Cultural Aspects of Emergence of e- Relationships: A Study in a Newly Formed Large Chinese Telecom Enterprise

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Cultural Aspects of Emergence of e-Relationships: A Study in a Newly Formed Large Chinese Telecom Enterprise

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Abstract: This study examines the dynamics of inter-organizational relationships enabled by the application of Internet technologies in a newly formed large Chinese telecom enterprise. It employs an interpretive case study approach that involved collection of qualitative data through semi-structured interviews and observations. This paper illustrates the importance of national and corporate cultures in shaping those relationships within the cultural and wider industrial network context. Guanxi, a particular relationship dimension of Chinese culture, is important for the understanding of the various ways in which business relationships are managed in Chinese-based business. The findings also indicate that it is not suitable to apply foreign experiences to China without considering the cultural context.

Keywords: use of e-technology, cross-cultural values, guanxi

Track: ICT Issues in the Greater China Region

Introduction

The evidence shows that China dramatically increased its market shares in ICT products during 1990s and now ranks among
the top three world exporters (Amighini, 2005). Thus, more and more global organizations are forming business relationships with Chinese partners. These relationships enable the organizations to grow and develop but have also been found to constrain on their development and activities (Ford et al., 2002). However, the management of business relationships in Chinese-based business varies from Western countries (Pang et al., 1998). Also, little attention has been paid to cross cultural interactions as the unit of analysis in the literature (Jackson and Aycan, 2006).

From the Information Systems’ (IS) perspectives, despite the recognition of the importance of the wider organizational and human issues associated with the inter-organizational relationships (IORs) and electronic technology (e-technology) implementation many of these studies still ignore aspects beyond the technological issues. Largely, these studies attempt to identify factors leading to enterprise-wide system implementation success or failure (Holland and Light, 1999; Dong, 2000; Aladwani, 2001; Nah et al., 2001), to propose new models to confirm e-technology as one solution for organizational formation and transformation (Brown and Vessey, 1999; Al-Mashari, 2000) or to examine information technology tools that are critical for enabling and supporting information and knowledge sharing processes among partners (Gomez et al, 2006, p. 92). Moreover, it is apparent for conducting quantitative studies on IORs (Medina-Garrido and Ramo-Rodiguez, 2006, p. 40) in previous research. There are only a few large scale in-depth case studies on (e-technology) enabled business relationships management (Kim et al., 2002; Yao et al., 2002) and the impact of the e-technology on IORs has received little attention in the academic literature (Rao et al, 2003). These are limitations for Western organizations to build business relationships with Chinese enterprises.

Furthermore, the Chinese practice of ‘guanxi’ has developed over thousands of years (Geddie et al, 2005). Guanxi refers to a special kind of relationships, characterized by implicit rules, both of obligation and reciprocity (Luo, 1997; Yeung and Tung, 1996). It briefly translated as human relationship or personal connections on which an individual can draw in order to secure resources or advantages, both when doing business and in their social life (Davies et al., 1995). Ahmed and Li (1996) explain guanxi as fundamental in directing social and personal behavior in China. Luo (1997) argues that guanxi are delicate fibers woven into every Chinese individual’s social life, and therefore, into many aspects of the Chinese society. Thus guanxi can offer insights to effectively manage business relationships in the Chinese-based business because it enables organizations to interact harmoniously over long periods for their mutual benefits (Geddie, et al., 2005).

This paper therefore seeks to address present limitations by presenting the findings from an in-depth case study research on the emergence of e-relationships in a newly formed large Chinese telecom enterprise – TelcoX (pseudonym). The study focuses on the implementation of a customer service system (CSS), which is understood as a specific e-technology enables organizational relationships. The following section provides an overview of the previous research on cultural studies in IS.

**Culture within IS studies**

Researchers have emphasized studying the importance of guanxi in Chinese society (Hu, 1944; Fried, 1953; Hwang, 1987; Cheng and Rosett, 1991; Wong and Leung, 2001; Chen and Chen, 2004). With one fifth of the world’s population and complex society, the Chinese had developed guanxi to obtain everyday necessities, housing and goods that were the prevalent shortages in the past (Pye 1986; Buttery and Leung, 1998). More importantly, guanxi refers to the establishment of a connection between two independent individuals to enable a bilateral flow of personal or social transactions. Both parties must derive benefits from the transaction to ensure the continuation of such a relationship, and the relation must be nourished and maintained over time (Watt, 1999). Leung and Wong (2001) conclude that guanxi is basically ethical and it can be used...
as a positioning strategy in China as the right *guanxi* helps to maintain harmony in the Chinese system of doing things (Pye, 1986). The results of Geddie et al.’s study (2005) indicate that an understanding of *guanxi* would be helpful when developing a business relationship.

There are cultural roots that make *guanxi* a principal value to evaluate individuals (Bian and Ang, 1997). The collective is always considered more important than individual in Chinese culture (Hofstede, 1980, 1991; Hsiao, 1988). This lays both the abstract and the concrete foundations for *guanxi* to operate in Chinese societies (Bian and Ang, 1997). Thus a better understanding on the role of culture and its influences on the management of business relationship become vital issues.

The concept of culture has been borrowed from anthropology and increasingly used and developed in the studies of organization (Kluckhohn, 1951; Pettigrew, 1979; Gregory, 1983; Hofstede, 1991; Walsham, 2002). In the literature, Hofstede’s popular study (1980) provides the classification and quantification of cultural difference (Baskerville, 2003). However, it has been criticized as being rather crude and simplistic by IS researchers such as Walsham (2002). Walsham argues that Hofstede-type studies offer a static view of culture and do not provide analytical devices for studying cross-cultural contradictions nor do they provide any description of cultural heterogeneity and its impact on IS. In other words, culture must be viewed as dynamic and diffuse (Baskerville, 2003). The existing culture in a context is a mixture of various cultures and/or as a result of different cultural conflicts. Therefore, Walsham (2002) focuses on the link between structural contradiction and conflict, cultural heterogeneity, and the dynamic and emergent nature of culture. His work presents the structurational analysis for providing a deeper examination of cross-cultural working and IS than is found in the current literature. This theoretical approach offers a new way of cultural studies in the field of IS, which is increasingly used in this more globalized world. This view regards social structure as rules and resources recursively implicated in social reproduction. This idea can be found in Gidden’s structuration theory (1976, 1982). Structuration theory offers a notion that the social structure is being drawn on by human actions and interactions, while the actions of humans in social contexts produce and reproduce the social structure (Jones and Nandhakumar, 1993). Therefore, this study draws theoretically on structuration theory and *guanxi* as lens to interpret the emergence of e-relationships both within and outside TelcoX.

**Research approach**

This study employed an interpretive case study approach (Orlikowski and Baroudi, 1991; Klein and Myers, 1999; Walsham, 1993). Interpretive studies attempts to investigate the research phenomena from the perspective of the people involved and to understand the meanings that individuals assign to them. In our study this involved collection of detailed, qualitative data on developing the business relationships in their organizational context. It mainly focused on the Customer Service Department (CSD) and also examines some practices of national and TelcoX’s corporate cultures that have emerged under these particular circumstances. The research commenced in the summer of 2002, data collection involved semi-structured interviews of key players and observations of main customers and suppliers of TelcoX. Interviewees spanned vertical levels involving the focal firm – TelcoX, its first tier and second tier suppliers as well as its first tier customers both in China and the UK (see Table 1).

Thirty-nine interviews of sixty to ninety minutes in length in seven organizations have been conducted with managers representing various processes including customer service management, information system management, order fulfillment and procurement management. Most of the interviews were tape-recorded, transcribed and then translated into English for analysis. The functions represented by those interviewed included customer service, service operation, network management, accounting, product development and project procurement. They were the main actors and key members involved in the new system adaptation and related business operation processes. Informal conversations and discussions with the interviewees and other staff of the companies were held during each visit. The lead researcher visited TelcoX twice a
week during the field study period. These visits varied in duration; sometimes these lasted the entire day and at the other times there were only between 2 to 4 hours.

The qualitative data collected included field notes (e.g. interview notes, observation notes and conversation summaries), documents (e.g. emails, internal training materials and internal operation documents) as well as related materials (e.g. posters, brochures and news from websites) to verify the collected data and gain more details ‘behind the scenes’ information in TelcoX’s wider network context.

**Table 1: semi-structured interviews**

<table>
<thead>
<tr>
<th>Firms</th>
<th>Positions of Interviewees</th>
<th>Number of Interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TelcoX in China (including branch offices in big cities: Beijing, Shanghai, Guangzhou and Shenzhen)</strong></td>
<td>Directors, Senior Managers, Managers, GMs, Regional Office, CSSD, Senior Manager, Regional Office, CSD</td>
<td>10 9 6 3 1</td>
</tr>
<tr>
<td>Suppliers</td>
<td>Directors, Senior Managers</td>
<td>2 3</td>
</tr>
<tr>
<td><strong>Customers</strong></td>
<td>Directors</td>
<td>2</td>
</tr>
<tr>
<td>In China</td>
<td>Senior managers</td>
<td></td>
</tr>
<tr>
<td>In UK</td>
<td>Director, Senior managers</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>39</td>
</tr>
</tbody>
</table>

**Case description**

TelcoX was founded in 1999 by four bodies that are affiliated with the Chinese government. It is providing a spectrum of services and solutions to meet the broadband telecom needs of businesses and individuals. With regional offices in main cities such as Beijing, Hong Kong, Shanghai, and Shenzhen, TelcoX is poised to benefit from the rapid growth of China’s telecom and Internet sectors. TelcoX has merged with another large Chinese state owned telecom company in 2002. A subsidiary of TelcoX provides comprehensively telecom services to international carriers and enterprises outside of China established in late 2003. The Customer Service Department (CSD) was providing all of TelcoX’s product users with pre- and post-sale customer services.

**The adoption of CSS and new call center development**

In early 2001 the CSD director initiated the idea of a ‘distributed call center’ with the support of TelcoX’s vice president. The proposed system, then called CSS system, was developed for tracking customer calls and providing better services to all TelcoX’s product users. The new CSS system supported call centers in more than 30 cities including one in the headquarter, Beijing and sub-centers in branch offices. At that time, customer calls went to a given number and then the CSRs in the previous call center transferred those calls that could not be handled to CSD. That means CSD did the problems management once the calls were transferred.

During the new call center development, CSD people collected many detailed cases from Western companies and ran a series of brainstorming sessions. This process of discussion provided an important learning experience for everyone in the team. Finally, they got to know what ‘they would like to do’ instead of what ‘they have to do.’ Due to the great effort of
Intra- and inter-organizational relationships establishments

With the increasing demands for services from customers, TelcoX came to realize that the existing customer service model should be replaced by a new one based on the idea of Customer Relationship Management (CRM). As a result, the CSS system would have to be developed to meet the technical requirements of CRM. Thus, supplier 2 and 3 (see Figure 2), two American enterprises were selected as the new system providers. Besides system support, the CSRs who communicate with customers directly played a very important role in the call center. Only qualified people with certain knowledge and quicker reactions as well as insights could meet these requirements which differed from those in the former call center. These CSRs had been trained on the idea of CRM and the knowledge of advanced systems. Therefore, supplier 1, an American joint venture company, was chosen for call center outsourcing service. With the CSS support, TelcoX could provide better services to their customers. Those enterprises with nationwide businesses in China such as banking, finance, stock market and insurance sectors and some international telecom carriers (e.g. Customer 1, see Figure 1) expanding their businesses in China regarded TelcoX as an important business partner, rather than simply a service provider.

The use of CSS and the needs of TelcoX’s customers also determined the internal work processes. The Service Delivery Department, through the co-operation with CSD, fulfilled a business requirement from the International Business Unit who took care of large accounts and telecom carriers. The Network Management & Maintenance Department was responsible for information networks support and dealing with any technical problem. People who had clear job allocations and responsibilities built up good communications in a process of co-operation. Thus a good base was created for both internal and external customer services in TelcoX as illustrates in Figure 1.
Analysis and discussion

The data analysis involved a critical examination of large amounts of qualitative data from cultural and structuration perspectives discussed above, while simultaneously allowing the concepts to emerge from the empirical data. We continuously revisited our data as important insights about cross-cultural interactions emerged in this study, which helped us identify the dynamics of e-relationships within TelcoX. The iterative process enabled us to develop the theoretical insights that follow in the next subsections.

Emerging TelcoX’s corporate culture and e-relationships

When walking into TelcoX’s office, their receptionists would immediately welcome you. And then after registration, wearing a ‘VISITOR’ badge, TelcoX staff would accompany you all the time during your stay in this business environment. One could find that men wore different coloured shirts and ties and women were in formal dress in TelcoX. This is in contrast to Chinese state-owner-enterprises’ (SOEs) staff who generally wear casual or business casual attire during their business hours. All the employees were wearing badges, which were not required by most of the Chinese SOEs. Informal discussions and conversations were held among employees gathered around coffee tables located in corridors where posters with company slogans were displayed in the TelcoX’s office building. Those posters and company slogans strongly represented Chinese cultural values of co-operation, harmony and relationships. They can be briefly translated into English as: Trustworthiness & Communication; Progress & Enthusiasm; Low-key & Hard working; Achievement & Commitment.

Different from Chinese SOEs, the business language was Chinese and some English business terms were mixed into it by almost everyone in TelcoX. This mixed office language was produced by employees’ daily work. Employees expressed that it was easier to make sense than to translate some common English terms into Chinese during their day-to-day work. For example, ‘confirm’ was used instead of ‘queren’. By using this special office language, employees felt that they were working in a same group through speaking a same language. This language facilitated a co-operative teamwork in TelcoX. Whereas, this kind of language was not well accepted by the traditional Chinese SOEs.

There were no non-Chinese staff working in this organization, but senior managers had various backgrounds. A few of them had experience of working in the West or in foreign enterprises. For those people, they emphasized ‘ownership’ and adopted Western-like professional working styles. Concerning working style, differences existed in TelcoX. One of the senior managers of CSD said:

“There are some differences of working styles among colleagues in TelcoX, especially among those who have work experience in traditional SOEs and young generations. The senior colleagues consider that young people are not professional if they do not follow the old traditional regulations and rules in China’s telecom industry implemented in traditional SOEs. But I think they should change their outdated ideas to meet the new requirements of the market economy. We believe the young generations can seek a new professional way in a new era.”

In this emerging corporate culture context, although TelcoX staff came from different places with different experience, its corporate culture was compatible and consistent. The core of TelcoX’s corporate culture was representing its development directions of culture and it was an open one incorporating things of a diverse nature. TelcoX was evolving towards a more ‘Western-style’ Chinese company that was viewed as having a more systematically management style. Consequently, a new concept which was different from guanxi emerged for developing business relationships in this cultural context that were enabled by the application of e-technology.

The emerging concept of guanxi–pingtai

As reviewed earlier, guanxi is as a basis for understanding Chinese social and business activities. In this study, the main actors interviewed who were involved in the processes of implementation and use of CSS indicated that the cultivation of
"guanxi at an individual or organizational level both within and between organizations was very important. The Director of Supplier 3 told an interesting story of his American boss:

“When my boss was in Singapore, he went to a Chinese school hoping to learn something about China. But actually, the teacher could not know what had happened in China in recent years. My boss was told that to establish relations with Chinese you must invite them to a dinner. Therefore, my boss always asked me whether I had invited my customers to a dinner. I felt very funny and told him that this was very old traditional practice from many years ago. That was so-called guanxi. Now, it is different. We prefer providing customers with the best solutions, resources and services to wasting time at the dinner table. It is essential for us to establish and develop the relations with customers by full support. Success achieved by customers will strengthen our relations with them. Customers’ satisfaction will help maintain the customer relationship.”

We found that the way to establish relationships was different from the traditional way of guanxi but this could not be described as ‘Western-style’. A different approach hence was mainly used for establishing a relationship between TelcoX and its suppliers and customers. In this research we refer to the new way of practice as ‘guanxi-pingtai’. In Chinese, pingtai symbolizes a platform or terraced structure raised above the level of the surrounding area. Guanxi-pingtai placed emphasis on both business benefits and the emotional attachment (human feelings) inherent in a long-term relationship as well as the moral obligations they imply. It can have both personal and business consequences. We would portray guanxi-pingtai as moving on a continuum between a Western business relationship and a guanxi pole, with mixed relationships in between. Purely Western business relationships were those that focus on business interests. Guanxi were close relationships that emphasize more on the emotional attachment, such as those between family members and close friends. In a strong guanxi-pingtai emotional attachment is the glue.

Hence, we could define that guanxi-pingtai was ‘a relationship protocol embodying value, equality and respect’. Differing from some connotations associated with traditional guanxi, the emerging guanxi-pingtai practices indicate transparency and being above board. Consequently, these new modus operandi have ensured that the co-operation and competition among parties had ‘healthy’ relationships with others, e.g. equal opportunities and fair competition. These healthy relationships enabled parties to grow and develop; while at the same time restraining detrimental activities. Instead of personal interests or favors that were main concerns in building up guanxi, the directors of Customer 1 and 2 expressed their ideas in establishing guanxi-pingtai:

“…In today’s business environment, good products are essential for building up relationships [guanxi-pingtai]…”

However, the value of personal feelings in the traditional concept of guanxi was not completely denied in the new understanding of guanxi-pingtai. People held principles and flexibility were allowed only when it did not go against the principles, although all these relationships of guanxi-pingtai were restricted by the laws and regulations. That is to say personal feelings cannot be ignored in both traditional guanxi and new guanxi-pingtai. To sum up, guanxi-pingtai could meet the individual’s requirements on personal relationship development. With this relationship numerous companies could be united together as well. Not only had it created chances for companies to communicate horizontally by classification (e.g. different tiers of suppliers and customers) but also provided a respectable chance for companies’ intercommunication across different industries by meeting different required criteria. The guanxi-pingtai would be kept in perfect order by increasingly interesting topics and issues, as well as searching for new requirements and the promotion of new products.

In this study, there is a dynamic interaction between our three analytical themes: the existing culture and guanxi; emerging TelcoX corporate culture and e-relationships; and the emerging concept of guanxi-pingtai. By drawing on Giddens (1984) and Orlikowski (2000) this process can be seen as circuits of interactions between managerial actions and social structural properties. In particular, the managerial actions and changes in communication patterns were examined with
respect to the implementation and use of CSS, together with the corporate and wider cultural contexts of TelcoX. Furthermore, social structures were studied in terms of the technologies in use (e.g. the use of CSS) and social contexts that was reinforced and transformed by such interactions. As illustrated in Figure 2, the existing social structures (e.g. guanxi) influenced managerial actions in building relationships both within and across organizations; in turn, managerial actions produced new social structures (e.g. guanxi-pingtai). Over time, the emerging culture and e-technology in the network context were transformed, at the same time the existing social structures were shaped by these constitutions. Figure 2 therefore offers a conceptualization of the ways Chinese cultural values shaped the formation of e-relationships both inside and between organizations.

Figure 2: Formation and transformation of e-relationships

**Conclusions**

As discussed above, a fusion of traditional Chinese culture and Western management culture at TelcoX influenced e-relationships in various ways. For example, TelcoX marked out its distinctiveness and differentiated itself from the more typical Chinese enterprises. It more closely followed a form of the Western companies while retaining much of the Chinese cultural values. Overtime, different departmental cultures existed within TelcoX, which contributed to its emerging corporate culture that integrated subcultures into the mainstream in a harmonic way and also helped to produce the new organizational structure. The evidence indicated that this unique cultural context had a positive influence on the evolution of e-relationships.

From the data analysis, we identify that Chinese business people in developing relationships with their business partners tend to lay stress on two things. One is the relative strength of their personal relations with their business partners; this is more important on individual level. Another is a concrete moral development of the relationships with their business partners, which is more important on organizational level. “Moral” here is to be understood in the sense of whether the particular business partner works for the concrete benefit of the organization.

Therefore, guanxi, a particular factor of relationship in the Chinese culture, attaches importance to human and business relationships both in China and Western countries. Since it cannot work in China if guanxi is ‘abolished’ completely,
there are some people who are still doing business or establish relationships via the traditional way of *guanxi*. However, as with the development of international business in recent years in China, the traditional Chinese *guanxi* is also changing gradually. The new practices of establishing relationships have emerged in some new Chinese enterprises such as TelcoX. The old idea and practices from many years ago are different from the prevailing in China now. The empirical understanding generated in this context has implications for managing organizational inter-dependency of IT enabled business relationships. For managers, these insights open up cultural aspects of relationships and suggest that emergence of different cultural norms may accompany the enactment of e-relationships.

References:


