparts is to develop long-term business relationships. However, at each stage of developing business relationships, if the relationship does not develop successfully, both counterparts have to start a new search for counterparts.

However, there is one exceptional case, that is, a Chinese travel agent may resume a relationship which has been terminated simply because of the quality of services and products provided by the Australian operators. This situation indicates the importance of Australian operators providing high quality services to Chinese tourists.

This chapter also analysed data on research issue 2, that is, network and relational factors involved in different stages of developing business relationships between Chinese and Australian counterparts. Table 2.3, based on a Western paradigm, reviews factors that impact on the process of developing partnership relationships from networking and relationship marketing theories. Table 6.6 reiterates the importance of trust, mutual goal compatibility and quality services in the process of developing business relationships in this study. Moreover, this study also identifies the factors which may result in the termination of business relationships, a stage only briefly discussed in the previous literature. Unilateral change of initial mutual goals and initial agreed prices, and poor quality of services provided by the Australian operators may result in the termination of business relationships.
Table 6.6 Summary of factors involved in the process of developing partnership relationships in the Chinese inbound tourism market to Australia

<table>
<thead>
<tr>
<th>Stages</th>
<th>Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>The search stage</td>
<td>• Quality of services</td>
</tr>
<tr>
<td></td>
<td>• Mutual goal compatibility</td>
</tr>
<tr>
<td></td>
<td>• WOM</td>
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<tr>
<td></td>
<td>• The pricing issue</td>
</tr>
<tr>
<td></td>
<td>• Trustworthiness</td>
</tr>
<tr>
<td>The set up stage</td>
<td>• Adaptation</td>
</tr>
<tr>
<td></td>
<td>• The pricing issue</td>
</tr>
<tr>
<td></td>
<td>• Empathy</td>
</tr>
<tr>
<td></td>
<td>• Fragile trust ➔ Mutual trust/resilient trust</td>
</tr>
<tr>
<td></td>
<td>• Mutual commitment</td>
</tr>
<tr>
<td>The development and maintenance stages</td>
<td>• Adaptation</td>
</tr>
<tr>
<td>(mo he, mo qi and moshi)</td>
<td>• Empathy</td>
</tr>
<tr>
<td></td>
<td>• Social and structural bonding</td>
</tr>
<tr>
<td></td>
<td>• Quality of services</td>
</tr>
<tr>
<td></td>
<td>• Mutual trust/resilient trust</td>
</tr>
<tr>
<td></td>
<td>• The pricing issue</td>
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<tr>
<td></td>
<td>• Mutual commitment</td>
</tr>
<tr>
<td>The termination stage</td>
<td>• Mutual goal compatibility</td>
</tr>
<tr>
<td></td>
<td>• Quality of services</td>
</tr>
<tr>
<td></td>
<td>• The pricing issue</td>
</tr>
</tbody>
</table>

Source: Developed for this study

In addition, some other new factors have been uncovered in this study as crucial in developing business relationships, such as pricing, the terms of payment, WOM and similar ethnic background preferences for Chinese travel agents. Therefore, doing business cross-nationally is highly culturally influenced and fertilised. This situation further draws attention to the importance of educating both Chinese and Australian counterparts on different business behaviour and different business systems. The next chapter will further discuss the data on research issues 3 and 4, which deal with the impact of cross-cultural differences and guanxi in the development of partnership relationships between Chinese travel agents and Australian inbound tour operators in the Chinese inbound travel business to Australia.
7.1 Introduction

The previous chapter investigated and reported how partnership relationships are formed between Chinese travel agents and Australian inbound tour operators, drawing on the stage model and the related network and relational factors outlined in Figure 6.2 and Table 6.6 respectively. Some themes emerged from the study, such as the presence of the mo he stage, mo qi state and mo shi in cooperation in the development and maintenance stage, and Chinese travel agents’ preference for having Australian partners from similar ethnic background. All these themes reflect the cultural impact on the process of developing partnership relationships in the Chinese inbound travel trade to Australia, and further prove that Australian inbound tour operators of Chinese descent present a unique set of subjects as they are not fully acculturated into either their culture of origin or the culture they have adopted. This chapter focuses on research issues 3 and 4, as introduced in Chapter 3, to investigate the impact of cross-cultural differences and guanxi on the development of partnership relationships between the two counterparts. These two research issues are:

RI 3: How do Australian Chinese and mainland Chinese cultural differences impact on the development of business relationships between Australian inbound tour operators and Chinese travel agents?

RI 4: What is the role of guanxi in the process of developing business relationships between Australian inbound tour operators and Chinese travel agents?

7.2 The impact of cultural differences

The impact of cross-cultural differences, as discussed in Section 3.5, has been acknowledged for its importance in establishing new business relationships in an international context (Bjorkman and Kock, 1995; Holmlund and Kock, 1998). National cultural differences, regional cultural differences, and the impact of cross-cultural differences on business negotiation and business practices in China and Western countries have been reviewed in Chapter 3. However, as discussed
in Section 3.2.1, little research has been undertaken on the role that culture plays in partnership relationships between Australian inbound tour operators and Chinese travel agents in the Chinese inbound travel business to Australia. Figure 7.1 outlines the themes that emerged using the NVivo computer program. Compared with Figure 3.3, the major theme concerning cross-cultural differences emerging from this study is that different business ethics between Australian and Chinese counterparts may hamper the development of partnership relationships. Other issues also emerged from cross-cultural differences, such as problems with tour guides, accommodation and restaurants, which impacted on the quality of services provided to Chinese tourists. Within-country and cross-country analysis will be used to identify themes showing both differences and similarities in cultural orientations.

Figure 7.1  The NVivo category system on cross-cultural differences

<table>
<thead>
<tr>
<th>The impact of cross-cultural differences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business ethics</td>
</tr>
<tr>
<td>Communication</td>
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<tr>
<td>Regional cultural differences</td>
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<tr>
<td>Other issues</td>
</tr>
<tr>
<td>• Tour guides</td>
</tr>
<tr>
<td>• Accommodation</td>
</tr>
</tbody>
</table>

Source: Developed for this study

7.2.1 Findings from Chinese travel agents

As shown in Table 7.1A, all cases except Cases CD and CK acknowledged the impact of cultural differences on developing partnership relationships with their Australian counterparts. Given that all the Australian operators and their staff in charge of the China market could speak Mandarin, Cases CD and CK claimed that there were no or very few cross-cultural differences between them, and they considered that they themselves understood the market well.

Table 7.1A further summarises the issues on cross-cultural differences that emerged from the interviews with the Chinese travel agents. Business ethics, communication problems, tour guide problems, and regional cultural differences
were identified as key cultural issues impacting on the development of partnership relationships from the Chinese travel agents’ perspective.

<table>
<thead>
<tr>
<th>Table 7.1A  Issues of cross-cultural differences – findings from Chinese travel agents</th>
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<tbody>
<tr>
<td>Claims no/little cultural differences</td>
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<tr>
<td>Business ethics (different business practices)</td>
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<tr>
<td>Communication problems</td>
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<tr>
<td>Tour guide problems</td>
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<tr>
<td>Regional cultural differences</td>
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</tbody>
</table>

Source: Developed for this study

7.2.1.1 Business ethics

Hofstede (1980; 1991) states that national cultural differences may lead to different ways of operating businesses. Redding (1993) further reiterates that Western business people may find differences in areas such as work ethics and handling discipline and control when they do business with people from a Confucian-based culture (Section 3.2.2). Differences between Chinese and Western ways of doing business have been discussed in the literature (for instance, Davies et al., 1995; Dunfee and Warren, 2001; Lovett et al., 1999; Park and Luo, 2001; Simmons and Munch, 1996) (Section 3.5.2). This study presents more specific issues related to business ethics as these relate to developing partnership relationships between Australian and Chinese counterparts in tourism. Through observation and interviews, business ethics can be further analysed in terms of different business practices, which include flexibility versus strictness, different ways of doing business from Taiwanese counterparts, and ethnic preferences.

Flexibility versus strictness

One of the aspects of different business practices reflects on the flexibility and strictness of doing business in China and Australia. The Chinese do business in a
flexible mode, whereas the Western system of doing business is constrained by inflexible legal contracts (for instance, Park and Luo, 2001; Simmons and Munch, 1996) (Section 3.5.2). Chapter 3 has discussed different cultures and different approaches to doing business. For example, in the Chinese culture, agreements between people are based on mutual trust and verbal commitment rather than a “written” contract; even if a contract is signed, the partner may still request further changes (Hall, 1987; Trompenaars and Hampden-Turner, 1998).

Similarly, this study reveals that, as discussed in Section 6.4.1, conflicts can occur during the development and maintenance stage of developing relationships between Chinese and Australian counterparts. It appears that some of these conflicts relate to technical problems and the perceived inflexibility of Australian operators. Cases CB and CG commented that Australian operators should provide greater flexibility in their operations, in particular when Chinese travel agents have to constantly change itineraries or group numbers. Some of the Australian operators, such as Cases AL and AM, noticed the constant changing of itineraries amongst Chinese groups, and both interviewees reported that they were unable to make too many changes to itineraries because other Australian tourist product suppliers, such as accommodation establishments, did not allow them to have many changes. Hence, this study shows that developing understanding of each other’s situation is very important in resolving this kind of conflict. The findings from the Chinese travel agents also revealed that they were aware of the pros and cons of using ethnic Chinese operators. As Case CC responded, “Chinese do business in a flexible way, but Caucasians do business following rules. Chinese sometimes use unscientific methods of doing businesses, and sometimes these methods can be illogical if viewed by Westerners.”

Australian operators were described by Chinese travel agents as not being as flexible in doing business as other operators in Southeast Asian countries. Interviewee CB commented:

Southeast Asian agents are more flexible, and they have the attitude that they will adapt to us. However, Australia is a Western country. Although these operators are ethnic Chinese, they are more stubborn,
and not willing to change according to our requests. For example, if the tour group has some changes in the itinerary, Australian operators will make small changes to the itinerary accordingly, but if there are many changes in the itinerary, they are not willing to do so. The way they do business is somewhat like those operators in Europe. They do things very strictly, and follow rules. Actually we don’t want to make things difficult for them either. Our staff members who handle the Australian market are well educated, and we don’t ask for unreasonable requests.

Case CG further commented, “If our partners were operators in China, they would immediately change things according to our requests due to our good guanxi (personal relationship). However, this kind of situation does not apply to our Australian partners.” The perceived inflexibility of Australian operators is consistent with the literature which notes the inflexibility of the Western way of doing businesses. Although these Australian operators are of Chinese descent, they have adapted to the Australian culture and the Australian way of doing business.

Different ways of doing business from Taiwanese counterparts
As described in Section 5.2.2, all the Australian operators are Australian Chinese, and they are first generation migrants to Australia. Some of them are originally from mainland China, some are from Taiwan and Hong Kong, and one is from Brunei. Aware that the ethnic Chinese community is not homogeneous and they differentiate themselves according to their origins, whether in China or outside China (East Asia Analytical Unit, 1995), the interview responses from Chinese travel agents reflect that Australian Chinese operators from Taiwan and Hong Kong think and approach the mainland Chinese differently when establishing business relationships. Case CG provided an example elaborating on the distinctive way of doing business of Australian operators who are originally from Taiwan, stating:

We have totally different ways of doing business (from these operators originally from Taiwan). We usually discuss the business in the daytime, and then perhaps have dinner. That is about it.
However, those Taiwanese operators came to meet us around lunch time, then afternoon tea, then dinner, then dancing, whereas we are not in the habit of having afternoon tea. Ok, we will go with them, but we are really not used to the way they do things. From our point of view, business is business, and we separate it from social entertainment. I think that we are very different from Taiwanese in doing business on this matter.

Case CG further commented, “We cannot use the way of doing business in Taiwan to apply to our way of doing business.” It seems that those Taiwanese who live in Australia still have the traditional mindset about the inefficiency of working in China and the importance of gaining guanxi through social activities. Therefore, these different ways of doing business may hinder the formation of business partnership relations between Chinese and Australian counterparts from Taiwanese descent. Although only one case addressed this issue, Australian operators should be aware of this issue when they do business with Chinese travel agents. This issue also affects Australian business people in other industries, particularly those of Taiwanese descent who would like to do business with Chinese partners.

Unwillingness to have Caucasian counterparts
Considering language communication difficulties and different ways of thinking, Cases CC, CF and CK clearly expressed their unwillingness to have Caucasian counterparts. They stated their preferences for working with Australian Chinese, although Case CF acknowledged, “There could be some cultural differences when dealing with Australian Chinese counterparts, because they have been living in Australia for a long time and they are influenced by the local culture and politics.” He also commented, “These so called ‘differences’ can be overcome through the mo he stage.” As explained previously, mo he is a Chinese term which means a running-in process for both counterparts in adapting to each other in the development and maintenance stages of developing business relationships (Section 6.4).
Furthermore, different ways of doing business between Chinese and Australians may prevent partnerships between Chinese travel agents and Caucasian operators. The interviewee of Case CK told the following story:

We used to have a Caucasian operator in Melbourne. He is a very nice man, but he refused to do business the way we suggested. Therefore, our business relationship was terminated in the end. For example, we asked them to include the amount of tips in the total receipt, and he refused to do this. Our clients like to have some pocket money, and they would like to include the pocket money in the package amount - he refused again. He thought that it was a ridiculous way of doing things. However, he has to understand that some people in China travel using government or company’s money, and they do not want to pay anything. Hence, as you can see, we (Chinese and Caucasians) have different mindsets.

This story indicates that it is important for Australian operators to understand the Chinese cultural background and the nature of organisational structures in China. Australian operators might sometimes consider Chinese agents’ requests as unethical, whereas Chinese travel agents consider it ethical and perceive their requests to their Australian partners simply as asking for a favour. However, if Australian partners reject their requests, the Chinese agents might take this gesture of rejection as a lack of willingness to cooperate with each other. Hence, it appears that the boundary between ethical or unethical behaviour in different countries may cause conflicts and misunderstanding, hinder the development of the relationship, and may even cause the termination of the business relationships. In this story, Case CK terminated the relationship with this Australian operator, and the Australian operator might not have realised that their rejection of a “favour” led to the termination of the business relationship.

It seems that Chinese travel agents prefer their Australian partners to agree to their requests, and this is one of the reasons why Chinese travel agents prefer Australian Chinese operators to Caucasian operators. Case CK provided an example, saying “If they (Caucasians) think that they cannot do the business in
the way we requested, they would immediately refuse our request.” Although he acknowledged that Caucasian operators were nice people, they had a different mindset, and therefore, it was difficult to cooperate with them if the operator rejected a request at the beginning of the business relationship. He continued, “How can we continue our business if they reject us at the beginning?” It appears that the Caucasian operators told the “truth” and the “facts” to their Chinese partners, however, their straightforward answers were not appreciated in the Chinese culture. Instead, Chinese people would feel embarrassed and lose face if they were immediately rejected. It should be noted that the loss of face is considered a terrible embarrassment for any Chinese (Simmons and Munch, 1998; Woo and Prud’homme, 1999). This rejection, therefore, is most likely to lead to the termination of the business relationship.

Moreover, both the interviewees of Cases CC and CK had the same comment, “If we can do business with Australian Chinese, why do we need to do business with Caucasians?” This response, on the one hand, reflects the xenophobic response that Adler claims – one of “fear and rejection of behaviours associated with foreigners” (Adler, 2002, p. 240). She claims that this reaction handicaps organisations that want to learn from the experience of their employees around the world. However, this xenophobic response occurs in this business relationship context. On the other hand, this response reflects what the literature has said for some time about cultural closeness (similarity) (Adler and Graham, 1989; Swift, 1999). Cultural closeness serves to reduce cultural barriers when doing business in overseas markets (Swift, 1999). This study confirms that the existence of cultural closeness made the Chinese agents feel confident with their Australian inbound tour operators if they were Australian Chinese. These factors shape the Chinese travel agents’ preference for having Australian Chinese as their Australian counterparts as opposed to Caucasian operators.

The advantages of having Caucasian partners
Interestingly, the findings from the data revealed that almost all the Chinese travel agents were not willing to do business with Caucasian partners, except for Case CI. The interviewee of Case CI responded, “We hope that we can develop some partnership relationships with Caucasian operators, because I have found that they will make a commitment to you and we can trust them. They say one is
one, two is two, and they will not cheat on us. They make promises and keep their promises.” This finding also reflects the important role of trust and commitment in the development and maintenance stage of developing business relationships particularly for Chinese counterparts. It also shows that Caucasian operators have an image of being reliable people, which provides an advantage when Caucasian operators contact Chinese travel agents.

It appears that another advantage of having Caucasian partners is that the Caucasian partners can guarantee quality services to Chinese tourists. Case CI has had some experience in dealing with European operators who are Caucasians. He remarked, “Most of their European (Caucasian) partners provided very good quality of services to Chinese tourists.” This indicates that some Chinese travel agents may still prefer to do business with Caucasian partners because of their integrity in doing business. Therefore, it seems that Caucasian partners clearly have to market themselves differently from Australian operators of Chinese descent, and form partnerships with Chinese travel agents to increase their market share of the Chinese travel trade.

7.2.1.2 Communication problems
Communication between partners from different countries has been broadly discussed in the literature (Section 3.2). Differences in national culture lead to language and communication difficulties and to different communication styles (for instance, Harris and Moran, 2000; Rodrigues, 1998; Trompinaars and Hampden-Turner, 1998). The findings from the data only partially support the literature suggesting that communication problems might start with language communication problems between Australian Caucasians and Chinese (Cases CF and CK). As the respondent of Case CK commented, “The problem with communicating with Australian Caucasian operators is the language barrier. Although we can speak English, sometimes we still find it difficult to express ourselves. If we can find operators who speak Mandarin, we would prefer to deal with them rather than Caucasian operators.” However, both Cases CF and CK claimed that language difficulties are not the reason Chinese travel agents decide not to use Caucasian partners. They claimed that the different ways of doing business was the crucial reason for Chinese travel agents not developing partnerships with Caucasian operators (Section 7.2.1.1).
It is a well-known fact that difficulties in cross-cultural communication can be a significant impediment to doing business between Australia and China (Adler, 1991; Hofstede, 1980; Mavondo and Rodrigo, 2001; Tayeb, 1988; Trompenaars and Hampden-Turner, 1998; Westwood, 2001; Westwood and Kirkbride, 1998). Both Cases CE and CG dealt with operators originally from Hong Kong and Taiwan. The respondent of Case CG commented, “The success of setting up this business relationship largely depends on how the Australian operators communicate with us and how familiar they are with the characteristics of the Chinese tourism market, particularly with regards to the needs and wants of Chinese tourists.”

Both Cases CE and CG noticed different wording and expressions used by mainland Chinese compared with Chinese from Hong Kong and Taiwan. Interviewee CG remarked:

Although all of us (including mainland Chinese and Chinese from Hong Kong and Taiwan) speak Mandarin, they (Chinese from Hong Kong and Taiwan) use different wording and expressions, and there are differences in the ways people talk between people in mainland China and people in Hong Kong and Taiwan. Therefore, we have some communication barriers in contacting each other. Although people from Taiwan and Hong Kong speak Mandarin, I don’t understand them well.

She continued by providing an example:

We used to do business very well with one Australian operator (unnamed). For some reason, they changed the manager who was in charge of the China market. The new manager, who is originally from Hong Kong, speaks Mandarin with a very strong Hong Kong accent. When I asked who I would contact later on if we kept on doing business together, she said that she would be the person. At that time, I was wondering how I could communicate with her considering our communication would depend on phone
conversations. Therefore, after that, I deliberately drifted away from her.

Hence, it appears that the communication problem between Chinese and Australian partners has gone beyond the language barrier problem, and it has become one of accents and local inflections. Even though these Australian Chinese from Hong Kong and Taiwan speak Mandarin, their “Mandarin” is still different from mainland Chinese Mandarin, and this difference can be manifested in different wording and expressions, and different styles of conversing.

In the literature on expatriates, Kaye and Taylor (1997) state that after expatriates overcome the language barrier in China, different styles of communication become a real barrier, because of the differences between hi-context and low-context cultures. It is presumed that there may be some difficulties in communication between people from a hi-context culture and those from a low-context culture (Harris and Moran, 2000; Kim et al., 1998), but no/few communication difficulties between people from similar low-context cultures (Kaye and Taylor, 1997). However, the findings from this research further revealed that although mainland Chinese and Australian Chinese from Hong Kong and Taiwan share similar hi-context cultures, the communication styles may still be very different. Moreover, different communication styles may hinder the process of developing business relationships, and may even damage a current established relationship and lead to the termination of the relationship as shown in the above example. Just as there are within-cultural differences based on regional dialects and customs, there are within-cultural communication barriers that arise from specific locations as factors.

7.2.1.3 The tour guide problem

Chinese travel agents expressed a great deal of concern about the quality of land services which would directly impact on the Chinese source market and consequently their businesses (Section 6.4 and Table 6.4A). In this situation, tour guides play an important role given that they directly deliver the land services to Chinese tourists. The Chinese travel agents raised concerns by claiming that some conflicts occurred between Australian and Chinese counterparts because of the poor quality of services provided by the Australian
tour guides (Cases CD and CG), and the lack of experienced tour guides, particularly during the peak seasons (Case CD, CG and CI).

However, the real problem of the tour guide issue comes back to cultural differences. Although the findings from the interviews revealed that all tour guides in Australia were either Chinese or ethnic Chinese, it seemed that there were still problems in terms of delivering quality tour guide services to Chinese tourists. Cases CD, CE, CG and CI claimed that it appeared that Chinese tourists, both from Beijing and Shanghai, were strongly against tour guides from Taiwan and Hong Kong, particularly having antipathy towards those from Taiwan. One of the interviewees, Case CI, remarked, “This tour guide issue has become a very big problem. Our customers (Chinese tourists) have antipathy towards these tour guides from Taiwan. Therefore, we normally request tour guides originally from mainland China.” The reasons for antipathy against Taiwanese tour guides are explained as follows.

Although people from Taiwan and people from mainland China are all Chinese (as discussed in Sections 7.2.1.1 and 7.2.1.2), the long political separation of these two regions has resulted in cultural differences which can be exemplified by different ways of doing business, and attitudes towards social activities. Although these tour guides who are originally from Taiwan have lived in Australia for quite a long time, their mindset still remains one that sees all mainland Chinese living in poverty. They do not realise that China has changed a lot in terms of living standards and modern Western influences on Chinese culture (FitzGerald, 1998).

Historically, China was liberated by the Communist Party from the Kuo Mingdang, which is still one of the major parties in Taiwan. The long separation between mainland China and Taiwan, particularly under different government regimes and different education systems, has made the Taiwanese culture unique (Huang, 2000). As illustrated by interviewees of Cases CI and CG, it appears that the most “touchy issue” that tour guides talked about was whether Taiwan and China should be one country. Interviewee CG explained:
Beijing is still the cultural and political centre of China. People in Beijing are patriotic, particularly with some issues, such as Taiwan being part of China. Therefore, if tour guides from Hong Kong and Taiwan talk about things in such a way as ‘you mainland…, we Taiwan…’ - subconsciously they differentiate themselves from mainland Chinese whereas mainland Chinese consider Hong Kong and Taiwan as part of China. Hence, people from Beijing feel offended and humiliated.

Interviewee CD referred to this kind of conflict between tour guides and Chinese tourists as “political discrimination”. In addition, the feedback from Chinese tourists, as illustrated by Case CE, demonstrated the dissatisfaction with tour guides from Hong Kong and Taiwan, particularly guides from Taiwan, because of their use of different wording, tones, expressions, different mindsets and different ways of thinking. Cases CD, CG and CI agreed on this point. Interviewee CD summed it up: “Chinese tourists, therefore, still feel closer and more comfortable with tour guides from mainland China. They prefer to have tour guides from mainland China, because they have similar thoughts and find it easy to communicate with each other.” This situation reinforces the importance of service interactions between tour guides and Chinese tourists in developing and maintaining partnership relationships between Australian operators and Chinese travel agents.

Furthermore, the findings from the interviews with Chinese travel agents address the importance of establishing rapport between Chinese tourists and tour guides, because poor service interactions may cause conflicts between the Chinese operators and their Australian counterparts. Both Cases CD and CG suggested a need for a training program for tour guides. Case CG claimed, “The Australian operators should train their tour guides in what to say and how to do things when they guide Chinese tourists, and these tour guides originally from Hong Kong and Taiwan should avoid discussing these ‘touchy’ (political) issues.” Nevertheless, it is beyond Chinese travel agents’ control in terms of which tour guide is used, as according to interviewee CD, “We have no control with regard to this matter. All we can do is to mention our hopes to our Australian counterparts.”
The tour guide problem, resulting from the cultural and political differences between mainland Chinese and Australian Chinese originally from Hong Kong and Taiwan is an emerging issue which may cause conflicts in developing and maintaining business relationships between Chinese travel agents and Australian operators. Previous research has addressed the cultural differences between Hong Kong, Taiwan and mainland China (for instance, Chinese Culture Connection, 1987; Trompenaars and Hampden-Turner, 1998); however, there has been little research identifying the subsequent problematic impact of these differences on business relationships in the Sino-Australia travel trade.

7.2.1.4 Regional cultural differences

National cultural differences have been broadly discussed in the literature (for instance, Chinese Culture Connection, 1987; Hall, 1976; Hofstede, 1980; Trompenaars and Hampden-Turner, 1998) (Section 3.2.2). Child (1998) discusses the impact of cross-cultural differences in Sino-foreign joint ventures. However, little research has been focused on regional cultural differences within China, with the exception of Selmer (1997) who acknowledges that regional cultural differences exist in China. The findings from this research show evidence of regional cultural differences and different ways of doing business in different regions of China.

Interviewee CG claimed, “The way people in Beijing do business is quite different from that of people in Shanghai. People in Shanghai are more efficient and less bureaucratic compared with people in Beijing.” She provided an example explaining the differences between doing business in Shanghai and Beijing, stating:

In Shanghai, if we are going to sign a contract, each party will have a copy of the draft of the contract prior to the meeting. On the next day, if everyone agrees with everything, we can sign the contract. Once the contract is signed, people in Shanghai follow the contract clauses. However, it is a different story in Beijing. First of all, the list is not dispatched before the meeting. The meeting becomes very
bureaucratic, and discussions are carried on and on. Even after the contract is signed, some terms in the contract can still be altered.

Shanghai has had a longer exposure to Western commerce and trade compared to Beijing, which remains the cultural and political base for conservatism in China. Interviewee CG further commented that people in Beijing do not follow rules when doing business, unlike their counterparts in Shanghai. Hence, it appears that there are two different ways of doing business in Beijing and Shanghai due to regional cultural differences. Although Case CK was the only Chinese travel agent to comment on regional differences in business practice, the findings suggest that Australian operators should not consider China as a homogeneous society, because regional cultures are embedded in the national culture.

In addition, the findings from the interviews revealed that regional culture might influence Chinese operators’ choice of Australian counterparts. As illustrated by Cases CC and CK, Chinese travel agents prefer to have Australian counterparts who were originally from the same region. Case CK is based in Shanghai, and the interviewee responded, “We would prefer to have Australian operators from the same region (Shanghai). One of our current Australian partners is originally from Shanghai. One of the major reasons we use that operator is because he is Shanghainese, and we can speak in Shanghai dialect. He also knows the ways of doing things here in Shanghai very well.”

As earlier discussed in Section 3.4, although the official language in China is Mandarin, which is originally based on the Beijing dialect, there are still dialects prevalent in different parts of China. For instance, Shanghai has its own Shanghai dialect. It is said that ethnic Chinese tend to form international clan associations based on dialect (East Asia Analytical Unit, 1995). It seems that people in China also form international clan relationships based on dialect when they do international business, as the respondent of Case CC commented, “I would not establish business relationships with operators originally from Shanghai if I could find an operator who is originally from Beijing.”
7.2.2 Findings from Australian inbound tour operators

While only two Chinese cases stated that there were no or little cultural differences between Australian and Chinese partners, this data set revealed that 6 out of the 11 Australian cases claimed no cross-cultural differences between themselves and their Chinese counterparts (Table 7.1B). The interviewees explained that they were originally either from mainland China, or from Hong Kong and Taiwan, so they thought that there were no significant cultural differences impacting on the process of developing business relationships with their Chinese counterparts (Cases AL, AR, AS, AT, AU and AV). These respondents still perceived themselves as “Chinese”, so they could see no or few cross-cultural differences between themselves and their Chinese partners. Only two cases, Cases AN and AO, acknowledged that there were slight cultural differences. Of those who perceived no or little cultural difference, some of the Australian respondents mentioned a few issues relating to cultural differences; however, Case AR stated that they were “not major problems”.

Table 7.1B summarises the issues on cross-cultural differences that emerged from the interviews with the Australian inbound tour operators. Business ethics and communication problems were the major issues raised by the Australian inbound tour operators. In addition, the interviews also mentioned different perceptions of Chinese tourists in regard to accommodation and restaurants.

Table 7.1B Issues of cross-cultural differences – findings from Australian inbound tour operators

<table>
<thead>
<tr>
<th>Claims no/little cultural differences</th>
<th>Cases AL, AR, AS, AT, AU and AV</th>
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<tbody>
<tr>
<td>Business ethics (different business practices)</td>
<td>Flexibility vs strictness</td>
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<td>Ethnic preferences</td>
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<td>Different ways of doing business from mainland Chinese</td>
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<td></td>
<td>Different understanding of contracts</td>
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<tr>
<td>Communication problems</td>
<td>Cases AN, AO and AR</td>
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<tr>
<td>Accommodation and restaurants</td>
<td>Case AO</td>
</tr>
<tr>
<td>Regional cultural differences</td>
<td>Case AO</td>
</tr>
</tbody>
</table>

Source: Developed for this study
7.2.2.1 Business ethics

Issues relating to business ethics can be explained in terms of different business practices, which may manifest in relation to such things as flexibility versus strictness, different ways of doing business from mainland China, ethnic preferences, and different understandings about contracts.

Flexibility versus strictness

Findings from the Australian operators revealed that some of them realised the importance of being flexible in doing business with Chinese partners (Cases AL, AM, AP and AQ). Interviewee AL acknowledged that being flexible was the Chinese way of doing business, and doing business with Chinese partners had to involve flexibility. Interviewee AQ commented, “Sometimes even if we do not make money on one group, they (Chinese agents) would let us make it up next time. The essence is that we have to be open to each other and be flexible when our Chinese operators ask us to do them a favour.” Hence, it seems that doing favours and having flexibility with each other helps develop reciprocity in this context. Reciprocity is one of the key aspects of social capital formation in network relationships, and involves the notion of obligations (Fulop, 2004; Powell, 1990; Yum, 1988). Paradoxically, a number of Chinese travel agents in the study did not believe that Australian operators are flexible, though given that these are not matched pairs of partners, caution needs to be exercised in relation to these findings.

Different ways of doing business from mainland China

The responses from Australian operators seemed to reflect two different views. Case AR commented that the way Chinese travel agents do business was quite similar to other Asian countries. However, Cases AL, AN, AO and AS argued that the way Chinese counterparts did business was distinct from any other Asian countries, including Taiwan. Interviewee AN responded, “It is therefore very important to understand the way that the Chinese travel agents do business.” She further remarked, “China is still a Communist country, and there is a lot of government influence on trade. In China, if you follow the rules, it makes the work easier, but this rule does not necessarily apply to other Asian markets, such as the Taiwan market.”
Similar to the Chinese travel agents’ responses, although Australian operators are of Chinese descent, the interviewees of Cases AN, AO and AS acknowledged their different ways of thinking and therefore different ways of doing business with their Chinese counterparts. Interviewee AO remarked, “I have been in Australia for more than ten years. Maybe I know more in terms of what happens in Australia than in China. I think my ways have changed, and I perceive myself as more towards the Australian way of doing business.” Furthermore, interviewee AN claimed, “I do not think in the way they (mainland Chinese) think any more, but I can still understand them.” She continued, saying “Sometimes I found it difficult to explain things to our Chinese partners (because of the different way of thinking).” Interviewee AL also confirmed the differences in doing business between Australia and China by stating that, “Chinese travel agents would like to have us 24 hours on call. However, we are the operators in Australia, and we have our business hours, but the Chinese travel agents do not care. They even complain that we do not respond to them promptly.” He further commented:

Since Chinese travel agents deal with operators in other ADS countries, such as Hong Kong and Southeast Asian countries, they use the same business approach to do business with us. Unfortunately it does not work here.

These responses demonstrate that although they are first generation Chinese migrants to Australia, these Australian operators have adapted themselves well to the Australian culture in terms of doing business, and have adapted to different business practices compared to their Chinese partners. They are in fact more flexible in their business approaches, but this also entails adopting Western styles of doing business that their Chinese counterparts often interpret as inflexibility.

The findings of this study identify that Chinese travel agents are not used to doing business involving a lot of social activities. However, Australian respondents, such as Cases AL and AS, still considered it important to have social activities as integral to developing the business relationship with their Chinese counterparts. These events might include doing business outside the office, having dinner, going to nightclubs, karaoke and disco. As interviewee AL commented, “We can have better guanxi through these social events, so better business relationships can be achieved.” Therefore, it seems that these
Australian operators have not realised the changes that are impacting on the way Chinese do business. The self-responsibility policies undertaken in SOEs include tightening budget constraints, with the result that large-scale enterprises are forced to prioritise their business decisions according to what makes the most economic sense rather than focusing on the old forms of social relations to get things done (Guthrie, 1998).

**Ethnic preferences**

As all the interviewed cases are ethnic Chinese, only one case commented on the issue of ethnic preferences. Interviewee AR noticed that the Chinese travel agents like to do business with Australian operators from the same cultural background, and she explained, “…it is easier to communicate in the same language, and we share the same culture so that we can easily exchange our thoughts.” This finding is consistent with how the Chinese travel agents responded with respect to their preference for doing business with Australian Chinese operators, as discussed in the previous section (Section 7.2.1.1). This factor reconfirms the advantage that these Australian operators of Chinese descent have in doing business with Chinese travel agents.

**Different understanding of contracts**

This study found that Australian operators and Chinese travel agents had different understandings of the enforceability of contracts. As illustrated by Case AL, written contracts might not be valid after a change of personnel in the Chinese travel agents. He further explained:

If they (Chinese travel agents) change the personnel, particularly the senior executive who is in charge of the business in the company, the contract we had before normally would expire, whereas the contract should still be valid regardless of the change of personnel in Australia. However, it does not work in this way in China. We have to start to negotiate with our Chinese partner again on the new contract, and it is usually the case that the new contract is more demanding and difficult to achieve.
Hence, it seems that written contracts do not play a significant role in providing structural bonds between these two partners. It was noted in Section 6.3 that verbal commitment is even more important than written contracts in this context. This finding indirectly reiterates the importance of building up resilient trust and mutual and credible forms of commitment rather than relying on written contracts alone in forming business relationships with Chinese operators.

7.2.2.2 Communication problems
Communication problems were raised by some of the Australian inbound tour operators (Cases AN, AO and AR). As interviewee AR explained, communication with Chinese counterparts includes language and exchanging ideas. Language means speaking Mandarin to their Chinese partners. No respondents seemed to see a problem in speaking Mandarin, as they can all speak Mandarin, and if not, then staff who are in charge of the China market speak Mandarin. Some operators thought that there would be no communication problem because they could speak the language (Cases AN, AO and AR). However, language is only one of the issues which may cause communication problems, as interviewee AR highlighted, “Exchanging ideas is a far more important issue in the process of developing this relationship.” She also commented:

“Communication on ideas also depends greatly on individual personality. If he (Chinese travel agent) and I have a personality match, and get along well, we will then do business together. For example, I am a very straightforward person, so I quite often do business with people from Northern China, because people from that area have a similar personality to mine.”

She further claimed that communication in this context included communication with their Chinese partners at both managerial and operational levels. Although some Australian inbound tour operators (such as Cases AN, AO and AR) realised the importance of communication in developing partnership relationships with Chinese counterparts, and recognised some aspects of communication, such as language, personality and exchanging ideas, none of the Australian operators realised the significance of different wording and expression which may become
critical issues hindering the development of partnership relationships between Australian and Chinese counterparts.

7.2.2.3 Accommodation and restaurants
Cross-cultural differences can also lead to different evaluations of the standards of Australian hotels. As interviewee AO remarked, “Chinese consider that an upmarket hotel is supposed to be grand with a huge lobby, but some of the upmarket hotels in Australia are small boutique ones.” Pan and Laws (2001a), researching the characteristics of the Chinese tourism market, found that Chinese tourists are not satisfied with Australian accommodation because of the size of the hotel. Chinese people perceive that staying in a large hotel is one of their status symbols and represents their wealth. Therefore, cultural clashes on different standards of hotels need to be taken into consideration when Australian operators decide what kind of accommodation they should provide to Chinese tourists.

Cross-cultural differences can also be reflected in the differences between Chinese food found in Australia and in China. Most Chinese restaurants in Australia are run by ethnic Chinese from the Southern part of China, mainly Hong Kong or Guangdong Province, and it seems that the Chinese food in Australia is losing its authenticity, as interviewee AO commented, “Some of the Chinese tourists complained about the taste of Chinese food not being authentic.” This situation indicates the “thick” nature of culture and its relocation, with even the food being adapted to the Australian culture catering for Australians’ tastes. Hence, there is a necessity for the Chinese travel agents to “educate” Chinese tourists prior to their trip to Australia, reminding them that the country they are going to visit is a vastly different country from China, and not to expect the food taste like home.

7.2.2.4 Regional differences in doing business
Only one Australian case was aware of regional differences in doing business in China. Case AO observed:

There are minor differences in doing business among regions in China, and these differences are closely related to their (Chinese
agents) experiences of dealing with the Chinese tourism market to Australia. For example, Guangdong Province was the first and earliest region to have tour groups visiting overseas. Therefore, agents in Guangdong Province are more experienced, and they streamline the process in dealing with tour groups, whereas other agents, such as those based in Beijing and Shanghai, are not so experienced, and normally they will have a lot of changes in group operations.

Taken together with comments from Chinese travel agents on regional cultural differences (Section 7.2.1.4), it seems that the Chinese are more embedded in regional cultural differences than are Australians. Chinese travel agents are not a homogeneous group.

7.2.3 Cross-country analysis

The impact of national culture on business practices has been broadly discussed in the literature in Section 3.2 (for instance, Adler, 1991; Hofstede, 1980; Tayeb, 1988; Trompenaars and Hampden-Turner, 1998; Westwood and Kirkbride, 1998; Westwood, 2001). However, as mentioned previously, little has been done on the impact of cross-cultural differences on the development of business relationships between Australian and Chinese partners. One of the key findings from this study is that most Australian operators have not realised the important and subtle influences of cross-cultural differences on the development of the business relationships with their Chinese partners. Due to the fact that they are ethnic Chinese, they presume that there will be no or little cultural difference between them. As they are preferred by the Chinese agents, being ethnic Chinese has given these Australian operators an advantage over their Caucasian counterparts. However, the lack of awareness of the cultural differences, and different business ethics and communication styles will hinder the development of these business relationships. Some distinct cross-cultural differences, which impact on the partnership relationships between mainland Chinese and Australian Chinese, are now discussed.

First, Chinese and Australian partners have different business ethics. Sometimes a business practice considered unethical by the Australian operators is considered
ethical by the Chinese travel agents. This situation may result in conflicts between Australian and Chinese counterparts, and may even lead to the termination of the relationship.

Although some Australian inbound operators realised the importance of being flexible in doing business with Chinese travel agents, the Chinese travel agents still harshly criticised the strict way in which their Australian partners do business. This finding indicates that although Australian operators consider themselves as “Chinese” and hence flexible in doing business, their long-term stay in Australia has altered their ways of doing business. This finding is consistent with the East Asia Analytical Unit’s (1995) comments that the reason for the success of ethnic Chinese doing business in Australia is largely a result of their adaptation to the Australian culture. However, their adaptation to Australian culture seems to have become a hindrance in developing business relationships with Chinese travel agents. Hence, it appears that being empathetic to the Chinese way of doing business is critical in developing partnership relationships between Australian and Chinese partners, but is possibly ignored by Australian tour operators, who have been acculturated to Western business practices.

Second, Chinese and Australian partners have different communication styles. Although mainland Chinese and Australian Chinese share the Confucian culture, the existence of different communication styles still needs to be drawn to the attention of Australian operators. Compared with the findings from the Chinese travel agents, who considered communication as a serious problem emerging from the cross-cultural differences, most Australian operators considered that the communication problem only related to language communication (except Case AR). Since all of them, or at least their staff members, could speak Mandarin, they perceived that there was no communication problem between themselves and their Chinese counterparts. However, it should be noted that Chinese travel agents do not communicate in a direct manner with their Australian partners, in keeping with their different communication style. This study identified that different communication styles can be exemplified by different wording and expressions, and different ways of talking, particularly with operators who are originally from Hong Kong and Taiwan.
Third, the cultural differences between mainland China, Hong Kong and Taiwan also caused dissatisfaction amongst Chinese tourists with the services provided by the Australian tour guides who are originally from Hong Kong and Taiwan. The major conflict was in regard to “touchy” (political) issues. These cultural issues may impact on the quality of services provided to Chinese tourists.

Furthermore, consistent with the findings in Section 6.2, even within China there are regional cultural differences which can be observed in different ways of doing business in different regions in China (such as Shanghai and Beijing), with the result that Chinese travel agents tend to select their Australian counterparts based on cultural closeness. However, there seems to be a considerable degree of naivety among Australian operators in regard to the more specific ethnic preferences that Chinese operators have, such as preferring to dealing with those from the same region, and those who speak the same dialect. Australian operators should be aware of the embedded nature of the Chinese culture, and the impact of regional differences on business practice in China.

7.3 Guanxi

The Chinese business network has been broadly accepted as a guanxi-based business network (Chen, 1995; Kotler et al., 1996; Pye, 1985; Tung, 1991; Wong and Tam, 2000). The literature in Section 3.5.2.1 has defined guanxi from both a macro and a micro perspective. Guanxi, which literally translates as connections, has different meanings in different contexts. Although both the Chinese guanxi-based network and the Western network is embedded within social relations, the key difference is that the guanxi-based network is a network imbued with Chinese cultural characteristics strengthening the business relationship between all involved partners; whereas the business network in the Western context is often characterised as having loose social relations or the strength of weak ties (Granovetter, 1985; Powell, 1990). The role of guanxi in Chinese business networks has also been discussed in the literature (Section 3.5.2.3), and it has been considered another important dimension to successful business relationships, in addition to the traditional four P’s of marketing (price, product, place and promotion) (Leung et al., 1996; Yeung and Tung, 1996). However, as
stated before, the role of *guanxi* in the Chinese international travel trade to Australia has not been previously studied.

The role of *guanxi* in partnership development between Chinese travel agents and Australian inbound tour operators provides new and interesting insights into this business relationship. Figure 7.2 outlines the themes that emerged using the NVivo computer program. Compared with Figure 3.3, the findings from this study challenge the “traditional” literature which argues that Chinese travel agents describe their behaviour as corporate behaviour, and *guanxi* relationships as working relationships. The research further explores the role of *guanxi* and its contribution to the process of developing partnership relationships between Chinese and Australian counterparts. Some other dimensions emerging from the study should be taken into consideration, such as personal relationships, transferability, trust building and the time consuming nature of establishing *guanxi*. Within-country and cross-country analysis will be used to investigate the meaning of *guanxi* in this context.

**Figure 7.2 The NVivo category system on guanxi**

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<table>
<thead>
<tr>
<th>Dimensions</th>
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<tbody>
<tr>
<td>• Personal relationships</td>
</tr>
<tr>
<td>• Building up trust</td>
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<tr>
<td>• Face and renqing</td>
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<tr>
<td>• Time consuming</td>
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<tr>
<td>• Transferability</td>
</tr>
</tbody>
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Source: Developed for this study

### 7.3.1 Findings from Chinese travel agents

The *guanxi* relationship was identified as being involved in the stages of developing partnership relationships between Australian and Chinese partners. As interviewee CC claimed, “We (Chinese travel agents) started to get to know our potential Australian counterparts at an early stage of developing the relationship. However, those operators who we had *guanxi* with before are treated differently from those with whom we do not have a relationships.”
Interviewee CA commented, “The guanxi relationship is developed through the long-term cooperation with our Australian counterparts in the process of the mo he stage.” As identified in Section 6.4, the mo he stage is a unique stage in the process of forming business relationships between Australian and Chinese partners and would not apply to Caucasians. The mo he stage - as a combination of the development and maintenance stage - means a running-in process for both counterparts in adapting to each other. This stage is important for both counterparts building rapport with each other. Table 7.2A summarises issues that emerged from the interviews with the Chinese travel agents on guanxi. The meaning, the nature and the role of guanxi have been explored, and key issues will be explained accordingly.

Table 7.2A Issues of guanxi – findings from Chinese travel agents

| Working relationships vs personal relationships | Cases CB, CF and CH |
| Corporate behaviour | Cases CG, CH, CI, CJ and CK |
| The role of guanxi and patronage | Cases CB and CH |
| Small role | Cases CA, CB, CC, CD, CE, CG and CK |
| Play a certain role | Cases CB, CE, CG and CH |
| Adding value | Case CD |
| Building up trust | Case CD |
| Transferability | Case CF |

Source: Developed for this study

Working relationships versus personal relationships

Guanxi is an intricate and illusive concept (Dunfee and Warren, 2001) (Section 3.5.2). The Chinese contemporary dictionary (1983) defines guanxi as any kind of relationship, and the research cited previously defines it more often as interpersonal relations or connections (for instance, Leung et al., 1996; Xin and Pearch, 1996). Some (Guthrie, 1998; Park and Luo, 2001; Simmons and Munch, 1998) argue that the meaning of guanxi goes beyond personal relationships, and should include personal and business friendships in China. The findings from Cases CB and CH both reveal that the guanxi relationship between two counterparts can be divided into working relationships and personal relationships. It appears that there is a distinct line between these two relationships, as interviewee CH illustrated, “My Australian partner and I treat each other like brothers, however, we make it clear (that business is business) when settling the accounts.” Hence, it seems that there is a boundary around
personal relationships, and they cannot interfere with the working relationship. However, interviewee CF argued, “It is difficult to separate working relationships from personal relationships.” As stated before, the core concept of *guanxi* is based on friendship and affection among individuals based on a reciprocal obligation to respond to requests for assistance (Chen, 1995; Pearce and Robinson, 2000). The contradictory responses of interviewees are, on the one hand, consistent with the literature with respect to the involvement of personal relationships; on the other hand, there are different understandings among some Chinese travel agents about how far a personal relationship should intrude on a working relationship when doing business in China.

**Corporate behaviour**

*Guanxi* has been acknowledged for its important role in the interactions between firms and the government (Park and Luo, 2001), and for its crucial role in successful negotiations on international trade (Leung et al., 1996). However, the interviewees of Cases CG, CH, CI, CJ and CK discovered that having good *guanxi* does not guarantee the successful establishment of a relationship with an Australian counterpart. Interviewee CG responded:

> *Guanxi* plays a role in the process of establishing business relationships to some extent. If you just reach that extent, *guanxi* may help you in the process of developing this partnership with your counterparts. However, if you go beyond that extent, it has a negative side. For example, some operators originally from Taiwan would like to pull *(la) guanxi* (getting closer relationships) through social activities, but it does not always work in the China context.

This assertion is, on one hand, consistent with previous findings reported under business ethics that Chinese travel agents are not used to the Australian Chinese way of doing business; on the other hand, the finding is contradictory with literature which states that pulling *guanxi* and having *guanxi hu* (a specially connected individual or social organisation) plays a key role in the Chinese buyer’s decision-making (Chen, 1995; Wong, 1998).
In addition, despite guanxi including both personal and working relationships, 5 out of 11 cases, Cases CG, CH, CI, CJ and CK, all SOEs, agreed that guanxi more precisely represents working relationships rather than personal relationships. For example, Case CK commented, “Forming business partnerships is a corporate behaviour, and there should be no personal relationships involved. We do not talk at a personal level.” Case CI further explained the reason why they considered guanxi as not a part of corporate behaviour, saying:

As our company is a state owned enterprise, our behaviour is corporate behaviour, and our decision in choosing a partner company has to consider quality of services and company profit prior to considering guanxi (personal relationship). Our agent is not like some agents who are contracted by a few people. These companies are like private companies where guanxi (personal relationships) plays an important role.

Hence, it seems that guanxi, at least publicly does not play an important role in those large sized state owned travel agents where price and profit are considered most important. This finding is consistent with Guthrie’s (1998) recent interviews in China; where he found that, in market relationships, the importance of guanxi is secondary to market imperatives of price and quality.

The role of guanxi and patronage
The role of guanxi has been discussed in Section 3.5.2 in relation to the government (Park and Luo, 2001), the Chinese network (Xin and Pearce, 1996), and its role in negotiations (Leung et al., 1996). The findings from the interviews found that some of the cases, such as Cases CB and CH, considered the impact of guanxi on business relationships to be quite small or even negligible, whereas some cases, such as Cases CE, CF and CG, still emphasised the importance of having guanxi and renqing (person-to-person relationships based on the Confucian concept of reciprocity). Interviewee CF commented on the role of guanxi in their relationship with their Australian partners, stating, “Guanxi has a big influence, then again it also depends on yourself, and your
ability to control your emotions. Nevertheless, it influences the relationships with your counterparts to a greater or lesser degree.”

In some circumstances, it seems that guanxi still plays a crucial role in the process of choosing business counterparts, as Case CE responded, “… for example, one Chinese travel agent changed their Australian counterpart to the current one, simply because the relative of the CEO of this Chinese travel agent works for that Australian inbound operator.” This finding is somewhat consistent with the comments of Dunfee and Warren (2001) comparing guanxi with the Western definition of networking. That is, guanxi is a combination of networking, reciprocity and nepotism. Due to the hierarchical structure of Chinese SOEs, the CEO of the company, to some extent, has the power to make the final decision of which partner is chosen.

In addition, as illustrated by Cases CC, CG, CH and CK, guanxi played a certain role, but not a decisive one in the process of choosing their Australian partners. As mentioned before, price and quality of services were considered higher priorities than the role of guanxi. Interviewee CK provided an example: “I used to have very good personal relationships with one Australian operator (not named). However, the price the Australian operator offered was too high, and we could not accept the price, so the business relationship, in the end, was not established.” Hence, it seems that some Chinese agents prioritise more on the pricing issue than other factors, such as quality of services and guanxi. As explained by interviewee CE, “We have to consider the price issue, and have to compete with other agents on prices. Therefore, we need more understanding from our Australian counterparts.”

However, 6 out of the 11 Chinese cases agreed that having guanxi, in some circumstances, might help establish business relationships with their Australian counterparts (Cases CA, CB, CD, CE, CG and CH). Case CH remarked, “The personal relationship plays a catalytic role in the process of establishing a business relationship with our Australian counterparts.” Interviewee CD further continued, “A closer personal relationship will stimulate the success of forming partnerships so that more business can come into fruition.” Supporting Yau et al.’s (2000) observations, Cases CB, CE, CG and CH claimed that guanxi added
value to business relationships and was the differentiating factor when price and quality of services provided by the Australian operators were the same or similar. These Chinese agents would therefore establish their business relationships with the operators they had guanxi relationships with. Interviewee CB emphasised, “Of course, if we know the operators well, it will make it easier for us to cooperate in all aspects and will make the partnership smooth and happy.”

There are also other benefits of having good guanxi relationships. According to Case CF, “If I ask him (Australian partner) to do things for me, he will immediately do it for me, and I don’t even have to say thanks to him, and vice versa.” This situation elaborates on Hwang’s (1987) observation of both counterparts transferring their relationship from the mixed tie to the expressive tie relationship that only family members and close friends can have, and that guanxi follows the need rule.

**Building up trust**

Trust has been considered one of the key elements of guanxi relationships (for instance, Boisot and Child, 1996; Simmons and Munch, 1996; Su and Littlefield, 2001). The meaning of trust in the Chinese guanxi context is similar to that of resilient trust from the Western perspective. Interviewee CD agreed, “According to our experience of doing business with Australian partners, the guanxi relationship is established based on our trust towards the Australian partners.”

**Transferability**

Yeung and Tung (1996) state that guanxi is embedded in dyadic relationships between two people, not organisational entities, so it is a personal asset that cannot be transferred. Consequently, when a person with the appropriate and strong guanxi leaves an organisation, the organisation will lose the guanxi or goodwill. Case CF responded:

Our guanxi relationship with this person (who is in charge of the China market) is tied up. If he changed companies, we would follow him and change our partners as well. For example, we cooperate particularly with this person, he used to work for one Australian operator that we had business relationships with. Recently at the end
of last year he formed his own company, and we immediately transferred our business to him.

The Australian operators, such as Case AR, consistently argued that personal relationships cannot be transferred to corporate relationships, and seemingly more so in SOEs. Interviewee AR further commented, “The relationship goes with the person.” This finding confirms the research conducted by Tung and Worm (1997, in Dunfee and Warren, 2001), which reiterates that guanxi is a personal asset, not a corporate asset. This situation of non-transferability may increase the vulnerability of the business relationship between Australian and Chinese counterparts. Hence, it is important to develop corporate relationships at the managerial level as well as personal relationships at the operational level so as to secure business relationships with counterparts when the guanxi relationship fades away.

7.3.2 Findings from Australian inbound tour operators

Table 7.2B summarises issues emerging from the data analysis of the interviews with the Australian inbound tour operators. The features and the role of guanxi in this context have both similar and different elements to those reported by Chinese travel agents.

Table 7.2B Issues of guanxi – findings from Australian inbound tour operators

| The importance of establishing personal relationships | Cases AL, AP, AQ, AR, AS, AT and AU |
| Working relationships versus personal relationships | Cases AO, AR and AS |
| Time consuming | Cases AL, AN and AR |
| Building up trust | Case AM and AQ |
| The role of guanxi and patronage | Very important: Cases AU |
| | Play a critical role in some circumstances: Cases AL, AM, AN, AS |

Source: Developed for this study

The importance of establishing personal relationships
The majority of Australian operators (7 out of 11 cases) agreed that it was very important to establish personal relationships with Chinese travel agents (Cases AL, AP, AQ, AR, AS, AT and AU). Case AT commented, “Chinese people talk about guanxi relationships when they do business with us.” Cases AP and AQ
remarked that, compared with other Asian markets, such as the Malaysia and Hong Kong markets, it was very important to have personal relationships to achieve success in the China market. In fact, 80 percent of Case AQ’s business was based on their long-term personal relationships with their Chinese partners.

However, some cases, such as Cases AM and AO who have offices in China, claimed that *guanxi* was not so important for them in developing business relationships with their Chinese counterparts. For example, Case AO has offices both in Shanghai and Beijing. Case AO responded, “Personnel in Shanghai and Beijing directly deal with Chinese counterparts. It may be important for our staff in Shanghai to develop *guanxi* with our Chinese business partners, but we do not consider *guanxi* an important factor, as we do not directly contact agents in China.” Thus, in this situation, it seems that *guanxi* is still very focused on interpersonal relationships.

*Guanxi* has been considered important in the interactions between firms and the government (Park and Luo, 1996). Case AM highlighted the crucial role of *guanxi* before Australia was granted ADS. He explained, “At that time, it was very difficult for Chinese citizens to get a visa to visit Australia. Through the good *guanxi* with the Chinese government officials, I could get some government groups visiting Australia under business visas.” However, he further commented, “The *guanxi* tie with the Chinese government is no longer important since Australia was granted ADS, and Chinese citizens can easily get a visa to come to visit Australia.”

*Working relationships versus personal relationships*

Similar to the responses from the Chinese travel agents, Australian operators also divided relationships into working relationships and personal relationships. Cases AO, AR and AS agreed that the working relationship was more important than the personal relationship, and the quality of services provided by Australian operators was considered crucial in their working relationships. However, Case AR commented, “It does not mean that there is no personal relationship involved. Working relationships may develop into personal relationships and friendships, but having friendships does not mean that you have business relationships.” Case AV further remarked, “Business is business, *renqing* is *renqing* (a Chinese
term regulating Chinese interpersonal relationships based on reciprocity). They are two different concepts and cannot be mixed.” Thus, it seems that the Australian operators realise the role of working relationships and personal relationships in the development of business relationships with their Chinese partners.

**Time consuming**

Echoing Mead’s (1990) comments (Section 3.5), Cases AL, AN and AR acknowledged that setting up personal relationships was a time consuming process. Furthermore, Hutchings (2002) reiterates that it takes time to develop *guanxiwang* (a Chinese term meaning a web of connection networks) and to transfer from being an outsider to being an insider. Respondent AN provided an example, “I have been in this market for more than five years, and I think that I just entered the door with regards to the *guanxi* relationship with my Chinese counterparts.”

As elaborated in the literature on dimensions of *guanxi*, the key drivers underlying the concept of *guanxi* are *face* and *renqing* (Redding, 1993; Hwang, 1987). In Chapter 6, the importance of having face-to-face meetings has been identified in establishing, developing and maintaining business relationships. The findings from Case AR further reiterated that having face-to-face meetings was extremely important in the Chinese tourism market in building up *renqing*, as he commented, “The more they get to know you, the more possibility the *guanxi* relationship will develop.” Although it took time to build *guanxi* relationships, Cases AL, AP and AQ realised that the efforts made by Australian operators might reap big rewards, as Case AL commented:

> Chinese have their loyalty in their heart when they do business. Friendships play an important role in the process of building up this relationship. The more you know them, the more flexible both parties can be. It does not mean that I have to earn profit from this group, probably I can get more back in the next group.

This finding explains the reason why, as stated by Lovett et al. (1999), Chinese people have a preference for trading with “old friends” rather than strangers, and
with non-Caucasians, but even those operators of Chinese descent can misread _guanxi_!

**Building up trust**

Chapter 6 noted the importance of building up trust in forming partnerships. The process of developing partnership relationships also involves developing trust from a fragile or basic/guarded form to a resilient/extended form. Based on the nature of _guanxi_, the meaning of trust in this context best translates as resilient trust. The literature further emphasises that building personal mutual trust is a crucial step in developing _guanxi_ relationships (Kotler et al., 1996; Oikawa and Tanner, 1992). According to Case AM, sales calls and social events provided opportunities for Australian operators to develop personal relationships with their potential counterparts to gain business. Case AN further reiterated that the success of building resilient trust was to “…. keep personal contacts, and to keep your promises.” As Case AQ commented, “Mutual trust has been considered as one of the strongest values of business relationships.” He further stressed, “We must help them when they need help, in return, when we need help, they must help us in both good times and bad times.” This situation illustrates the concept of _renqing_ and the _need rule_ in this _guanxi_ relationship, something Caucasians would either neglect, be unaware of or not participate in this special relationship.

**The role of _guanxi_ and patronage**

As illustrated by Case AU, maintaining good _guanxi_ is very important in developing business relationships with Chinese counterparts. Yau et al. (2000) address the importance of having _guanxi_ when products and prices are similar among competitors. Similar to the responses from Chinese travel agents, Cases AL, AM, AN and AS agreed that under some circumstances, when competitors offer the same quotation to their counterparts, _guanxi_ does play a critical role in terms of choosing which counterparts will get the business. Interviewee AM explained, “If you have _guanxi_, and your counterpart is a friend of yours, you will get the business under those circumstances.” Cases AL, AM, AN and AR commented that maintaining friendship with their Chinese partners by constant personal contact was important in their business relationships. The frequent change of personnel of the Chinese travel agents, as discussed in Section 6.5, makes it important for Australian operators to keep updated personnel
information about their Chinese partners. Moreover, both Cases AR and AU agreed that it was just as important to maintain personal relationships with Chinese staff at the operational level as at the managerial level.

7.3.3 Cross-country analysis

Guanxi has been acknowledged for its importance in Chinese business networks (Chen, 1995; Kotler et al., 1996; Pye, 1985; Tung, 1991). The meaning of guanxi has been broadly discussed in the literature, but its definition remains elusive (Section 3.5.2.1). A particularly interesting finding was the one relating to guanxi and SOEs. With the market economy and the restructuring of SOEs, it appears that Chinese travel agents operate their businesses like Westerners, and the meaning of guanxi has gone beyond the “traditional” meaning of personal relationships. Guanxi includes both personal and working relationships in this business context. This finding supports recent literature on the definition of guanxi (such as Guthrie, 1998, Park and Luo, 2001 and Simmons and Munch, 1998).

Many researchers (Leung et al., 1996; Hutchings and Murray, 2002; Yeung and Tung, 1996) confirm the crucial role of guanxi in the process of developing partnership relationships. This study partially supports the literature. More specifically, this study reveals that guanxi plays a certain role in the process of developing business partnership relationships; however, it may play a critical role under some circumstances. For example, when an Australian operator’s competitor provides similar tourist products with similar quotes, Chinese travel agents may choose the Australian operator that they have guanxi with. One aspect which should be noted is that Australian operators perceive that better guanxi results in better business relationships; however, it does not always work this way. Further, the findings also confirm the literature (Yeung and Tung, 1996) that guanxi cannot be transferred from the personal level to the corporate level nor between people. Therefore, the meaning of guanxi and the role of guanxi are changing with the Chinese implementation of a market economy, and Australian operators who are ethnic Chinese need to change their perceptions of the “traditional” role of guanxi in the process of developing partnership relationships. Additionally, Australian Caucasian operators who intend to deal
with the Chinese inbound tourism market need to develop an understanding of these concepts.

7.4 Conclusion

This chapter discussed the impact of cross-cultural differences on business relationship development between Chinese travel agents and Australian inbound tour operators. Although all the Australian operators are of Chinese descent, and are first generation migrants to Australia, one of the key findings of this study is that most of them perceive themselves as “Chinese”, and are not aware of the cross-cultural differences that their Chinese counterparts perceive between them. Further, this study reveals that the importance of guanxi in business relationships is changing, being secondary to the market imperatives of price and quality that exist in this industry. This study reveals the changing nature and changing role of guanxi in Chinese business practices, especially in SOEs.

Moreover, this study shows that the process of developing partnership relationships across nations is intertwined with cross-cultural factors and guanxi. Studying cross-cultural factors facilitates understanding of some business behaviours which are uncovered in the process of developing the relationship, such as the need for face-to-face meetings and an awareness of issues which may cause conflicts. This study also demonstrates the importance of educating Australian operators about cultural differences and their consequent impact on business practices.

The next chapter, Chapter 8, will incorporate previous discussions from Chapters 5, 6 and 7 to propose a model of developing partnership relationships between Australian inbound tour operators and Chinese travel agents in the Chinese inbound travel trade to Australia for both academic and industry practitioners to refer to.
Chapter 8 Discussion and implications

8.1 Introduction
This study involves multidisciplinary research, incorporating theories on networking, marketing and cross-cultural differences that have been applied to investigate the research problem:

*How might Australian tourism product suppliers and marketers establish and maintain partnership relationships with Chinese travel agents to help Australia become a preferred tourist destination for Chinese tourists?*

Chapter 1 provided the background for this research with an overview of the Australian inbound tourism industry, Chinese outbound tourism markets, particularly the market to Australia, and the importance of interactions between authorised Chinese travel agents and nominated Australian inbound tour operators in the success of the Chinese inbound travel trade to Australia. It demonstrated the importance of conducting this study, and identified that the Chinese inbound tourism market to Australia is a market distinct from all other Asian markets. Due to a distinct distribution system, and the specific agreement between Australian and Chinese governments with regard to Australia as an ADS country for Chinese tourists, business relationships between Chinese travel agents and Australian operators are different from relationships that Australian operators might have with other Asian agents. Chapters 2 and 3 reviewed the previous literature on networking, relationship development, cross-cultural differences and the role of *guanxi* in the process of developing partnerships in the Sino-Australian travel trade. The schemata of issues and factors involved in this research were outlined in Figure 3.3. These two chapters provided a theoretical framework for empirical part of the study.

Chapter 4 justified the research in the relativist tradition, and discussed the appropriateness of using a qualitative method for this study. In-depth interviews with a standardised open-ended interview instrument were used to interview both Chinese travel agents and Australian inbound tour operators to gain the multiple perspectives of the partnership relationships in the Chinese inbound travel trade to Australia. The process of choosing interview cases was described in Chapter
4. Due to funding and time limitations, the 11 Chinese travel agents and 11 Australian operators were not a matched sample, so caution is required in interpreting some of the data, such as comments on communication problems or guanxi. Consistent with Maholtra et al. (1996), this study further demonstrates that the qualitative research is an appropriate approach in the cross-cultural marketing and management research, especially when part of the research is conducted in China.

Chapter 5 provided a profile of all the interviewed Chinese travel agents and Australian inbound tour operators. This chapter sought to map the current situation of partnership relationships between Chinese travel agents and Australian inbound tour operators. It was identified that the partnership relationships between these two counterparts are hybrid in nature, as proposed by Howard (1990). Chapters 6 and 7 analysed the information from the in-depth interviews, and discussed the four research issues identified as critical to explore the research problem: the process of developing partnership relationships, network and relational factors involved in developing such relationships, the impact of cross-cultural factors, and the role of guanxi were given prominence in the study. Cross-case and cross-country analyses were undertaken to investigate the four research issues. The analysis revealed that the process of developing partnership relationships between Chinese and Australian counterparts can be explained by the adaptation of networking and marketing theories within a cross-cultural perspective.

This final chapter will integrate the previous discussions of the four research issues to help Australian tourism operatives understand the process of developing partnership relationships between Australian and Chinese counterparts. The purpose of this chapter is to highlight key findings from the research and propose a new theoretical model for studying inter-cultural business relations in the tourism industry. This chapter starts with a discussion of a new model dealing with the process of developing partnership relationships in the Chinese inbound tourism market to Australia. The chapter concludes with some suggestions for future research as well as outlining the limitations of this study.
8.2 The process of developing partnership relationships in the Chinese inbound tourism market to Australia

In the Chinese inbound tourism market to Australia, as illustrated in Figure 1.6 (p. 22), Australian tourism product suppliers and marketers, such as tourist attraction providers, accommodation establishments and coach services, have to interact with Australian inbound tour operators if they intend to do business associated with the Chinese inbound tourism market. Therefore, the partnership relationships between Chinese authorised travel agents and Australian nominated inbound tour operators are crucial in developing the Chinese inbound tourism market to Australia.

This study demonstrates that the process of developing partnership relationships is culturally embedded; some Chinese travel agents’ behaviour can only be explained by cross-cultural factors. This reinforces the assumptions of network theorists (such as Powell, 1990; Williamson, 1985 in Section 2.2.2) who agree that partnership relationships are not purely economic transaction relationships.

One unique feature of the Australian operators identified in this study is that they are all of Chinese descent and first generation migrants: four originally from Hong Kong, one from Taiwan, five from mainland China, and one from Brunei. It is presumed that they are to some extent used to Chinese ways of thinking and doing business; however, their acculturation to Australian culture has hampered them in dealing with Chinese travel agents. Yet, the findings disclosed that more than 50 percent of Australian operators did not perceive that there were cultural differences between themselves and their Chinese partners, and resultant differences in business practices. They still viewed themselves as “Chinese”, and even those who acknowledged some differences did not consider this “a major problem” for establishing, developing and stabilising the business relationships with their Chinese partners. In contrast, most Chinese travel agents (except for two cases) noticed the cultural differences and their impact on business practices with their Australian counterparts. Indeed, the ethnocentrism of these Australian operators has misled them and allowed them to become “over-confident” and to underestimate potential problems in their business relationships with their Chinese counterparts.
Moreover, this study highlights the direct impact of cultural differences on business practices in the Chinese travel trade to Australia. As stated before, on the one hand Australian operators adapt to Australian culture with respect to ways of doing business with Chinese partners; while on the other hand, some of these operators, particularly those originally from Taiwan and Hong Kong, try to approach their Chinese partners using Taiwanese and Hong Kongese ways of doing business, and they presume that their Chinese partners do business in the same way. For example, the Australian operators originally from Taiwan stated that they attempt to forge closer relationships with their Chinese partners through social activities. However, they did not realise that there are cultural value differences between mainland China, Hong Kong and Taiwan (for instance, Chan and Lee, 1995; Chinese Culture Connection, 1987; Fan, 2000; Huang, 2000; Yi and Ellis, 2000).

Another important issue which this study has revealed is the changing nature of Chinese cultural values due to the “open door” policy. China is experiencing a transition period with the emergence of new styles of communication (FitzGerald, 1998). This has meant that some Chinese travel agents are opposed to the traditional way of doing business involving many social activities to establish and develop a business relationship, while others consider them necessary for developing business relationships. The lesson that can be learnt from this thesis is that Chinese travel agents, the large-scale SOEs in particular, are being driven by corporate-style business imperatives which present challenges to those who fail to grasp these changes. Therefore, relying on cultural stereotypes is potentially problematic, and sensitivity and intelligence regarding partner preferences is critical.

Previous studies on developing partnership relationships in networks have mainly drawn on Western business experience (for instance, Dwyer et al., 1987; Ford, 1980; Ford et al., 1998; Hakansson, 1982; Heide, 1994; Holm et al., 1999; Kanter, 1994; Larson, 1992; Turnbull et al., 1996; Wilson, 1995), although there has been research conducted on Chinese guanxi-based business networks (for instance, Chen, 1995; Dunfee and Warren, 2001; Park and Luo, 2001; Yeung and Tung, 1996). Little research has investigated the process of developing
partnership relationships from both Western and Chinese perspectives. Given that Australian operators are suppliers and Chinese travel agents are buyers in the Chinese inbound tourism market to Australia, this study has identified that the process of developing partnership relationships is highly impacted by Chinese culture. Therefore, based on the previously developed *guanxi*-based relationship development model between Australian inbound tour operators and authorised Chinese travel agents (Figure 3.2), a new theoretically integrated model, as shown in Figure 8.1, is proposed in this study by incorporating findings from the data analysis (Figure 6.2; Table 6.6) to explain the process of developing business relationships between Australian inbound tour operators and Chinese travel agents.

There are several atypical situations which do not fit within the relationship development process as depicted in the theoretical model. Firstly, two Chinese authorised agents have their own subsidiaries or offices in Australia, and these act as their Australian partners. Secondly, one Australian operator has an office in Hong Kong, and the operator deals with the China market through its Hong Kong office, thus it does not deal directly with Chinese travel agents. These operators’ financial investment in their subsidiaries or branch offices affords them the opportunity to bypass the relationship development process needed to foster the Sino-Australian travel trade.

In this model the stages of relationship building are represented within a triangle, which is symbolic of an iceberg. As illustrated in Figure 8.1, the three main stages in developing partnership relationships between Australian inbound tour operators and Chinese travel agents are the search stage, the set up stage and the development and maintenance stage. At the tip of the iceberg is the search stage, the relatively superficial stage of the relationship building process between Chinese travel agents and Australian inbound tour operators. The business relationship at this stage is easily broken up. It is also demonstrated that each successive stage of the relationship cannot be established unless the preceding stage has first been established. There are various cultural and social factors involved in each stage to stimulate the process of establishing each stage and moving on to the next stage. Neither counterpart can skip any of the stages when
Figure 8.1 Processes of developing partnership relationships between Australian inbound tour operators and Chinese travel agents

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Source: Developed for this study
they intend to establish and develop business relationships. This process illustrates how both counterparts, but particularly the Chinese counterparts, exercise extreme caution and devote considerable amounts of time to developing partnership relationships in this context. The bottom of the iceberg symbolises the establishment of long-term hybrid stable cooperative partnership relationships between Australian and Chinese counterparts.

The model illustrates that the deeper the relationship, the stronger the ties that bind the relationship, and the more difficult it is for the relationship to break up. In addition, this study identifies several moderators, as independent factors, externally impacting on the whole process of developing partnership relationships between Chinese and Australian counterparts. These moderators, together with key activities and factors involved within each stage of the process of developing partnership relationships between these two counterparts will be discussed in the following sections.

8.2.1 Moderators

The large-sized Chinese travel agents and small scale Australian inbound tour operators form a contrast in terms of size. Although some Chinese travel agents stated their preference for having similar sized Australian counterparts, the fact that most Australian inbound tour operators are SMEs dictates that such preferences may become “mission impossible”. Therefore, this study concurs with the literature that size is not a critical issue for competitiveness in networking relationships (Howard, 1990). In fact, the real moderators in the Chinese inbound tourism market to Australia are power, ethnic preferences and regional cultural differences.

8.2.1.1 Power

Howard (1990) categorises network relationships into kingdom networks, republic networks and hybrid networks according to the power relations between firms (Section 2.4). This study identifies that the business relationships between Australian and Chinese partners are hybrid in nature, as proposed by Howard (1990). More specifically, the study illustrates three forms of hybrid networking of partnership relationships between Chinese and Australian counterparts.
The first form of hybrid networking involves Australian operators who are suppliers and mainly target the mass market, but still have their own selection criteria in choosing their Chinese partners. In buyer-seller relations, and large and small firm networks, partners are rarely in an equal bargaining position, with the stronger partner more likely to have greater bargaining power than the smaller partner (Buttery et al., 1999; de Laat, 1997; Fulop, 2004). This study supports the notion that in the Chinese mass tourism market, the power balance between Australian and Chinese partners is unequal. On one hand, the Chinese travel agents, as buyers and large-sized companies, consider themselves as having more bargaining power to pick and choose their potential counterparts. Therefore, most Chinese travel agents have a limited number of Australian partners (one to five). On the other hand, some of the Australian inbound tour operators, as suppliers and SMEs, position themselves passively in terms of choosing their potential partners, and more than 50 percent of them have more than five Chinese partners, and they intend to find as many as possible to gain more business. However, most of the Australian operators deal with other Southeast Asian markets as well, except for one case that only deals with the China market. Furthermore, most of the Australian operators have their own selection criteria for choosing their Chinese counterparts, particularly in the terms of payment, pricing and awareness of the potential Chinese counterpart’s company background. Although Chinese travel agents take a proactive role in forming the partnership in this context, and the Australian operators feel passive in choosing their Chinese counterparts, Australian operators still have their own criteria when choosing their Chinese counterparts, and have other markets in operation as well. Therefore, these diversified business and selection criteria for choosing counterparts provide Australian inbound tour operators with some power in establishing partnership relationships with Chinese travel agents.

The second form of hybrid networking involves Australian operators who mainly target niche markets, and thus have even more restrictive criteria for choosing their Chinese partners. Although these Australian operators are SMEs, they play a dominant role in choosing their counterparts. Goal compatibility is the key criterion they use to search for their Chinese counterparts. In this form of hybrid networking, the Australian counterparts still have their own room to manoeuvre,
and pick and choose their Chinese counterparts. Therefore, in this situation the power between the two counterparts tends to be more balanced, even though Chinese travel agents are buyers and usually larger operators. These operators also use unauthorised Chinese travel agents to reduce their dependency on authorised Chinese travel agents.

The third form of hybrid networking is close to the description of hybrid networking illustrated by Howard (1990) in Silicon Valley, where small companies share technology and establish strong horizontal ties so as to forge alliances with each other. The ties between these companies also extend to large corporations, both first-generation semiconductor manufacturers and computer systems makers (Howard, 1990). This study reveals that one Australian operator was intending to form such a network relationship because its location was not in the major gateway for Chinese tourists. In addition to directly establishing partnerships with Chinese travel agents, this operator was intending to form business network relationships with other interstate operators, particularly those in the major gateways. Given that all the Australian operators are SMEs, and none of them have branch offices across the nation, this operator specifically suggested forming alliances with operators in each state to facilitate the operation of Chinese travel to Australia. If this kind of network comes into being, it would be a typical hybrid network as proposed by Howard (1990).

The above forms of hybrid networking further confirm findings in the literature (Howard, 1990) that a company’s size is no longer a critical issue for its competitiveness in the market; instead, networking provides partners with a competitive advantage in the marketplace of the Chinese inbound travel trade to Australia. Being in hybrid networking relationships provides Australian operators with more bargaining power as suppliers in the process of developing partnership relationships. In fact, the nature of this networking is highly complementary between the two counterparts. This study also reveals that one of the reasons the Australian operators have specific selection criteria when searching for their counterparts is that once the partnership relationship is set up, the Australian operators become highly dependent on their Chinese travel agents to secure their financial resources, as well as manage cash flow.
Previous research on the relationships between power imbalance and interdependence has found that one partner in the relationship may get the other partner to do something that they normally would not do (Anderson and Narus, 1990). However, this study argues that, as previously discussed in reference to hybrid networking, power imbalance may not be the sole reason for partners being interdependent, but rather the interdependence between partners may result from various factors, including power and social capital, such as trust and commitment. These factors will be discussed throughout this chapter.

8.2.1.2 Ethnic preference

The second moderator which has been identified in this study is ethnic preference. Previous literature has referred to cultural distance, describing it as “… the degree to which the norms and values of the two companies differ because of their place of origin” (Ford et al., 1998, p. 30). One of the major barriers to successful performance in cross-national business relationships is the degree of cultural distance between two counterparts (Ford et al., 1998; Williams et al., 1998). Despite the language differences, cultural distance was evident in this study between Australian Caucasian operators and Chinese travel agents, and this distance impacted on their ways of doing business. Some Chinese travel agents used Caucasian partners; however, their experience showed that Australian Caucasian operators have different mindsets from Chinese travel agents, as sometimes Chinese travel agents’ requests were considered unethical by their Australian partners, but considered only as a normal request or a favour by the Chinese travel agents. Different ethical beliefs were the major reasons for Chinese travel agents preferring to use Australian Chinese operators with the same or similar ethnic background even though there were still some differences as previously discussed. These preferences effectively exclude Caucasian operators from such partnering relationships.

Another reason Chinese travel agents prefer to have Australian Chinese as their partners is because of the perceived cultural closeness. In the international business setting, cultural closeness is the consequence of the reduction of cultural distance between two counterparts who are in two different countries (Swift, 1999). Having cultural closeness made the Chinese agents feel confident in doing business with Australian Chinese operators. Therefore, a major finding is
that ethnic closeness is one of the key criteria used by Chinese travel agents to choose their Australian operators. In particular, Australian operators originally from China have an advantage when seeking partnerships with Chinese travel agents.

More specifically, due to different communication styles, this study reveals that Chinese travel agents prefer to have Australian operators who are originally from mainland China rather than from Hong Kong or Taiwan. Previous literature identifies communication differences between people in hi-context cultures and low-context cultures, but not within one single context culture (for instance, Hall, 1976; Harris and Moran, 2000). However, this study reveals that there are significant communication difficulties between Chinese travel agents and Australian operators, despite all of them being able to speak Mandarin and belonging to hi-context communication cultures. These communication differences include different wording, expressions and different ways of talking between mainland Chinese and Chinese from Hong Kong and Taiwan. These differences directly impact on the Chinese travel agents’ decisions in choosing their Australian counterparts. Hence, it appears that the communication problems between Chinese and Australian partners extend beyond the language problem. The Chinese travel agents prefer to deal with Australian operators who are originally from mainland China simply because of the more comfortable communication experience. Hence, co-ethnic Chinese background becomes a preference for most of the Chinese travel agents. It is apparent that having someone who is able to understand the culture and speak the language is a facilitating factor. It smooths the negotiation of key points and differences between partners. Thus, Australian inbound tour operators should consider having a business development manager with such skills.

8.2.1.3 Regional cultural differences

The third moderator discovered in this study is regional cultural differences within China, which draw the attention of Australian operators to subtle variations in business practices in China. Little research has been conducted on regional cultural differences within China, with the exception of Selmer (1997), who addresses the different regional cultural stereotypes among Chinese. This study confirms that Chinese travel agents do not constitute a homogeneous
group, and there are regional cultural differences within China. Two different stereotypical ways of doing business in Beijing and Shanghai emerged from this study. People in Shanghai are more efficient and less bureaucratic compared with those in Beijing. The study shows that Chinese travel agents also have their regional preferences, and prefer to form partnership relationships with Australian operators based on dialects. That is, Chinese agents in Shanghai tend to find Australian partners who are originally from the same area, as do agents in Beijing. However, it seems that most Australian operators still have not realised that the Chinese culture is embedded in different regional cultures, and they still perceive the Chinese travel agents as a homogeneous group without considering regional cultural differences. A more heterogeneous approach makes more sense when Australian operators try to establish and develop relationships with Chinese travel agents. Alternatively, employing people from specific regions or who speak specific dialects seems crucial to overcoming this significant impediment to developing business relations.

8.2.2 The search stage
In the process of developing partnership relationships between Chinese travel agents and Australian inbound tour operators, the relationship starts at the search stage. Importantly, the search stage involves a fairly long process. The findings in the study not only confirm the literature (Dwyer et al., 1987; Ford, 1980; Larson, 1992; Wilson, 1995) asserting that the search stage includes an evaluation stage where both parties have their own selection criteria to choose their potential partners, but reveals that this stage is also an information gathering stage where both parties begin to gain access to and get to know each other through different channels. The most important channel in the search stage tends to be WOM (word-of-mouth) referrals.

This research reveals that WOM referrals play a critical role in the search stage for two key reasons: firstly, the major avenue for Chinese travel agents in this study to search for their counterparts was through WOM business referrals from a third party, mostly government offices, such as the ATC and other government offices overseas, and their other business partners (see Figure 8.2); secondly, both parties in the study acknowledge the importance of WOM. Chinese travel agents carefully choose their potential counterparts because they are aware of the
impact of WOM on tourists. Positive WOM referrals may bring the agents repeat customers as well as other customers through existing customers. From the Australian inbound tour operators’ perspective, WOM may also bring them more business. Positive WOM referrals are considered as a symbol of quality assurance at the supply end. The Chinese agents take the initiative to approach those operators who have good reputations based on WOM comments, and the Australian operators enjoy the snowball effect of more business created by WOM referrals. For example, one of the operators formed partnerships with other Chinese travel agents through an introduction by one of its current Chinese counterparts (Section 6.2.1.2).

This is a significant finding which indicates the importance of Australian inbound tour operators providing quality service to Chinese customers as a key way of benefiting from WOM referrals. Importantly this WOM often originates from the experiences of the end user (i.e. customer/tourist). Thus, an Australian inbound tour operator’s reputation is built on their own business practice as well as those of the companies they select to deliver services, such as tourist attractions and accommodation. Hence, it can be concluded that WOM is built on a chain of events and the intricate web of services delivered by tourism stakeholders in the Chinese travel business to Australia (see Figure 1.6). This study only focuses on the dyadic relationships between Australian and Chinese counterparts; therefore, it is suggested that future study could be expanded to investigate the network relationships among stakeholders in the web of services delivered to Chinese tourists.

As shown in Figure 8.2, the Australian counterparts have twice as many channels as their Chinese partners to get to know their potential counterparts; this situation is not surprising. Australian operators, as SMEs and suppliers, are more likely to use many channels compared to large organisations, and also gives SMEs some bargaining power. The hierarchical organisational structure of the Chinese travel agents, which are large-sized SOEs and buyers (Section 1.5), means that one of the major channels for the Chinese travel agents to get to know their potential partners is through introductions by senior executives in their companies. Senior executives play a critical role in determining who might become a potential counterpart. Thus, having personal relationships with senior executives of
Chinese travel agents probably provides opportunities and shortcuts in establishing partnership relationships.

Furthermore, similar to Korean agents’ preference for having Australian liaison offices in Korea (King and Choi, 1999), this study identifies that intermediaries, such as Australian operators’ liaison offices in China, play a crucial role in facilitating Chinese outbound travel business to Australia (Figure 8.2). Therefore, having liaison offices in the source market is important for the Chinese tourism market, as it is not only an important channel for Chinese travel agents to get to know their potential Australian partners and gather relevant information, but also one of the key selection criteria for the Chinese travel agents to choose their potential partners.

Previous literature (Ford, 1980) noted that the greater the geographical distance between two potential partners, the more likely it is to be difficult to establish business relationships between these two companies. The findings from this research confirm that Chinese travel agents prefer to close the geographical distance in order to establish relationships, preferring those operators who have an office in China. Having physical proximity facilitates partners having face-to-face meetings to discuss issues over time and for counterparts to meet repeatedly, thus building knowledge about each other. In addition, the nature of Chinese culture and Chinese people’s preference to trade with “old friends” rather than strangers (Lovett et al., 1999) is considered important for establishing friendships alongside the process of developing partnership relationships. Hence, it can be concluded that physical proximity to the source market may provide some advantages for the Australian operators in providing convenient ways and opportunities for the Chinese travel agents to get to know them.

Consistent with the literature (Child and Faulkner, 1998; Geringer, 1991; Hill and Jones, 1995; Quang et al., 2000; Wilson, 1995), this study found that the process of gathering information through different channels also plays a part in the evaluation stage. Both Australian and Chinese parties assess the potential counterpart’s goal compatibility and prior reputation, including
Figure 8.2 Channels to search for potential counterparts in the Chinese inbound tourism market to Australia

Australian
Different channels to get to know potential partners
- CATA offices in Hong Kong
- Business associations in Australia
- Interstate other AITOs
- Australian state government offices in China
- Local Chinese authorities, such as CNTA
- AITO’s liaison offices in China
- Introduced by friends

The partnership relationship

AITOs

CATA offices in Hong Kong
- Introduced by senior executives in the company
- Introduced by friends and other business partners
- Pre-existing business relationships prior to ADS

Chinese
Different channels to get to know potential counterparts

Note: CATA – Chinese authorised travel agents
AITO – Australian inbound tour operators

Source: Developed for this study
prior relations with other companies, the company’s size, and the company’s capabilities. In particular, this study confirms the literature finding that mutual goal compatibility, as the antecedent of trust and commitment (Heide and John, 1992; Wilson, 1995), plays a vital role when selecting counterparts at the search stage of developing business relationships. Specifically, those Australian operators whose main business is in niche markets, such as study tours and intensive tours, have mutual goals as their priority when considering their potential Chinese counterparts. Furthermore, this study reveals that a unilateral change in the initial mutual goal by either party may terminate the business relationship. Hence, having mutual goals is of paramount importance when embarking on partnership relationships between Chinese travel agents and Australian inbound tour operators.

In addition, this study found that with China still in the transition stage of the market economy, the Chinese travel agents in this study presented mixed responses to the role of guanxi, possibly reflecting the influences of the economic transition. Some Chinese agents stated that the role of guanxi was very small or even negligible in the process of forming business relationships with their counterparts, while others, consistent with literature (Chen, 1995; Wong, 1998), still considered guanxi and renqing as major factors influencing decision-making. Further, the findings reveal that nepotistic relationships still play an important role when the senior manager of a Chinese travel agent selects their Australian partner. However, only one case in this study falls into this category. Nevertheless, this study shows that, although China has undertaken market driven economic reforms, some traditional stereotyped attributes of guanxi still play a critical role in the process of searching and establishing relationships with overseas counterparts.

8.2.3 The set up stage

Following the evaluation stage, it is evident that partners next look at the set up stage of their business relationships. Consistent with the literature (Dwyer et al., 1987; Ford, 1980; Ford et al., 1998), this study identifies that Chinese travel agents take a proactive role by providing a trial period for their potential Australian counterparts. Not surprisingly, Chinese travel agents, as “well-known
hard negotiators”, tend to instigate heavy negotiations, hence the set up stage is time consuming. Similar to the experience in Brazilian SMEs, one of the critical factors in the competitiveness of the foreign investor is the ability of the SMEs to compete on price, a vital factor in doing business in Asia (Rodrigues, 1995). Thus, the main focus of negotiations between Chinese and Australian counterparts is also the pricing issue. The pricing issue is a key point for Chinese travel agents in negotiations, and it directly impacts on the development of the relationship, as pricing is also the time where people will feel win/win or exploited in China. For Australian operators, another key factor in negotiation involves the terms of payment, which affect the security of their financial resources.

A new finding from this study is that the Chinese travel agents are very cautious in setting up relationships with their Australian partners. Therefore, having face-to-face meetings between the two counterparts was seen as crucial in setting up relationships, and Australian operators are encouraged to go to China to visit their potential Chinese counterparts. As in the search stage, one reason for this is to foster cultural closeness. The other reason is related to differing organisational structures between Australian and Chinese tour companies. The Chinese travel agents are large-scale SOEs with a hierarchical structure, making it difficult for individuals in companies to make decisions (as discussed in Section 1.5). Confucian dynamism (as discussed in Section 3.2.2), which means that Chinese individuals prefer authoritative decision-making and leadership (Rodrigues, 1997; 1998), explains why the manager of a Chinese company is not authorised or entitled to make a decision on some important issues. However, Australian operators are privately owned companies, and the managing directors are the decision makers. When they visit their partners in China, they can make deals on the spot. Therefore, the constraints of the organisational structure of Chinese travel agents together with the Confucian mindset of Chinese people dictate that Australian operators should play a more proactive role in initiating visits to Chinese travel agents and undertaking negotiations in China.

This study also identifies that during the set up stage, verbal commitment, rather than written contracts, often occurred between Chinese and Australian counterparts. It is evident that verbal commitment, as a stronger form of “mutual
commitment” (de Laat, 1997), symbolises the success of doing business in the Chinese tourism industry. This finding refutes the Western literature which describes that commitment is limited to the written contract (Ford, 1984; Kanter, 1994; Wilson, 1995). The establishment of verbal commitment also represents the achievement of resilient trust, which is the proxy of mutual commitment. Hence, although Chinese travel agents are cautious when establishing relationships with their Australian counterparts, once the relationship is set up, the Chinese travel agents can move faster than many other researchers have described (such as Ring, 1997; de Laat, 1997) to form a high level of commitment (mutual commitment) and high level of trust (resilient trust) with their counterparts in the set up stage. This finding is consistent with the description of the nature of the Chinese business system, which is always accompanied by trust-based informal relationships rather than laws of contract (Boisot and Child, 1996). The study further discloses that the formation of resilient trust and verbal commitment may result in the loyalty of Chinese travel agents to their existing Australian counterparts, and the established relationship will be less likely to be broken up. Hence, this study confirms the importance of building up resilient trust and mutual commitment, with verbal commitment in particular, at the earliest possible stage of developing such business relationships. It is therefore suggested that verbal commitment is a better strategy than written agreements for the Australian inbound tour operators to aim for.

Another important factor in this stage and in the development and maintenance stage, is showing empathy. Empathy has been discussed in relationship marketing, but less so in network or inter-organisational theories. As a dimension of culture, empathy plays a vital role in relationship building in China, because Chinese people are less likely to communicate their preferences and opinions openly, to avoid offending or being rejected by others (Yau et al., 2000). As a result, one finding in this study is that Chinese travel agents are seeking their Australian partners’ empathy in understanding the distinct way of doing business in China. It is evident that empathy in Australian partners facilitates the process of setting up partnership relationships. Furthermore, showing empathy to each other is the essence of both counterparts achieving the specific mo qi state of having tacit understanding of each other. The study confirms that those Australian operators who are able to put themselves in their
Chinese partners’ (“buyers”) ‘shoes’ and take into consideration the Chinese agents’ competitiveness in the Chinese marketplace, are successful in developing and maintaining their partnership relationships. This situation further compels Australian operators to at least understand some of the reasons why Chinese travel agents pursue their way of doing business.

8.2.4 The development and maintenance stage

Establishing partnership relationships between Chinese travel agents and Australian inbound tour operators may be achievable; however, the development and maintenance stage is considered crucial for nurturing a long-term longitudinal relationship. This stage is quite different from that described in the Western literature (Section 2.3), and Australian inbound tour operators need to pay careful attention to these differences. This study reveals that this stage is highly impacted upon by oriental culture, and includes the *mo he* stage, the *mo qi* state and *mo shi*.

*Mo he*, a Chinese term which means a running-in process for both counterparts in the process of adapting to each other, is a stage where both parties have to further negotiate and compromise on some issues, and it is also a stage which might have otherwise resulted in *conflicts*. This study made a valuable discovery by identifying three major kinds of *conflicts* that tend to arise during the *mo he* stage. These are the *pricing issue*, *technical problems*, and the *terms of payment*. In addition, the Chinese travel agents specifically emphasised the *quality of services* provided to Chinese tourists.

The technical problems and terms of payment can be resolved through negotiation and compromise between the two counterparts. However, as discussed before, this study finds the *pricing issue* to be a key factor which permeates the whole process of developing relationships. Recent research on the Korean and Chinese inbound tourism markets to Australia identified that both markets are very price sensitive, and tourists from these countries are price conscious (King and Choi, 1999; Pan, 1999). Having the seller insulated from price competition because of an established partnership relationship (Dwyer et al., 1987) was not found to be the case in this study. This study reveals that the pricing issue remains critical in each stage of the process of developing
partnership relations. The pricing issue has become one of the key selection criteria in the search stage, the key focus of negotiations in the set up stage, and one of the reasons for conflicts in the development and maintenance stage (seen as one stage in this study). Furthermore, the pricing issue is also a major cause for terminating a relationship, especially when no flexibility in price is allowed. The Chinese counterpart prides him/herself on getting a good price in business, whereas the Australian operator finds it difficult to drop the price anymore. Thus, discussions, negotiations and conflicts may well arise over price and even threaten the development, longevity or continuation of a business relationship. Therefore, a pricing structure that allows for negotiation and compromise seems fundamental in the process of developing such relationships, particularly for Australian inbound tour operators.

The other solution found in this study for solving conflicts was *adaptation*. Adaptation occurred in the set up stage of developing partnership relationships. More importantly, it is considered crucial to solving conflicts at the *mo he* stage where both Australian and Chinese counterparts tend to apply certain forms of adaptation in negotiations to compromise with each other, in order to make adjustments to resolve conflicts. This situation confirms the literature claiming that adaptation assists in consolidating the relationship during the maintenance stage (Dwyer et al., 1987; Ford et al., 1998).

The *mo qi* state, meaning tacit understanding and good cooperation between counterparts, is what Chinese travel agents aim to achieve as a result of forming business relationships with their Australian counterparts. This unique *mo qi* state between Australian and Chinese counterparts not only reflects the aim of developing and maintaining business relationships to achieve a stable cooperative partnership as identified in the Western literature (Borys and Jemison, 1989; Ford, 1980; Wilson, 1995), but also demonstrates the social and cultural embeddedness of the partnership relationships between Australian and Chinese counterparts.

This study shows that, during the *mo qi* state, the relationship between the two counterparts develops further to achieve *social bonding*. For example, both parties develop their personal relationship through their willingness to support
each other in getting access to resources, by developing Australian tourist products together to help Australian operators gain more market share in the Chinese outbound tourism market. This situation reflects that the partnership relationship between Chinese and Australian counterparts is a hybrid one where both counterparts share information and may undertake joint product development (Howard, 1990). Therefore, reaching the *mo qi* stage could be the ultimate goal for Australian operators in the process of developing partnerships with their Chinese counterparts, as this will help develop Australia as a sustained preferred destination for Chinese tourists.

*Mo shi* is accomplished in *mo qi* operations, whereas *mo qi* is the state that both partners reach in the *mo he* stage (Figure 8.1). The concept of *mo shi*, symbolising a well-established partnership relationship between Chinese and Australian partners, is similar to the institutionalised *structural bonding* of cooperation identified in the Western literature, in which the relationship may be extended beyond the particular people who form the business relationship (Ford, 1980; Ford et al., 1998; Wilson, 1995). However, the difference between the Western institutionalised process and *mo shi* is that *mo shi* in operation is quite often broken by a change of personnel, particularly on the Chinese travel agent’s side. Hence, as shown in Figure 8.1, the *mo he* stage and the *mo qi* state might be interchangeable in the development and maintenance stage depending on the stability of tenure of personnel in the Chinese travel agent’s company. The unilateral change of personnel staff, particularly managerial staff, in the Chinese travel agents might force both partners to regress from the *mo qi* state back to the *mo he* stage. Hence, most well-established relationships might have gone through several “return trips” in the development and maintenance stage. Although the unilateral change of personnel in the Chinese travel agents is beyond the Australian partners’ control, this study suggests that the Australian partners should form relationships with Chinese partners at both managerial and operational levels, and have multiple Chinese counterparts, in order to reduce the possibility of losing a partner and to minimise the consequent financial effect on the business.

Importantly, this study demonstrates that one of the key issues in the Chinese inbound travel business to Australia is the *quality of services*, which includes
quality of services provided by tour guides, coach companies, accommodation establishments, sightseeing places and restaurants. As mentioned before, quality of services is one of the selection criteria for Chinese travel agents when choosing their potential partners at the search stage (Table 8.1). Moreover, this study reveals that service quality is also a key factor in potential conflicts between two counterparts. The Chinese travel agents expressed their concerns about the quality assurance of services delivered by their Australian partners in the inbound travel trade to Australia. However, most of the Australian operators seemed to over-emphasise the pricing issue because of the price sensitivity of Chinese travel agents, with the exception of Australian operators who mainly deal with niche markets where there is greater emphasis on quality of services. These findings suggest that the Australian operators need to be more aware of the issue of quality assurance of services delivered to Chinese tourists.

This study also identifies why Chinese travel agents emphasised the importance of customer satisfaction. First, some Chinese travel agents (Cases CJ and CK) had received an international series of guidelines to companies on what is required of a quality system (ISO9000); therefore they had to guarantee the quality of services they provided to Chinese tourists, even though they did not directly handle the tourist groups. They had to make sure that their Australian partner performed well while tourists were in Australia. Second, Chinese travel agents, as large-sized travel agents, were very conscious of their brand names, and wished to maintain the reputation of their good brand names to attract more customers. Third, Chinese travel agents were aware of the snowball effect of WOM. Positive WOM would bring more customers to Chinese travel agents. Hence, customer satisfaction and quality of services are priorities for Chinese travel agents. However, the complex business situation and network coupled with price issues can threaten the delivery of customer satisfaction.

The transition to a market economy has shown that Chinese travel agents are no longer highly dependent on guanxi as stated in the literature (FizGerald, 1998; Guthrie, 1998). In fact, they put the pricing issue and quality of services ahead of personal relationships, although most of the interviewed Chinese travel agents are large-sized SOEs. This finding further confirms Guthrie’s (1998) initial argument that the perception of large-scale SOEs as highly bureaucratic is
changing, and many enterprises are forced to consider business decisions that make the most economic sense - price, quality and efficiency, rather than social relations. This is a noteworthy finding and a key factor that Australian operators must take into account in terms of the diminishing influence of cultural factors.

Furthermore, activities occurring in this stage prove once again that Australian inbound tour operators, who are of Chinese descent and first generation Australians, have been acculturated by the Australian culture. Acculturation of these Australian operators is a mixed blessing when dealing with their Chinese counterparts. For example, these Australian operators have already ignored the *face* concept, and the important role of *face* in the Chinese culture. They are sensitive at some times but not sensitive at others. They have lost some of the local knowledge that comes from living in the Chinese culture, and have adapted to the culture that they experience in the Australian context.

As mentioned previously, the loss of *face* is a terrible embarrassment for any Chinese, particularly in public, and gaining and maintaining *face* is advantageous to the formation of *guanxi* relationships (Chen, 1995; Simmons and Munch, 1998). For example, turning down a request is considered as not giving *face* in China, particularly in an established business relationship. While Australian operators are characterised as being bicultural, they suffer the “penalties” of having insufficient knowledge of and respect for their cultural origins.

Therefore, it seems that it would be even more difficult for Caucasian operators interested in this market to tap into the Chinese inbound tourism market and deal with the Chinese travel agents. When this study was conducted, there were no Caucasian operators involved in this business, so none could be interviewed. Nevertheless, it can be speculated that Australian Caucasian operators would encounter difficulties in understanding Chinese business ethics and culturally embedded issues, such as *face* giving and *face* saving. Even if Australian Caucasian operators understood these ideologies, it is not clear what problems they would encounter in developing partnerships with Chinese travel agents. Thus, future research could be undertaken to investigate particular difficulties for Australian Caucasian operators establishing and developing partnership relationships with Chinese travel agents.
8.2.5 The termination stage

One of the main purposes of this study is to assist Australian operators in developing partnership relationships with Chinese partners. The termination stage is therefore not included in Figure 8.1. Nevertheless, it is still worthwhile discussing the reasons why business relationships are terminated between Australian and Chinese counterparts in order to alert Australian operators to any signs of the dissolution of such partnership relationships. Some of the reasons, such as unilateral change of initial mutual goal and personnel in either party, are beyond the control of either party, whereas terminations due to reasons related to the quality of services can be avoided by the Australian operators. This issue reinforces the importance of quality assurance of services delivered to the tourist product end users, the Chinese tourists. Little research has been conducted to investigate the dimension of satisfaction and the measurement of the quality of services delivered to Chinese tourists. Future research could therefore be extended to investigate these issues.

In addition, cultural differences between Australian operators of Chinese descent and Chinese travel agents, and the different business practices they espouse are further reasons for the termination of relationships. As mentioned before, these Australian operators of Chinese descent find differences in areas such as work ethics, discipline and control when they do business with Chinese travel agents. One of the themes emerging from this research is that Chinese travel agents have complaints about their Australian partners being inflexible in doing business. This inflexibility is exemplified in such areas as technical arrangements about travel itineraries, and special requests considered reasonable by Chinese agents, but which Australians considered unethical. Hence, in an emerging market, terminations may occur due to misunderstandings about acceptable business practices. To some degree the terminations over price or business practices reflect a relatively new and fast growing travel market segment that brings together two different business cultures.

This study also unveils the close connection between friendship and flexibility, which has not been discussed in the literature. In China, having friendship and guanxi means having flexibility in doing business. This can also be interpreted
to mean that having friendship means that either party can execute the *need* rule, or that benefits can be distributed to satisfy recipients’ legitimate needs, regardless of their relative contributions (Chen, 1995; Wong, 1998). Hence, the *need* rule in this context is embedded in *renqing*, the Chinese version of reciprocity. Flexibility could be perceived as the extent of closeness in a relationship between partners that allows for favours to be asked. The *need* rule in this study means that if some unexpected situation occurs in a business relationship, either partner could ask the other partner for a favour to overcome the urgent problem, to help each other in good times and in bad times. This new finding reinforces the importance of being flexible in doing business with the Chinese.

Interestingly, although some Australian operators realised the importance of being flexible when doing business with their Chinese counterparts, and recognised the relationship between flexibility and friendship, the Australian operators were still criticised for being stubborn, doing things very strictly, and following rules. Hence, *showing cultural empathy* could be a useful strategy for tackling discrepancies in business practices. Meanwhile, it may be necessary to ensure that a partner in China is aware of the constraints imposed by business laws in Australia. Some of these laws may make it difficult to operate with the level of flexibility expected by Chinese travel agents.

### 8.2.6 Guanxi

*Guanxi*, as one of the research issues in this study, has been investigated in the process of establishing and developing partnership relationships between Chinese travel agents and Australian inbound tour operators. The researcher feels it is important to discuss *guanxi* separately, as the role of *guanxi* and its patronage is changing in modern China. This situation needs to be drawn to the attention of Australian inbound tour operators and marketers in particular.

Although the findings of the study confirm the importance of *guanxi* throughout the process of developing partnership relationships between Chinese and Australian counterparts, data in this study suggest that the role of *guanxi* might not be as important as is claimed in most of the *guanxi* literature (for instance, Kotler, 1996; Lovett et al., 1999) in the Chinese inbound travel trade to
Australia. These findings further demonstrate that China is becoming a more complex and fragmented society under the influence of Western business and markets.

In this study, both Australian and Chinese counterparts supported the view that *guanxi* goes beyond personal relationships and includes both personal and business relationships, even though most of the literature (for instance, Bian, 1994; Davies et al., 1995; Leung et al., 1996) supports the meaning of *guanxi* as personal relationships. Furthermore, the findings from the Chinese travel agents reveal that they have mixed responses with respect to the involvement of personal relationships in the meaning of *guanxi*, and the importance of *guanxi* in the process of developing partnership relationships with their Australian counterparts. Although a few still stated that it was difficult to separate business relationships from personal relationships, some of the Chinese travel agents clearly drew a boundary between personal relationships and business relationships, whereby corporate behaviour took precedence and personal relationships were less important in the process of developing partnership relationships. This finding further reinforces the evidence that Chinese travel agents are “Westernising” their ways of doing business by prioritising corporate relationships over personal relationships.

Nevertheless, in some situations *guanxi* still plays a role in facilitating business relationships between Chinese and Australian counterparts. This study identifies that having *guanxi* helps consolidate the partnership relationship and adds value to the relationship. This finding is a subtler refinement of the *guanxi* concept and an important form of knowledge for those entering this field of business. For example, when the price and quality of services offered by the Australian operators were the same or similar, Chinese travel agents would establish business partnership relationships with those Australian operators with whom they had a *guanxi* relationship. This situation reiterates one of the benefits of having *guanxi* relationships, and demonstrates how they add value to the business relationship (Yau et al., 2000).

Although Pearce and Robinson (2000) and Yi and Ellis (2000) highlight the dark side of *guanxi* in the political context as corruption of bureaucrats in SOEs in
China, it was extremely difficult for this study to investigate any issues related to that side. However, future research could investigate whether such unethical practices exist in the tourism industry in China, given that Chinese travel agents are changing their traditional guanxi-based network relationships.

8.3 Overall discussion on the process of developing partnership relationships

Developing partnership relationships cross-nationally is a complicated process, particularly when it involves two counterparts from totally different cultural backgrounds. This study demonstrates the complexity and difficulties in the process of developing such relationships in the tourism industry, one of the major service industries. It can be concluded that the process is embedded not only with social factors, such as trust, commitment and adaptation, which are stated as important in the process of developing relationships in the Western literature, but also with cultural factors, such as guanxi and face giving, and other marketing factors, such as quality of services and WOM. Moreover, the process of developing partnership relationships is characterised by features of the Chinese culture. For example, the mo he stage, the mo qi state and mo shi in operation are the key characteristics that occur in the development and maintenance stage. The Australian inbound tour operators are all of Chinese descent and first generation Australians, and would be familiar with the Chinese concepts of mo he, mo qi and mo shi; whereas Caucasians would be largely ignorant of this. Moreover, the culturally embedded nature of partnership relationships between Chinese and Australian counterparts does not mean that every single step advancing this business relationship is embodied with cultural characteristics. In fact, some of the features do not have cultural aspects at all. For example, with the economic transition in progress, markets in China are becoming increasingly competitive, focusing primarily on quality of services and the pricing issue rather than guanxi.

The identification of Australian Chinese operators’ acculturation to the Australian culture further highlights the major impediments to establishing and developing partnership relationships between Chinese and Australian counterparts: different business ethics, communication problems and misunderstanding of the role of guanxi and its patronage in developing the partnership relationships. Hence, education and training programs need to be
provided to educate Australian operators and Chinese travel agents regarding different business ethics and communication differences. It is evident from this research that the cultural differences extend beyond language differences. Understanding Mandarin is just a first step in approaching Chinese counterparts. More importantly, it appears that one of the most effective ways of breaking through these barriers and successfully establishing business relationships with Chinese travel agents is to build cultural affinity and to have cultural closeness and empathy. It seems that it is important to educate Australian operators, whether of Chinese descent or Caucasian, about the changing culture of China and its transition towards a market economy and the consequent effect on Chinese traditional business practices. It is also imperative to ensure that Chinese travel agents are aware of the constraints imposed by business laws in Australia.

With the recent expansion of the source markets from three regions in China (Beijing, Shanghai and Guangdong Province) to nine regions, including the six additional provinces of Tian Jin Municipal (population 10m), He Bei Province (population 67.44m), Shan Dong Province (population 67.44m), Chong Qing Municipal (population 30.9m), Jiang Su Province (population 74.38m) and Zhe Jiang Province (population 46.77m) (Australian Tourist Commission, 2003), the Australian tourism industry has direct access to a potential tourist market from China with an enormous population of 413.92 million - more than 20 times the population of Australia. The huge potential of the Chinese inbound tourism market to Australia provides plenty of opportunities for Australian inbound tour operators to capitalise on this business. This situation further accentuates the importance of understanding the process of developing partnering relationships between Chinese and Australian counterparts.

8.4 Limitations of this research and implications for future research
As previously stated, this study is a multidisciplinary study incorporating theories in networking, marketing, Western and Oriental cultures. Each topic itself could be the subject of a PhD study. However, one of the purposes of this study, as the first research into Sino-Australian partnership relationships in the tourism industry cross-nationally, is to provide an understanding of the process of developing these partnerships, and to provide a framework for both academic
and industry practitioners to refer to for future research. It is hoped that more studies will follow to develop tourism theories in this field and to provide understanding and strategies for Australian tourism product suppliers and marketers to ultimately develop Australia as a preferred sustained destination for Chinese tourists.

Some limitations of this study have been identified to encourage future research. First, the theoretical model of the development process of hybrid relationships between Chinese travel agents and Australian inbound tour operators, as illustrated in Figure 8.1, is developed based on a limited number of interviews conducted in China and Australia. With the further expansion of ADS regions in China to nine, and the acknowledgement of regional cultural differences in China in this study, future research could be expanded to investigate the process of developing business relationships with different regions in China. In addition, the interviewed Chinese travel agents and Australian inbound tour operators in this study are not matched pairs. It would be insightful to conduct research with matched pairs to investigate the interlocked partnership relationships in the Chinese inbound travel trade to Australia.

Second, no Caucasian operators were active in the Chinese inbound tourism market to Australian when the research was conducted; hence the interviewed Australian inbound tour operators in this study were all of Chinese descent, and first generation migrants to Australia. This situation presents a limitation in that the Caucasian perspective of these partnership relationships was not considered. Thus, future research with Caucasian operators could be conducted to explore their understanding of partnership relationships with Chinese travel agents, or at least to investigate why the Caucasian operator does not enter this business.

Third, this research mainly focuses on the dyadic relationships between Chinese travel agents and Australian inbound tour operators. However, this study reveals that network relationships with other stakeholders in the Chinese inbound tourism market to Australia are also critical in the success of these businesses, given that all Australian tourist products are delivered by these stakeholders. Exploring the networking relationships among stakeholders could be suggested for future research.
Fourth, quality assurance has been identified in this study as one of the key issues in developing and maintaining partnership relationships. As stated previously, future research could be undertaken to identify and understand the meaning of quality of services and the dimensions of satisfaction with Australian tourist products for Chinese tourists.

China is a country with a population of 1.25 billion people. China’s entry into the World Trade Organisation (WTO) presents significant business opportunities and increased competition. The World Tourism Organisation has forecast that China will have 100 million outbound travellers and become the fourth largest source of outbound travel in the world by 2020 (World Tourism Organisation, 2003).

Australia has had a head start over the last four years as the first Western country having ADS for Chinese tourists. With the first official ADS group going to Germany in February 2003, and the recent ADS approval of other countries in the European Union, Australia no longer enjoys its competitive advantage as the first and only Western country (except New Zealand) granted ADS for Chinese tourists. The historical and cultural experiences offered in Germany and other European countries cannot be offered in Australia. It is expected that Australia’s competition with other Western ADS countries will be fierce in the future. However, limited research has been conducted to investigate Chinese tourists’ needs, wants and travel motives to assist in developing Australian tourist products catering specifically for Chinese tourists. This area may become even more important as the potential for Chinese tourists to travel as fully independent travellers (FITs) increases.

This research has investigated the process of developing partnership relationships between Chinese and Australian counterparts, and conjectures that these relationships will be important in leveraging a competitive advantage, especially for certain groups of tour operators that can use their ethnicity as an advantage. The growing competition among ADS countries will increase power for Chinese travel agents in terms of bargaining on price and demanding quality of services. The competition between Australian inbound tour operators and
operators in other ADS Western countries will become fiercer, and *guanxi* relationships may not be sufficient to help Australian inbound tour operators gain business from their Chinese counterparts in this context. Therefore, it is recommended that more academics to conduct research on the Chinese inbound tourism market from different perspectives in an effort to help Australia maintain its position as a sustained preferred destination for Chinese tourists.
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Research 7(3): 385-394.
Appendices
Appendix I List of acronyms

ABS  Australian Bureau of Statistics
ADS  Approved destination status
AITO  Australian inbound tour operators
ATC  Australian Tourist Commission
ATE  Australian Tourism Exchange
ATEC  Australian Tourism Export Council
BTR  Bureau of Tourism Research
CATA  Chinese authorised travel agents
CITS  China International Travel Service
CNTA  China National Tourism Administration
CTS  China Travel Service
CYTS  China Youth Travel Service
DIMIA  Department of Immigration & Multicultural & Indigenous Affairs
DITR  Department of Industry, Tourism & Resources
FIT  Fully Independent Traveller
GDP  Gross Domestic Product
IMP  Industrial Marketing and Purchasing
ITO  Inbound tour operator
PRC  the People’s Republic of China
RI  Research issue
RP  Research problem
SME  Small and medium enterprise
SOE  State owned enterprise
TFC  Tourism Forecasting Council
TQ  Tourism Queensland
VFR  Visiting friends and relatives
WOM  Word-of-mouth
WTO  World Trade Organisation
## Appendix II Sources for terms used in this dissertation

<table>
<thead>
<tr>
<th>Terms</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic tourism</td>
<td>“Involving residents of the given country travelling only within the country” (WTO in Vellas and Becherel, 1995, p. 2).</td>
</tr>
<tr>
<td>Inbound tourism</td>
<td>“Involving non-residents travelling in another country” (WTO in Vellas and Becherel, 1995, p. 2).</td>
</tr>
<tr>
<td>Outbound tourism</td>
<td>“Involving residents travelling to another country” (WTO in Vellas and Becherel, 1995, p. 2).</td>
</tr>
<tr>
<td>A Chinese outbound tourist</td>
<td>“A resident of Mainland China and travels temporarily outside Mainland China for any purpose” (Zhou et al., 1997).</td>
</tr>
<tr>
<td>International tourism receipts</td>
<td>“Expenditure of international inbound visitors including their payments to national carriers for international transport” (WTO in Vellas and Becherel, 1995, p. 2).</td>
</tr>
<tr>
<td>International tourism expenditure</td>
<td>“Expenditure of outbound visitors in other countries including their payments to foreign carriers for international transport” (WTO in Vellas and Becherel, 1995, p. 2).</td>
</tr>
<tr>
<td>Tour operator versus Travel agency</td>
<td>“Tour operators are commercial tourism firms specialising in the manufacture of travel packages. They are quite different from travel agents whose main activity is to sell and market tourism products. Tour operators are wholesalers and travel agencies are retailers. Most tour operators also acquire the legal status of travel agencies or associations who package and sell tourism products to their members” (Vellas and Becherel, 1995, pp. 168-169).</td>
</tr>
<tr>
<td>Leisure travel</td>
<td>It is closely related to pleasure travel, defined as “an experience, the value of which requires a subjective assessment to be made by travellers” (Stevens, 1992, p. 44).</td>
</tr>
<tr>
<td>All-inclusive package</td>
<td>“Include full-board holidays, organised tours and cruises” (Vellas and Becherel, 1995, p.164). In this research, it means full-board holidays which involve return travel arrangements and transfers, accommodation and all meals.</td>
</tr>
</tbody>
</table>
| Wholesaler                                         | “who usually buys goods from suppliers for resale in small quantities to retailers and others. In tourism the term is sometimes used as a synonym for tour operator” (Medlik, 2003,  

p.180). In this study, wholesalers mean the authorised Chinese travel agents who get business through their sub-agents. |
Retailer Refers to travel agent, which is defined as “a person or organization selling travel services (such as transportation, accommodation and inclusive tours) on behalf of principals (such as carriers, hotels and tour operators) for a commission” (Medlik, 2003, p. 170). In this study, retailers mean the authorised Chinese travel agents who get direct business through their outlets.

ISO 9000 An international series of guidelines to companies on what is required of a quality system (Medlik, 2003).
### Appendix III  List of Chinese terms

<table>
<thead>
<tr>
<th>Chinese terms</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Face (mian zi)</strong></td>
<td>An individual’s <em>face</em> is defined as one’s dignity, self-respect and prestige (Chen, 1995).</td>
</tr>
<tr>
<td><strong>Ge ting</strong></td>
<td>Karaoke</td>
</tr>
<tr>
<td><strong>Guanxi</strong></td>
<td>The Chinese contemporary dictionary (1983) defines <em>guanxi</em> as any kind of relationship, and the research cited previously defines it more often as person-to-person relations or connections (for instance, Leung et al., 1996; Xin and Pearce, 1996).</td>
</tr>
<tr>
<td><strong>Guanxi hu</strong></td>
<td>Specially connected individual or social organisation</td>
</tr>
<tr>
<td><strong>Guanxiwang</strong></td>
<td>A web of connection networks</td>
</tr>
<tr>
<td><strong>Huan nan zhi jiao xian zheng qing</strong></td>
<td>Equivalent to “A friend in need is a friend indeed.”</td>
</tr>
<tr>
<td><strong>Jing zheng shang gang</strong></td>
<td>A competitive system</td>
</tr>
<tr>
<td><strong>La guanxi</strong></td>
<td>Pulling <em>guanxi</em></td>
</tr>
<tr>
<td><strong>Mo he</strong></td>
<td>A Chinese term, which means a running-in process for both counterparts in adapting to each other</td>
</tr>
<tr>
<td><strong>Mo qi</strong></td>
<td>A Chinese term, which means tacit understanding and good cooperation between counterparts.</td>
</tr>
<tr>
<td><strong>Mo shi</strong></td>
<td>An institutionalised process of cooperation</td>
</tr>
<tr>
<td><strong>Renqing</strong></td>
<td>Defined as one of the commonly accepted social concepts regulating Chinese interpersonal relationships based on the Confucian concept of reciprocity, and it plays an important role in the cultivation and development of <em>guanxi</em> (Chen, 1995).</td>
</tr>
<tr>
<td><strong>You shang you liang</strong></td>
<td>Having discussions in doing everything between two partners</td>
</tr>
<tr>
<td><strong>Xian ru wei zhu</strong></td>
<td>Means “whosoever comes first is a master.”</td>
</tr>
</tbody>
</table>
Appendix IV

Interview instrument for in-depth interviews

Introduction:

Thank you for taking the time to participate in this study. Your participation will make an important contribution to this research. It will help me to better understand the nature of the business relationship between Chinese travel agents and Australian inbound tour operators and, consequently will assist mutual understanding between these two partners so as to facilitate developing Australia’s position as the preferred tourist destination within the Chinese market.

Purpose of this research:

This research project aims to investigate the current nature of the business relationships between Australian inbound tour operators and Chinese travel agents in the Chinese inbound tourism market, explore the process of the formation of this partnership relationship, and to identify the impact of cross-cultural differences and the role of *guanxi* in the development of this business relationship.

Contributions of this research:

To provide guidance and strategies for Australia tourism product suppliers and marketers to successfully develop Australia’s position in the Chinese outbound tourism market, and to provide more understanding between Australian and Chinese counterparts.

Status of this research:

This research is being conducted as part of the requirements for the degree of Doctor of Philosophy from Griffith University, Australia.

Ethical concerns of this research:

- All data collected through this interview will be treated as strictly confidential; your organisation’s name, your name, and all other identifying details will be disguised in the final research report.
- I would like to tape-record this interview, because it will assist me with more accurate data analysis. However, please feel free to stop recording at any time during the interview.
- All data collected from these interviews will only be accessible to myself; no details will be divulged to any third party or made public.
- Only aggregate and disguised data will be used in the final research report.
Section one: Business Relationships Interview Schedule

Interview details:  Interview No:  
Date:  Organisation’s name:  
Interviewee’s name:  Position in organisation:  

In-depth interview guide

Part A: Current situation

Q1 How long have you been involved in the Chinese tourism market to Australia (personally and in your company)?
Q2 Who are your current business counterparts, i.e. among the authorised Chinese travel agencies?
Q3 Would you describe the current relationships as fruitful and harmonious? Would you please share examples of good or bad experiences in the development of your relationship with your counterparts?
Q4 Are these counterparts from the same region in China? Are there any differences in dealing with them?
Q5 What is the process of constructing and packaging holiday products (who makes the final decision on the content of the package)?
Q6 Have you had any communication problems with your counterparts, both at managerial and/or operational levels? If yes, would you give an example? What do you think caused this problem?
Q7 ITO- How do you differentiate yourself from your competitors in gaining a business relationship with your Chinese counterparts?

Part B: The searching stage

Q1 Would you please tell me how you started searching for your counterparts?
   ♦ How did you first become aware of the potential counterparts? Through business associates, friends, or Australian tourism exhibition, etc?
   ♦ How did you find your current counterpart/s?
Q2 What factors do you consider when selecting Chinese travel agencies with whom to build business links?

Part C: The establishment stage

Q1 Would you please describe the process of establishing the business relationships with your counterparts?
   ♦ How long did it take (upto the success of organising your first tour group)?
   ♦ Were there any difficulties in negotiations?
   ♦ How do you describe the personal relationships developed at this stage?
Q2 What are the important factors involved, such as trust, friendship, or written contract?

Part D: The maintaining stage

Q1 Have you changed your counterparts before? If yes, could you explain how it happened to me?
Q2 When you had conflicts with your counterparts, how did you deal with it? Could you give me an example?
Q3 Could you list the crucial factors which you think are the most important and critical in the process of developing and maintaining business relationships?
Q4 Have you thought about establishing long-term relationships with your Australian counterparts? If yes, what would you consider the major criteria of choosing your counterparts (such as trust, relationship (informal), communication, reputation for carrying out promises, handling fees, or technical competence)?
   ♦ What are the existing problems?
Q5 What do you think of Guanxi (personal relationship)? Does it really matter in dealing with your counterparts? Why?

Part E: Others

Q1 Is China your sole market or do you have any other businesses in operation?
   ♦ What is the portion of your business catering to the Chinese market?
Q2 Compared with your other counterparts in other international tourism markets, particularly Asian markets, what do you think of your Chinese counterparts?
   ♦ Is the Chinese market like Korea or are there any differences?
Q3 Is there any further information you consider relevant?
   ♦ What is your nationality or ethnicity?

I sincerely appreciate your valuable time, cooperation, and support for this research.
Appendix V

Interview instrument for in-depth interviews

Introduction:

Thank you for taking the time to participate in this study. Your participation will make an important contribution to this research. It will help me to better understand the nature of the business relationship between Chinese travel agents and Australian inbound tour operators and, consequently will assist mutual understanding between these two partners so as to facilitate developing Australia’s position as the preferred tourist destination within the Chinese market.

Purpose of this research:

This research project aims to investigate the current nature of the business relationships between Australian inbound tour operators and Chinese travel agents in the Chinese inbound tourism market, explore the process of the formation of this partnership relationship, and to identify the impact of cross-cultural differences and the role of guanxi in the development of this business relationship.

Contributions of this research:

To provide guidance and strategies for Australia tourism product suppliers and marketers to successfully develop Australia’s position in the Chinese outbound tourism market, and to provide more understanding between Australian and Chinese counterparts.

Status of this research:

This research is being conducted as part of the requirements for the degree of Doctor of Philosophy from Griffith University, Australia.

Ethical concerns of this research:

- All data collected through this interview will be treated as strictly confidential; your organisation’s name, your name, and all other identifying details will be disguised in the final research report.
- I would like to tape-record this interview, because it will assist me with more accurate data analysis. However, please feel free to stop recording at any time during the interview.
- All data collected from these interviews will only be accessible to myself; no details will be divulged to any third party or made public.
- Only aggregate and disguised data will be used in the final research report.
中澳合作夥伴关系调研采访简要

采访详情：                      采访号：
采访日期：                       机构名称：
访问者姓名：                     职称：

* refers to questions which must be asked of all interviewees

采访指南

Part A: 目前状况

Q1 您已涉足中國公民赴澳洲出境游市場多久（包括您個人以及貴公司）?  
Q2 您目前和哪幾家澳洲旅行社合作?  
Q3 您能不能称你们目前的合作是愉快并卓有成效?  
您能不能谈谈在您同您的合作夥伴发展合作关系的过程中愉快和不顺的经历?  
Q4 您的合作夥伴都在中国的同一个地区吗? 如果不是在同一个地区，  
您在和他们处事的过程中有没有发现由于地区的差异性他们做事的方式也有不同?  
Q5 您能不能談談你們包駕旅游產品的過程（誰對最終的包架產品作出定度）?  
Q6 您和您的合作夥伴在溝通上有沒有問題  
（管理層和操作層）? 如有問題，能否請您舉個例子? 那麼，您認為造成這一問題的原因是什麼?

Part B: 寻找合作夥伴阶段

Q1 您能不能谈谈您是怎样开始寻找合作夥伴的?  
◆ 一开始您是如何了解到您潜在合作夥伴的一些情况的?  
是通过朋友，生意上的合作夥伴介绍，澳洲旅游博览会，还是其他途径?  
◆ 您是如何找到您现在的合作夥伴的?  
Q2 在您选择合作夥伴的过程中， 哪些因素您认为应该考虑?

Part C: 建立合作关系阶段

Q1 您能不能谈谈您和您的合作夥伴建立合作关系的过程?  
◆ 从你们第一次接触到第一个团成行，总共化了多长时间?  
◆ 在你们谈判的过程中， 有没有遇到过任何困难?  
◆ 在这个阶段，你们的私人关系是否更加融洽了?  
Q2 在建立合作关系的过程中，您认为应该考虑哪些重要因素?  
譬如，相互信任，友谊或者合同等等?
Part D: 保持合作关系阶段
Q1 您以前有没有更换过您的合作夥伴？如果有，您能不能详细谈谈那是如何发生的？
Q2 当您和您的合作夥伴在生意上有分歧时，您是如何解决的？您能否举个例子？
Q3 您可不可以列出在保持和发展合作关系中您认为最重要以及最关键的要素？
Q4 您有没有考虑过与您的澳洲合作夥伴建立长期的合作關係？
如果有，您認為在選擇合作夥伴上的主要標準是什麼？是信任、私人關係(交情)、相互溝通、該公司的名聲、信譽度、還是具體的手續費以及公司本身的競爭能力？
Q5 在總體上，您是如何看待私人關係對生意的影響？在您同合作夥伴的具體交往中，私人關係對生意的成功是否真的起作用？為什麼？

Part E: 其他
Q1 您同時操作其他市場？
   ◆ 您在中國的市場份額是多少？
Q2 相比較您同其他亞洲市場的合作夥伴關係，您認為您與您中國夥伴的關係如何？
Q3 请问你们公司是什么性质的公司？
Q4 您认为还有什么要补充的吗？

再一次非常感謝您抽出宝贵时间以及您对这个研究项目的大力支持。