

Guanxi Perception and Gao Guanxi: Key Predictors of Communication Preferences, Relationship Cultivation Strategies, and Business Relationship Quality among the Small and Medium-Sized Enterprises in Hong Kong

Olivine W.Y. LO

Olivine W.Y. LO, (olivine.syu@gmail.com) is an Assistant Professor of the Department of Journalism and Communication at Hong Kong Shue Yan University, Hong Kong.

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Abstract

The unique relationship between Hong Kong and China is not only reflected in the political, social, and cultural arenas, the business interactions still provides the most distinctive platform for related research. In the Chinese society, guanxi is considered a uniquely Chinese cultural characteristic and an essential resource for linking and maintaining an individual in a group or social network. Guanxi has been broadly translated as ‘interpersonal relationship’ or ‘connection’ and is also perceived as the foremost factor for successful business in China. Previous studies claim that effective guanxi can enhance business performance by building long-term competitive standing and help reducing risk, frustration, and disappointment. However, there are little known on how guanxi is built, via different communication formats. Thus, this study aims to explore the following four areas through studying the entrepreneurs of Hong Kong SMEs: (1) the impact of guanxi perception on communication preferences and (2) the adoption of various relationship cultivation strategies (routine and strategic strategies), (3) the associations between relationship strategies and communication preferences, and (4) these three factors on the business relationship quality. A total of 2,271 SMEs were successfully contacted and 984 agreed to participate in the survey with 323 returning the questionnaire. The study found that the Hong Kong SMEs still have strong guanxi perception which significantly affect their communication preferences when interacting with their mainland Chinese counterparts. They mostly prefer cross-border face-to-face meetings despite additional traveling time and cost, and sending SMS instead of using the newer mobile messengers like WeChat. Their guanxi perception also affects their adoption of the six relationship cultivation strategies and which strategic gao guanxi strategy and routine assurance strategy are the strongest predictors in achieving quality relationships. This study also found that different mixtures of communication preferences and relationship cultivation strategies will result in different relationship qualities.

Introduction

In most countries, the dominating economic value is contributed by small and medium sized enterprises (SMEs); however, there is limited focus on studying their communication preferences in relation to their business performance quality. Traditionally, public relations scholars stress the importance of relationship building and its maintenance within the public. Grunig et al. (2002) have shown “that the value of public relations comes from the relationships that communicators develop and maintain with the publics (p. xi). If this proposition holds true, why do SMEs not use public relations or how do they interpret public relations differently, if they do? Thus, this study aimed to explore if there are other predictors specifically adopted by SMEs in achieving relationship performance through examining Hong Kong’s SME entrepreneurs’ guanxi perception in regard to communication preferences and relationship cultivation strategies.

Definition of SMEs

Small and Medium Enterprises (SMEs) consist of a broad variety of businesses ranging from small grocery shops to manufacturing factories. The definition of SMEs also varies by country but is usually determined by the number of employees, amount of invested capital, production capacity, levels of ownership and management, sales volume, and value of assets while business assets and sales revenues also serve as alternative measures. Chinomona (2012) studied the SMEs in Taiwan and classified

SMEs as those with capital of less than TWD80 million or having a number of regular employees not exceeding 200, according to data from the Small and Medium Enterprises Administration in Taiwan. Previous studies (Hall 2002, quoted in Sahakijpicharn 2007, p. 14) suggest that an SME should have at least the following characteristics:

- It is independently owned and operated;
- It is closely controlled by owner-managers who contribute most or all of the operating capital; and
- The principal decision-making functions rest with the owner-managers.

Like most countries, SMEs are the major economic contributors in Hong Kong. There are about 340,000 SMEs in Hong Kong (as of March 2019) and constitute over 98% of the total business establishments and employ about 47% of the workforce (over 1.2 million people) in the private sector. According to the Support and Consultation Centre¹ for SMEs, manufacturing enterprises with fewer than 100 employees and non-manufacturing enterprises with fewer than 50 employees are regarded as SMEs in Hong Kong. Most of the SMEs in Hong Kong are in the import and export trading business followed by the wholesale and retail trades, restaurants and hotels. SMEs are small and medium-sized enterprises usually owned by a single owner or a few business partners and they usually

¹ The Support and Consultation Centre for SMEs is run by the Trade and Industry Department of the Hong Kong SAR Government.

focus on how to bring in business and keep the company running.

Guanxi Perception and Gao Guanxi

The concept of guanxi, is considered a uniquely Chinese cultural characteristic. Huang (2004) has analyzed the differences between the meaning of relationship and guanxi in detail in her study and stated that “[T]he meaning of ‘relationship’ in Chinese is succinctly much broader than that in the West” (p. 254). Guanxi has been broadly translated as “interpersonal relationship” or “connection” (Wong & Leung, 2001) and is defined as an essential resource in achieving business success in China (Su, Mitchell, & Sirgy, 2007, p. 301) because an effective guanxi relationship can enhance business performance by reducing transaction costs of information search, relationship monitoring and contract enforcement (Leung, Wong & Wong, 1996; Wong and Leung, 2001). Su and Littlefield (2001) have provided a clear definition of guanxi by categorizing it into two types of guanxi: favor-seeking guanxi and rent-seeking guanxi.

SMEs structurally lack resources and logically they actively search for opportunities for sustaining business or mere survival. The mainland China market not only provides a huge market but historically cannot be separated from Hong Kong. SMEs in Hong Kong inevitably have invested substantial amounts in this market including in guanxi relation development which is considered the entry point for conducting business in China. Chinomona (2012) finds that guanxi

is perceived as being useful in building long-term competitive standing by reducing risk, frustrations, and disappointment in his study on Taiwan’s SMEs. His study shows that “dealers’ referent power and legitimate power are important in affecting Chinese guanxi relationship values, especially xinyong [trust] and ganqing [favor]” (p. 10134). From the Western perspective, network relationships have been heavily studied in the business management, international business marketing, and international business disciplines while guanxi is considered equivalent to networking and indeed they share a lot in common. Network relationships have been found to play a key role in SMEs’ internationalization process in many studies. Chetty and Patterson (2002) state that the concept of a business network comes from the social exchange perspective in relation to social networks whereas Zain and Ng (2006) define a network as the relationship between a firm’s management team and employees with various parties including customers, suppliers, competitors, government, distributors, bankers, families, and friends who can enable the firm to achieve its business objectives. Welch (1992) studied the use of alliances by small firms in internationalization and found that network relationships can improve foreign market penetration by providing access to additional relationships. Chetty and Agndal (2007) classified two dimensions of networks: formal and informal. A formal network is formed for a specific purpose and its members have the right to grant access for others to become members and is referred to as an alliance and adopted

strategically. An informal network emerges and expands as relationships grow between members through interaction and this is similar to the concept of guanxi.

Although past research suggested that guanxi is beneficial for doing business in Chinese communities or individual career progress, Huang (1997) argued that “gao guanxi” is the exploitation of personal relations or human networks for personal gain, which reflects the unequal status of the parties involved in guanxi relations. The word ‘gao’ refers to ‘the actions taken to build guanxi’ with the intention of bringing future benefits from that guanxi (relationship). The actions taken could range from buying small gifts, meal treating, to giving expensive items (further explanation could be found in the relationship cultivation strategies section). Besides, some scholars also question whether guanxi will become less important with the development of the legal and regulatory institutions in China, e.g. China has become a member of the WTO and has been following international regulations on trading. With the increasing influence of international rules and regulations in the Chinese business environment, measuring their current guanxi perception and their understanding of gao guanxi and networking among the entrepreneurs and senior management of the Hong Kong SMEs thus become one of the goals of this study.

Guanxi Perception Measurement Scale

Previous studies have applied different measurements for guanxi; however, there are no agreements on a standardized construct. This study adopted and modified the measurement scales used by Huang (2000) including the concept elements of *face* (mianzi) which describes a person’s proper relationship with his or her social environment, and its importance lies in the consequence of living in a society that is conscious of social contexts (Hofstede, 1992); *favor* (renqing) is similar to the owing of a ‘favor’ in the English context. The practice of “renqing” does not require immediate return (Yen *et al.*, 2011; Hwang, 1987) and Yen *et al.* (2011) conclude that “the greater the exchange of favors there is, the closer the two parties are knitted together” (p. 100) and *affect* (ganqing) in Western terms implies affection, sentiment and emotion between two people or two organizations (Yen, Barnes & Wang, 2011). Thus, in Hong Kong SMEs, this construct reflects entrepreneurs’ general perception of guanxi when doing business with their mainland Chinese counterparts and in situations of conflict. For example, they were asked to indicate their agreement on “both we and our mainland business acquaintances care about ‘face’, so given a situation of conflict, both our mainland business partners and we will consider our guanxi”, “the practice of ‘give and take’ of favor is a key part of the relationship between our mainland business acquaintances and us” and “guanxi is important for doing business in mainland China”. The construct has alpha

Cronbach's of .70; eigenvalue = 2.16 with 53.87% of the variance explained.

Communication Preferences

The aim of this study was also to learn how SMEs choose various communication channels to communicate with their business partners ranging from traditional face-to-face encounters to the latest mobile telecommunication applications like WhatsApp or the more popular ones for mainland use, WeChat and QQ (an instant messaging software provided by Tencent). According to media richness theory (Daft & Lengel, 1984; 1986) more equivocal information tasks which refer to these kinds of work needing to be involved in relationship management will use richer media like face-to-face (FtF) communication. Past research on communication preference has indicated that individual differences will influence media attitudes and choice processes (Trevino et al., 1990). Leung (2007) found that those who are unwilling to communicate FtF, communicate less using mobile phone text messages than those who are more involved in FtF communication. In order to study SME entrepreneurs' communication preferences in their daily routines with their mainland Chinese business acquaintances, an exhaustive list of 21 communication activities were raised in the questionnaire.

Communication Preferences Measurement

The respondents were asked to indicate their daily usage frequency (1=never, 5= very often) of using the 21 items of various communication media which were often used among the entrepreneurs in the Hong

Kong SMEs. The list was compiled according to the interviews with four SME entrepreneurs when preparing for the questionnaire. The list can be found in Appendix 1. Factor analysis was conducted and yielded four types of different communication preferences not only according to the richness of the medium but also the level of synchronicity of the medium. However, two items "use video-conferencing in office" and "use video-conferencing via smart-phone" were taken out because their frequencies were very low ($M=1.87$ & 1.60 respectively) despite their factor loadings being very high (.91 & .88 respectively). This indicated that only a few SMEs have used these two communication channels; therefore, they were eliminated from further analysis. The four communication preferences are categorized as: face-to-face (FtF); new mobile messaging (NMM); old mobile messaging (OMM); and traditional media (FM) and the total variance explained was 67.86%.

The first factor, *face-to-face communication* had five items all referred to physical meeting either in the office or outside office environment ($\alpha= .85$; eigenvalue = 4.14; 24.11% of the variance explained) and which reflected that entrepreneurs of Hong Kong SMEs prefer meeting face-to-face with their mainland Chinese business acquaintances, apart from meeting them in their Hong Kong office. Other meeting places include coffee shops in Hong Kong during or after office hours and visiting them in or outside of their mainland business partners' office during and after office hours.

The second most preferred communication channel is *new mobile messaging media* which consists of three items ($\alpha = .87$; eigenvalue = 2.13; 18.80% of the variance explained) included sending voice and text-based instant messaging via WhatsApp/WeChat/Line, etc. and sending documents and pictures using smartphones. The third factor is *old mobile messaging media* which has three items ($\alpha = .56$; eigenvalue = 1.47; 12.55% of the variance explained) and referred to the use of leaving voice messages, sending short messages (SMS), and sending faxes. The fourth factor is *traditional media* which has two items ($\alpha = .63$; eigenvalue = 1.08; 12.41% of the variance explained), i.e. the use of sending e-mails and sending documents or product samples via the post. Another interesting finding from the factor analysis was that both items of talking on smartphones and fixed-line phones did not yield any satisfactory factor loadings. It seems that entrepreneurs either prefer very rich medium like face-to-face or using other mediated-communication channels, in which the messages sent can be recorded. Details of

the factor analysis of communication preferences can be found in Table 1.

Since guanxi is a unique element among the Chinese, and mainland China is the major market for Hong Kong, this study assumed that Hong Kong SME entrepreneurs still have a strong belief of 'good guanxi will bring good business' when doing business in China. Su et al. (2007) also point out that "guanxi partners who are distant or less familiar may be less affectionately attached to the guanxi relationship" (p. 306); therefore, mediated interpersonal communication could help fill in the gaps. Therefore, a hypothesis was proposed to test the association of guanxi perception and communication preference:

H1: Entrepreneurs who have a stronger guanxi perception will adopt face-to-face communication instead of mediated interpersonal communication.

H2: Entrepreneurs who have a stronger guanxi perception will adopt strategic relationship cultivation strategies rather than the routine strategies.

	Mean	SD	Factor			
			1	2	3	4
Face-to-Face Communication						
1. Meeting at your mainland business partners' office in China.	2.49	.95	.83			
2. Meeting in Hong Kong after office hours.	2.50	.96	.80			
3. Meeting outside of Hong Kong office.	2.40	.92	.79			
4. Meeting in the mainland after office hours.	2.59	1.00	.79			
5. Meeting at your mainland business partner's office in China.	3.14	.95	.69			
New Mobile Instant Messaging						
6. Texting via Whatsapp/Line/WeChat, etc.	3.14	1.26		.92		
7. Leaving voice messages via Whatsapp/Line/WeChat, etc.	2.94	1.25		.88		
8. Use smart phones to send documents/photos.	3.35	1.18		.73		
Old Messaging Media						
9. Leaving voice messages when no one answering the phone.	2.93	1.01			.78	
10. Send faxes.	3.12	1.19			.72	
11. Sending SMS (short messages) via mobile phones.	2.84	1.13			.59	
Traditional Media						
12. Send documents/samples via post.	3.56	1.04				.83
13. Send e-mails.	3.95	.94				.79
Eigenvalues			4.14	2.13	1.47	1.08
Variance explained (%)			24.11	18.80	12.55	12.41
Cronbach's alpha			.85	.87	.56	.63

Note. Scale: 1=Never and 5=Very Often. Total variance: 67.86%. N=315-323.

Table 1: Factor Analysis of Communication Media Preferences.

Relationship Cultivation Strategies and Measurement Scale

Many scholars have pointed out that the word “strategic” is associated with power and decision-making (Mintzberg, 1979) and being goal or “outcome-focused” (Lukaszewski, 2001). Hallahan, Holtzhausen, van Ruler, Vercic, and Sriramesh (2007) defined organizational strategic communication as the “purposeful use of communication to fulfill its mission” (p. 3). They also pointed out that “strategic communication privileges a management discourse and emphasizes upper management’s goals for the organization as given and legitimate” (p. 11). However, relationships should be cultivated on a regular basis; therefore, some of the relationship cultivation strategies are used more regularly than others. Past public relations studies suggest that relationship cultivation strategies will lead to quality relationships (Ki & Hon, 2009; Grunig & Huang, 2000) and will bring benefits to the organizations.

This study has adopted Ki and Hon’s (2009) measurement scale of relationship cultivation strategies which was the first empirical measurement designed to measure business-to-business relations instead of consumer relationships. This study also expanded Ki and Hon’s measurement by adding one construct, ‘gao guanxi’. The original scale measures the attitude, but this study aimed to measure the decision makers of the SMEs’ actual behaviors. Therefore, the items were reworded accordingly and the participants were asked to identify the frequency of their behaviors stated in each

item. The six strategies are: sharing of tasks, openness, access, assurance, networking, and gao guanxi. The first four can be adopted on a daily base through mediated communication like telephone conversation, exchange of messages via instant messengers (WeChat, QQ), emails, and facsimiles while the latter two require physical contacts like informal gathering after work and formal business gatherings which need further planning on arranging specific time and venue. This study therefore proposed two types of relationship cultivation strategies: routine strategies (sharing of tasks, openness, access, and assurance) and two strategic strategies (networking and gao guanxi).

Routine Strategies

A 5-point Likert scale was used ranging from 1 (never) to 5 (very often). Principal component factor analysis was conducted with six dimensions: (1) ***Sharing of Tasks*** this study defines sharing of tasks as an organization’s efforts in sharing responsibilities and solving problems of mutual interest between the organization and their mainland Chinese business partners (Hon & Grunig, 1999; Ki & Hon, 2009). This construct consists of four items ($\alpha = .82$; eigenvalue = 3.92) reflecting that SMEs are willing to share responsibilities and to provide solutions for their mainland business partners. (2) ***Openness*** Ki and Hon (2009) define *openness* as an organization’s efforts to provide information about the nature of the organization and what it is doing. This construct consists of four items ($\alpha = .79$; eigenvalue = 2.94) reflecting that SMEs are

open and honest with their business partners through disclosing information and encouraging the exchange of ideas. (3) **Access** Ki and Hon (2009) define access as “the degree of effort that an organization puts into providing communication channels or media outlets that assist its strategic publics in reaching it” (p. 6). This construct consists of four items ($\alpha = .84$; eigenvalue = 1.80) reflecting that SMEs will provide enough communication channels for their mainland Chinese business partners. (4) **Assurances** is defined as the efforts made by SMEs to assure their mainland Chinese business partners that they are committed to maintaining the relationship. This construct consists of three items ($\alpha = .80$; eigenvalue = 1.24) reflecting that SMEs will make efforts to assure their mainland Chinese business partners that they are committed to maintaining the relationship.

Strategic Strategies

(1) **Networking** is defined as the personal interaction after work, i.e. people still have informal interactions frequently with each other (Law et al., 2000; Wong et al., 2003) and this kind of networking behavior exists in both Western and Chinese culture particularly among small business. Lee & Dawes (2005) further categorize this type of networking behavior into two types: business contact and social contact in their study of guanxi and long-term orientation in Chinese business markets. This construct modified Lee & Dawes' (2005) conceptualization and defines it as the networking activities at the organizational level and consisted of two items ($\alpha = .78$; eigenvalue = 1.05). This

construct reflects the networking behaviors from an organizational perspective which is different from the concept of *gao guanxi* which refers to interpersonal relationship networking. This factor reflects that Hong Kong SMEs will invite their mainland Chinese business partners as an organization to participate in social activities and vice versa. (2) **Gao Guanxi** is based on the conceptualization by Huang (2001) as the friendly behaviors of an organization in building favorable relationships with business partners. Gold, et. al (2002) further explained that in the relationship building process, the inequality already exists in the relationship. “Because of the intrinsic element of reciprocity and obligation, one party seeks some favor, which then obligates both parties to continue the relationship” (p. 6). That means the party who gives gifts to another party is usually in the disadvantaged position while the one who receives gifts is usually in higher social/business position and whom can offer benefits in future. The word, ‘*gao*’, is the action which means ‘do’; therefore, the action could include any inexpensive treat, such as a cup of tea or just taking the acquaintance sightseeing or giving expensive gifts depending on how close the relationship is and how much in return the *guanxi* could bring in future. This construct consists of five items ($\alpha = .80$; eigenvalue = 2.79) reflecting that entrepreneurs of SMEs will display friendly behaviors in the unique Chinese way like giving gifts and having regular contact with their mainland Chinese business acquaintances intending to build favorable relationships.

Relationship Quality and Its Measurement Scale

Past studies indicate that relationship cultivation and relationship maintenance could result in positive relationship quality and even bring benefits in regard to financial performance (Rackham et al., 1996; Kelly & Scott, 2011). This construct adopted Lages, Lages, & Lages' (2005) RELQUAL Scale (Relationship Quality Scale) which was developed to measure the relationship quality between exporters and importers. Participants were asked to indicate their agreement with the statement and compare their company's current situation with that of 2-3 years before, and their relationship with their mainland Chinese business partners using a 5-point Likert scale with 1=strongly disagree and 5=strongly agree. The three dimensions are: (1) **Long-term Relationships** which captures SMEs' desire to develop long-term relationships with their mainland Chinese business partners in regard to achieving mutual and long-term profitability and maintenance of the relationship. The construct consists of four items ($\alpha=.82$; eigenvalue=3.02) reflecting that SMEs target long-term benefits with their mainland Chinese business counterparts. For example, the respondents were asked "we believe that over the long run, our relationship with our mainland business partners will be profitable", "we focus on long-term goals in this relationship", and "our association with our mainland business partners has been a highly successful one". (2) **Satisfaction with the Relationship** is defined as a positive emotional state resulting from the assessment of an SME's working

relationship with its mainland Chinese business partners. Lages, Lages, & Lages (2005) consider this construct to be a key dimension of relationship quality because more-satisfied buyers would have higher quality relationships with selling firms and perceive the relationship to have better quality. The construct consists of two items ($\alpha=.66$; eigenvalue=1.33) reflecting SMEs' satisfaction level with their mainland Chinese business acquaintances. The two items: "our mainland business partners leave a lot to be desired from an overall performance standpoint" and "overall, the results of our relationship with our mainland business partners were far short of expectation" were reverse-scored. (3) **Information Sharing** is important as it can strengthen relationships and the willingness to share business information also serves as an indicator of how strong the relationship is. The construct has three items ($\alpha=.62$; eigenvalue=1.24) reflecting that mainland Chinese business acquaintances are willing to share both quality and quantity of information including confidential business-related information. For example, the respondents were asked if their mainland Chinese business acquaintances will frequently discuss issues on doing business and share confidential information, strategic objectives and goals, and whether the communication is continuous.

As Morgan and Hunt (1994) have identified that communication is an important ingredient in building relationships between an organization and its customers or stakeholders, this study aimed to find out if there is any association

between the choice of communication media and relationship cultivation strategies among the entrepreneurs in SMEs in Hong Kong when they interact with their mainland Chinese business counterparts. Therefore, the following research questions are proposed:

RQ1: What are the relationships between relationship cultivation strategies and communication preferences (mediated interpersonal and face-to-face communication)?

RQ2: To what extent can communication preferences predict relationship quality (information sharing, long-term relationships and satisfaction with a relationship).

As Stafford et al. (2000) proposed that the relationship cultivation strategies could be applied strategically and routinely in achieving different relationship outcomes, this study proposes the following hypotheses and research question:

RQ3: To what extent can entrepreneurs' relationship cultivation strategies (routine

and strategic strategies) predict relationship quality (information sharing, satisfaction with a relationship, and long-term relationships)?

Research suggests that the value of public relations can be determined by measuring the quality of relationships with strategic publics and communication programs which can be evaluated by measuring their effects and correlating them with the attributes of a good relationship. The use of public relations may remain largely the privilege of larger business but there are reasons for SMEs not practicing public relations in their own terminologies. Besides, the advancement of interpersonal communication technologies may also enhance SMEs' business relationship cultivation. Therefore, the final research question for this exploratory study is:

RQ4: To what extent can guanxi perception, communication preferences (mediated interpersonal communication and face-to-face communication) and relationship cultivation strategies predict relationship quality.

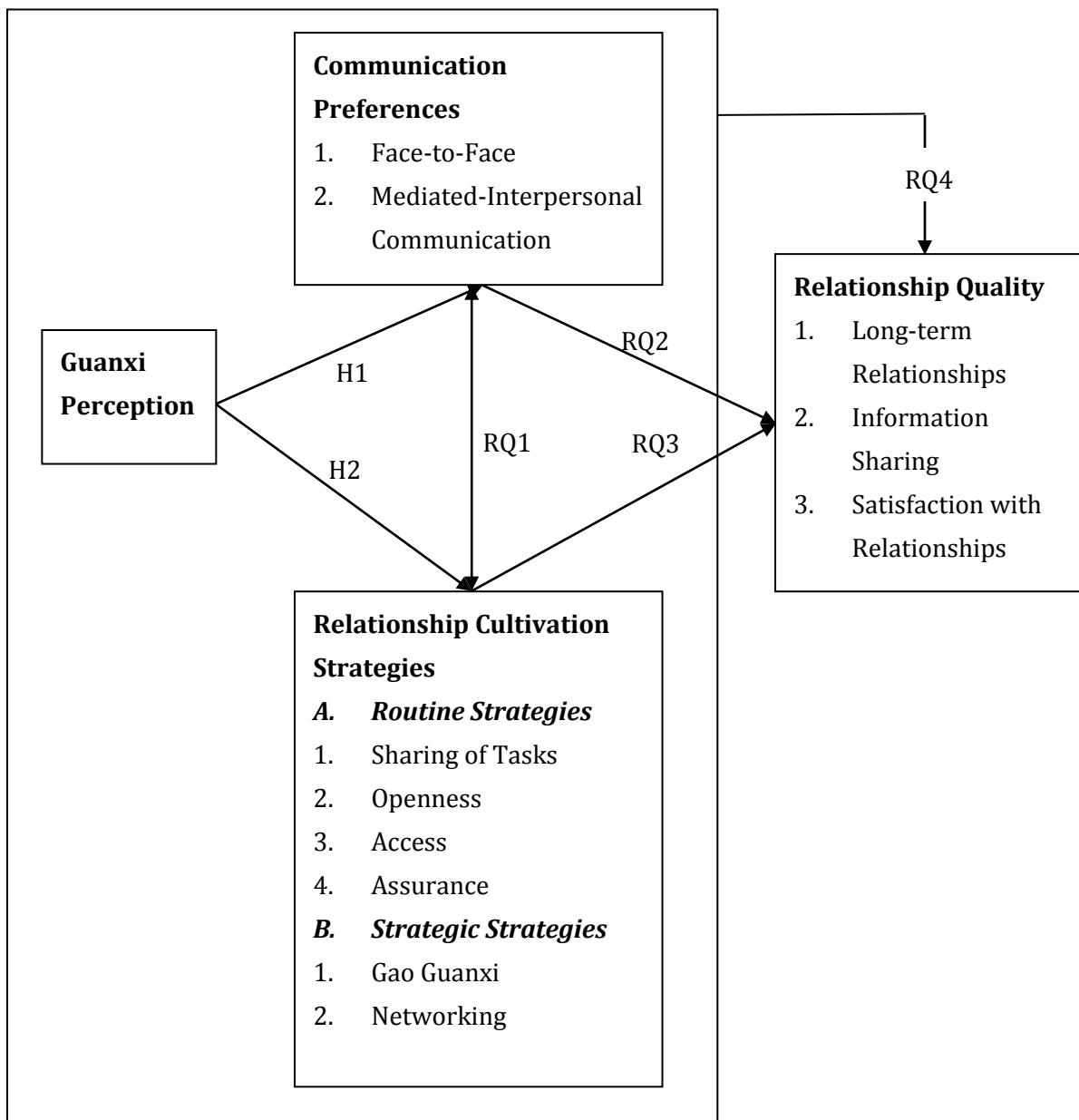


Figure 1: Theoretical Framework

Methodology - Questionnaire Design

This exploratory research aimed to understand the entrepreneurs in the small- and medium-sized enterprises in Hong Kong, therefore, only the owners and senior management with the job title of directors and senior managers were invited to participate. This study was conducted using a self-administered questionnaire survey which was prepared in English and then translated into traditional Chinese because most of the SME entrepreneurs are local Hong Kong Chinese. The design of the questionnaire was constructed in a vigorous manner through several procedures to ensure the accuracy of the translation and the appropriateness of words used, because their answers could seriously affect the results being tested in the research questions and hypotheses. First, semi-structured interviews were conducted with four owner-managers from four different companies representing the major SME industry sectors in Hong Kong. They were referred by the researcher's social network and all four interviewees have more than 20 years of business connections with mainland China and have regular contact including face-to-face meetings and daily mediated communication with their mainland Chinese counterparts. There were two owners from the garment manufacturing industry; one senior manager from the service industry and another one from the trading and logistics industry. After collecting their feedback, the questionnaire was drafted in English and then translated into traditional Chinese because it is commonly used in Hong Kong. The Chinese version was proof-read by a professor of a

Hong Kong university, whose research interest is the Chinese language, to ensure the translated Chinese is equivalent to the English version. Then the four interviewees were asked to give feedback in terms of choice of words, appropriateness and fluency. The questionnaire was then amended accordingly and proof-read by the professor again until both parties agreed. Then, the final version of the questionnaire was pilot tested again by three of the interviewees before sending to the subjects.

Sample and Data Collection

The data was collected in mid-January 2015 and the samples were randomly drawn from the Hong Kong Business Directory (2009-2010 version)² which was the only available source on Hong Kong SMEs. The Directory consists of 11 volumes for eight industry types including garment; services; trading and logistics; manufacturing; electronics; plastics; building and related; and metal and machinery. The total number of SMEs in the database is 47,690. Since garment, services, and the manufacturing industry comprise the majority of the Hong Kong SMEs, 800 samples from these three industries were randomly drawn to provide an equal representation of each industry, whereas for the others, 400 samples were drawn. A total

² The 2009-2010 version was the latest version available when the study was conducted. The Hong Kong Trade Development Council does not provide any list of registered SMEs in Hong Kong and the researcher was advised to purchase the directory from the directory publisher directly.

of 4,400 SMEs was randomly selected, and each was contacted by telephone to validate the information listed were correct. The information was verified including company name, nature of business, mailing address, facsimile number, email address, name of the owner or senior manager listed and job title. If the telephone number did not match with the company name, that data would not be used.

There was a total of 2,271 SMEs successfully verified and 984 agreed to participate in the study. All the SMEs contacted are local Hong Kong enterprises who are competent in reading and writing Chinese language. Therefore, only the Chinese version questionnaires were mailed to their corresponding address. Because it is common for the SMEs employees to work in offices in both Hong Kong and mainland China and many travel to nearby cities for day trips; therefore, the questionnaires were mailed to their Hong Kong offices to meet their unique working schedule and to increase the response rate. Follow-up emails were sent to remind them to return the questionnaire. In order to increase response rate, the questionnaires were mailed with a stamped return envelope. A total of 357 questionnaires were returned but 34 were invalid, including six which did not have business with mainland China and 28 companies had more

than 100 staff and did not fall within the definition of an SME in Hong Kong. Therefore, they were removed leaving 323 valid questionnaires for this study. The return rate for the valid questionnaires was 32.8% which was relatively high because the subjects were drawn from the business sector and were considered hard to reach.

Results and Analysis

This study proposed that entrepreneurs who have stronger guanxi perception will adopt face-to-face communication rather than mediated interpersonal communication. The results showed that guanxi perception is significantly and positively correlated with all three types of richer communication media: face-to-face ($r=.24, p>.001$); new mobile messaging media ($r =.19, p>.001$); and old messaging media ($r =.24, p>.001$) but not with traditional media ($r =.06, \text{n.s.}$). These results showed that those SMEs' entrepreneurs who have stronger guanxi perception mostly prefer face-to-face meetings and the use of the older version of telecommunication methods such as leaving voice messages on the telephone, sending faxes and SMS. These results also indicated their Chinese business counterparts prefer the more traditional means of communication. Therefore, H1 is supported. Table 2 shows the results in detail.

Variables	FtF	NMM	OMM	TM
Guanxi Perception	.24***	.19***	.24***	.06

Note. * $p < .05$, ** $p < .01$, *** $p < .001$. N from 314 to 323.

Ftf=Face-to-Face Communication; NMM = New Mobile Messaging; OMM= Old Mobile Messaging; TM = Traditional Media

Table 2 : Summary of the Correlation Results between Guanxi Perception and Communication Preferences.

This study also proposed (H2) that entrepreneurs' who have a stronger guanxi perception will adopt strategic relationship cultivation strategies rather than the routine strategies. To test this hypothesis, bivariate correlation was conducted. Entrepreneurs' guanxi perception was only found significantly and positively correlated with the strategic relationship cultivation strategies: "gao guanxi strategy" ($r = .49, p > .001$); "networking strategy" ($r = .24, p > .001$) but not with the other four routine strategies: "sharing of tasks" ($r = .07, n.s.$); "openness strategy" ($r = .05, n.s.$); "access strategy" ($r = .11, n.s.$) and "assurance strategy" ($r = .04, n.s.$). These findings are exciting because

they can further enhance the knowledge in the study of guanxi perception and its association with relationship management. These results further support previous studies on guanxi conception and its role played in relationship cultivation strategy. The Pearson's r also revealed that guanxi perception has the strongest and most positive correlation with "gao guanxi strategy" which may indicate that entrepreneurs of SMEs who have a strong belief in the effect of guanxi will adopt this approach and organize networking activities strategically with their mainland Chinese business acquaintances. Therefore, H2 is also supported and the details are provided in Table 3.

Variables	Routine Strategies				Strategic Strategies	
	Sharing of Tasks	Openness	Access	Assurance	Gao Guanxi	Networking
Guanxi Perception	.07	.05	.11	.04	.49***	.24***

Note. * $p < .05$, ** $p < .01$, *** $p < .001$. N= 323.

Table 3 : Summary of the Correlation Results between Guanxi Perception and Relationship Cultivation Strategies

RQ1 asked about the relationships between relationship cultivation strategies and communication preferences (face-to-face and mediated interpersonal communication). According to the factor analysis of the communication preferences, four types of

communication media are defined: face-to-face, new mobile messaging media, old messaging media and traditional media; bivariate correlation was conducted. The results showed that almost all six relationship cultivation strategies were

found to be significantly and positively correlated with all four communication preferences except networking with traditional media. With regard to the routine strategies: sharing of tasks was found to be significantly and positively correlated with face-to-face ($r = .20$, $p < .001$); new mobile messaging media ($r = .19$, $p < .001$); old messaging media ($r = .16$, $p < .001$) and traditional media ($r = .19$, $p < .001$). Openness strategy was found to be significantly and positively correlated with face-to-face ($r = .24$, $p < .001$); new mobile messaging media ($r = .19$, $p < .001$); old messaging media ($r = .19$, $p < .001$) and traditional media ($r = .16$, $p < .01$). Access strategy was found to be significantly and positively correlated with face-to-face ($r = .24$, $p < .001$); new mobile messaging media ($r = .14$, $p < .01$); old messaging media ($r = .20$, $p < .001$) and traditional media ($r = .15$, $p < .01$). Assurance strategy was found to be significantly and positively correlated with face-to-face ($r = .27$, $p < .001$); new mobile messaging media ($r = .13$, $p < .05$); old messaging media ($r = .21$, $p < .001$) and traditional media ($r = .25$, $p < .001$). For strategic strategy, gao guanxi

was found to be significantly and positively correlated with face-to-face ($r = .48$, $p < .001$); new mobile messaging media ($r = .38$, $p < .001$); old messaging media ($r = .37$, $p < .001$) and traditional media ($r = .13$, $p < .05$). However, networking strategy was also found to be significantly and positively correlated with all preferences: face-to-face ($r = .47$, $p < .001$); new mobile messaging media ($r = .27$, $p < .001$); and old messaging media ($r = .22$, $p < .001$) but not with traditional media ($r = .10$, n.s.). Among them, both strategic strategies – gao guanxi and networking strategy – had particularly strong correlations with face-to-face communication whereas gao guanxi also had strong correlations with new mobile messaging media and messaging media. These results showed that entrepreneurs will use all kinds of communication formats in their daily interaction with their mainland Chinese business acquaintances, but they are particularly keen on face-to-face meetings and using mobile media and traditional media strategically. The results are shown in detail in Table 4.

Variables	FtF	NMM	OMM	TM
Routine Strategies				
Sharing of Tasks	.20***	.19***	.16**	.19***
Openness	.24***	.19***	.19***	.16**
Access	.24***	.14**	.20***	.15**
Assurance	.27***	.13*	.21***	.25***
Strategic Strategies				
Gao Guanxi	.48***	.38***	.37***	.13*
Networking	.47***	.29***	.28***	.10

Note. * $p < .05$, ** $p < .01$, *** $p < .001$. N from 341 to 323.

FtF=Face-to-Face Communication; NMM = New Mobile Messaging; OMM= Old Messaging Media; TM = Traditional Media

Table 4: Summary of the Correlation Results between Relationship Cultivation Strategies and Communication Preference (4 types)

RQ2 asked to what extent communication preferences can predict relationship quality (information sharing, long-term relationships and satisfaction with a relationship). To ask this research question, bivariate correlation was conducted. Face-to-face communication was found to be significantly and positively correlated with long-term relationships ($\beta=.24$, $p<.001$) and information sharing qualities ($\beta=.24$, $p<.001$); new mobile messaging media was found to be significantly and positively

correlated with long-term relationships ($\beta=.18$, $p<.001$) and information sharing qualities ($\beta=.19$, $p<.001$); old mobile messaging was found to be significantly and positively correlated with long-term relationships ($\beta=.14$, $p<.01$) and information sharing qualities ($\beta=.21$, $p<.01$); traditional media was only found to be significantly and positively correlated with long-term relationships ($\beta=.12$, $p<.05$). Details of the findings can be found in Table 5.

Variables	Long-term	Sat. w/ Rel.	Info. Sharing
Face-to-Face	.24***	.02	.24***
New mobile messaging	.18**	.08	.19**
Old messaging media	.14**	.05	.14**
Traditional Media	.12*	.03	.03

Note. * $p<.05$, ** $p <.01$, *** $p <.001$. N=323.

Table 5: Summary of the Correlation Results between Communication Preferences (4 types) and Relationship Qualities

This study also asked (RQ3) to what extent strategic relationship cultivation strategies (gao guanxi and networking) and routine strategies (sharing of tasks, openness, access and assurance) can predict relationship quality (information sharing, long-term relationships and satisfaction with a relationship). Three parallel hierarchical regressions were performed for all three dimensions of relationship quality. After prior testing of this hypothesis using hierarchical regression, the independent variables were examined for collinearity. The results of the variance inflation factor (all less than 2.0) suggest that the estimated β^2 is well-established in the following regression models. Hierarchical regression was then conducted with Relationship Quality as the dependent variable. Four routine

strategies (sharing of tasks, openness, access and assurance) were entered in the first block of the regression to control for routine strategic responding. The two strategic strategies (gao guanxi and networking) were entered in the second block. The results showed that *sharing of tasks strategy* from the routine strategy was significant in predicting only one type of relationship quality: information sharing ($\beta=.23$, $p<.05$). This indicated that through sharing of tasks strategy, mainland Chinese business acquaintances would be more willing to share confidential information and communicate their strategic objectives and goals with Hong Kong SMEs. *Access strategy* also significantly predicted one type of relationship quality: satisfaction with a relationship ($\beta=.15$, $p<.05$). This means that

mainland Chinese business acquaintances would be satisfied with their relationships with Hong Kong SMEs when they are more accessible in daily communication including providing adequate contact information; meeting opportunities and answering their inquiries. *Assurance strategy* significantly predicted two types of relationship quality: long-term relationship orientation ($\beta=.31, p<.001$) and satisfaction with a relationship ($\beta=.15, p<.05$). These results may suggest that Hong Kong SMEs which are more willing to share responsibilities and provide business solutions and stress their commitment to their business relationship and take seriously the concerns of their mainland Chinese business acquaintances would gain higher relationship satisfaction from their mainland Chinese business acquaintances. With regard to the strategic strategies, *gao guanxi* significantly predicted all three types of relationship quality: long-term relationship orientation ($\beta=.23, p<.001$); information sharing ($\beta=.16,$

$p<.01$); and satisfaction with a relationship ($\beta=.19, p<.01$). Networking strategy also positively and significantly predicted the information sharing dimension ($\beta=.16, p<.01$). These suggested that when Hong Kong SMEs work on both interpersonal and organizational levels of relationship cultivation with their mainland Chinese business acquaintances like sending gifts (including non-expensive and expensive gifts), paying for dinner and chatting with them frequently and inviting and participating in the activities organized by both parties it would generate positive feedback in regard to all dimensions of relationship quality. Therefore, strategic strategies would be a stronger predictor than the routine strategies for relationship cultivation strategies with *gao guanxi* strategy being the strongest predictor among all other types of strategies in cultivating relationships in the mainland Chinese business environment. The hierarchical regression statistics are reported in Table 6.

Predictors	Long-term Relationship		Information-sharing		Satisfaction w/ Relationship	
	β	ΔR^2	β	ΔR^2	β	ΔR^2
Block 1:						
Routine Strategies						
Sharing of tasks	.10		.23*		.04	
Openness	-.09		-.07		-.11	
Access	.03		-.05		.15*	
Assurance	.31***		.01		.08	
Block 2:						
Strategic Strategies						
Gao Guanxi	.23***		.16**		.19**	
Networking	-.03		.16**		-.09	
R²			.13			.06
Final Adjusted R²			.16			.05
F	11.30***			7.65***		3.51***

Note. * $p<.05$, ** $p <.01$, *** $p <.001$. N=323.

Table 6: Hierarchical Regressions of Relationship Cultivation Strategies on Relationship Quality.

RQ4 tested the degree of predictability of entrepreneurs'guanxi perception, communication preferences (mediated interpersonal communication and face-to-face communication), relationship cultivation strategies (openness, access, assurance, sharing of tasks, gao guanxi, and networking) and relationship quality. Three parallel hierarchical regressions were conducted with the three dimensions of Relationship Quality as the dependent variables. ***Long-term Relationships*** of the Relationship Quality was entered as the dependent variables. Entrepreneurs' guanxi perception was entered into the first block; four types of communication preferences were entered into the second block; and six relationship cultivation strategies were entered into the final block. Results (shown in Table 6) in block 1: guanxi perception ($\beta=.18$, $p<.001$) exhibited significant and positive relations with long-term relationships. When four communication preferences were entered into block 2, guanxi perception ($\beta=.12$, $p<.05$) and face-to-face communication ($\beta=.18$, $p<.01$) exhibited significant and positive relations with long-term relationships and these two factors are more likely to achieve positive financial performance for their companies. However, guanxi perception was decreased by its predictive power in block 2 and the other three communication preferences did not exhibit any relations: new mobile messaging media ($\beta=.05$, *n.s.*); old messaging media ($\beta=.01$, *n.s.*); and traditional media ($\beta=.09$, *n.s.*). The final block included the six relationship cultivation strategies and only assurance ($\beta=.30$, $p<.001$) and gao guanxi ($\beta=.15$, $p<.05$) exhibited significant

and positive relations with long-term relationship quality and not with the sharing of tasks ($\beta=.09$, *n.s.*); openness ($\beta=-.09$, *n.s.*); access ($\beta=.03$, *n.s.*); and networking ($\beta=-.05$, *n.s.*). Guanxi perception and face-to-face communication decreased their predictive power when two relationship cultivation strategies – assurance and gao guanxi – were implemented and these strategies will be more likely to assist SMEs to achieve long-term relationship quality. Block 1, block 2 and block 3 accounted for 3.1%, 5.3% and 9.5% (as indicated in Table 7) of the variance. The ***Information Sharing*** dimension of the Relationship Quality was entered as the dependent variables. Results (shown in Table 7) in block 1: guanxi perception ($\beta=.21$, $p<.001$) exhibited significant and positive relations with information sharing quality. When four communication preferences were entered into block 2, guanxi perception ($\beta=.14$, $p<.01$) and face-to-face communication ($\beta=.16$, $p<.01$) exhibited significant and positive relations with information sharing quality and these two factors are more likely to achieve positive financial performance for their companies. However, guanxi perception was decreased by its predictive power in block 2 and the other three communication preferences did not exhibit any relations: new mobile messaging media ($\beta=.11$, *n.s.*); old messaging media ($\beta=.06$, *n.s.*); and traditional media ($\beta=-.03$, *n.s.*). The final block included the six relationship cultivation strategies and only sharing of tasks ($\beta=.24$, $p<.01$) and networking ($\beta=.13$, $p<.05$) exhibited significant and positive relations with information sharing quality but not

with openness ($\beta=-.07$, *n.s.*); access ($\beta=-.06$, *n.s.*); assurance ($\beta=.02$, *n.s.*); and gao guanxi ($\beta=.08$, *n.s.*). Guanxi perception and face-to-face communication decreased its predictive power when two relationship cultivation strategies – sharing of tasks and networking – were implemented. Block 1, block 2 and block 3 accounted for 4.4%, 5.1% and 5.9% (as indicated in Table 7) of the variance. The ***Satisfaction with Relationships*** dimension of the Relationship Quality was entered as the dependent variables. Results (shown in Table 7) in block 1: guanxi perception ($\beta=.05$, *n.s.*) did not exhibit any significant relations with satisfaction with relationship quality. Block 2 with four communication preferences: face-to-face communication ($\beta=-.01$, *n.s.*); new mobile messaging media ($\beta=.06$, *n.s.*); old messaging media ($\beta=.01$,

n.s.); and traditional media ($\beta=.01$, *n.s.*) also did not exhibit any significant relations as well as guanxi perception ($\beta=.04$, *n.s.*). The final block included the six relationship cultivation strategies and only access ($\beta=.16$, $p<.05$) and gao guanxi ($\beta=.23$, $p<.01$) exhibited significant and positive relations with satisfaction with relationship quality but not with sharing of tasks ($\beta=.04$, *n.s.*); openness ($\beta=-.10$, *n.s.*); assurance ($\beta=.10$, *n.s.*); and networking ($\beta=-.07$, *n.s.*). There are only two relationship cultivation strategies: access and gao guanxi will be more likely to assist SMEs to achieve satisfaction with relationship quality. Block 1, block 2 and block 3 accounted for 0.2%, 0.4% and 6.1% (as indicated in Table 7) of the variance.

	Long-term Rel.		Info Sharing		Sat. w/ Rel.	
	β	ΔR^2	β	ΔR^2	β	ΔR^2
Block 1: Guanxi Perception	.08	.031	.09	.044	-.04	.002
Block 2: Communication Preference						
Face-to-face	.08		.07		-.10	
New Mobile Messaging	.04		.07		.04	
Old Messaging Media	-.04		.04		-.05	
Traditional Media	.02	.053	-.05	.051	-.02	.004
Block 3: Relationship Cultivation Strategies						
Sharing of Tasks	.09		.24**		.04	
Openness	-.09		-.07		-.10	
Access	.03		-.06		.16*	
Assurance	.30***		.02		.10	
Gao Guanxi	.15*		.08		.23**	
Networking	-.05	.095	.13*	.059	-.07	.061
R²		.18		.15		.07
Final Adjusted R²		.15		.12		.03
F		5.99***		4.97***		1.96*

Note. * $p<.05$, ** $p <.01$, *** $p <.001$. N=313.

Table 7: Hierarchical Regressions of Entrepreneurs' Guanxi Perception, Relationship Cultivation Strategies, Communication Preference on Relationship Quality – Satisfaction of Relationships.

Discussion and Conclusion

One of the key objectives of this exploratory study was to examine the effect of the Hong Kong SMEs entrepreneurs' guanxi perception on their communication preferences and their adoption of various relationship cultivation strategies in the Chinese business environment. Results have demonstrated that guanxi perception has strong influence on their choice of communication patterns and which relationship cultivation strategies they will adopt. Results also show that except traditional media (postage and emails), their guanxi perception are significantly correlated with the other three types of communication preferences (face-to-face, old messaging media, and new messaging media respectively). In terms of predicting which relationship cultivation strategies, results show that guanxi perception only associated with strategic strategies, i.e. gao guanxi and networking whereas the other four routine strategies show no correlations at all. These findings enhance the understanding of the current Chinese business community where guanxi still plays a crucial role.

However, the power of guanxi perception has subsided when communication preferences and relationship cultivation strategies were added in the hierarchical regression equations in predicting the three dimensions of relationship quality where guanxi perception did not yield any significant effect. Results also show that both routine and strategic strategies have a different impact on predicting the three dimensions of relationship quality. Interesting results were yielded on predicting

the long-term relationship dimension where the routine assurance strategy plays a stronger predictor than strategic gao guanxi strategy and are the only two strategies have positive significant effect. While in predicting the information sharing dimension, only routine sharing of tasks strategy and strategic networking strategy show significant influence. This finding further demonstrates entrepreneurs prefer more formal strategies. Whereas in predicting satisfaction with relationship dimension, again, gao guanxi strategy and routine access strategy are the only two show significant predicting power. These results indicate that decision made by the SMEs entrepreneurs are influenced by their robust belief on guanxi in the Chinese business environment, yet, they become more pragmatic in proliferating quality relationship with their business counterparts through the use of routine strategies like assurance, access, and task sharing together with the strategic use of gao guanxi strategy in the relationship building process.

Guanxi in the Chinese Business Environment

Chinese business relations are frequently developed and nurtured through personal connections, relationships, obligations, and exchange of favors. The use of guanxi when doing business with societies of Chinese culture has been widely discussed in the business management discipline (e.g. Leung, Wong & Wong, 1996; Hwang & Baker, 2000; Hwang & Staley, 2005). Despite the fact that guanxi perception has been

decreasing in importance as shown in the result findings, entrepreneurs still prefer to meet in person with their mainland Chinese business acquaintances during and after office hours with disregard to the additional cost and time spent in traveling to their office across the border. This finding supports Leung et al.'s (1996) study on Hong Kong businessmen's perception of the role of guanxi in China and such perception is still being sustained. They found that 88% and 78.8% of respondents agreed that maintaining a good "connection" or "relationship" and monitoring market trends are very important.

Su et al. (2007) clearly state that "[T]he purpose of guanxi in the Chinese business communities is to share scarce resources, which are otherwise not available, through exchange and cooperation" (p.304). This study found that achieving a quality relationship is a complicated task and there is no standard model to be drawn. Therefore, in achieving the relational quality of information sharing dimension, entrepreneurs tend to adopt the sharing of tasks and networking strategies. These two strategies focus more on the corporate level instead of personal relations cultivation where both parties are more task oriented, e.g. in meeting project objectives like meeting production or delivery deadlines and production qualities. Thus, networking activities like annual dinners would be organized for staff members from both parties. In achieving satisfaction of relationship quality dimension, entrepreneurs only adopt routine access strategy and strategic gao guanxi strategy with the latter one having more predictive power. This result is also

interesting because it highlights the importance of the contact person's accessibility in daily interaction. Again, personal interaction is more important when the key contact persons are well-acquainted; no other strategies would be required. Therefore, the strategic gao guanxi strategy like giving non-expensive gifts, and daily contact with non-business topics are essential in achieving a satisfactory relationship quality. These findings further reflect the Chinese culture of giving face and reciprocating favors and also echo some scholars' previous arguments that guanxi will become less important with the development of the legal and regulatory institutions in China, e.g. China has become a member of the World Trade Organisation and has been following international regulations on trading.

Communication Preferences in the Chinese Workplace

Following FtF communication, the entrepreneurs prefer sending SMS (old mobile media) and instant messaging including voice and text messages (new mobile messaging media) as their daily communication channels. As for FtF, they will use it in two different formats: formal meetings and informal meetings. The Hong Kong SMEs entrepreneurs will visit or invite their mainland Chinese business acquaintances to meet up with prior notification of a meeting using emails or telephone calls for the arrangement. They perceive formal meetings as a means to show respect and give face, and with an agenda to discuss issues that require immediate responses. Entrepreneurs will also visit their business acquaintances without any agenda. They may show up in their office to just 'say hi'

or deliver seasonal gifts like moon cakes and year calendars. These types of informal meetings are considered important in relationship cultivation and are referred to as *gao guanxi* and will not be mistaken as impolite. These informal meetings resonance with study from Isaacs, et al, (2002) whom summarized “informal face-to-face (FTF) communication has been shown to serve many important functions in organizations, including complex coordination, problem solving, and social learning” (p. 11). On contrary, not having this kind of informal meetings a broken business may be the result. However, in daily operations, entrepreneurs tend to use instant messaging to communicate with their business acquaintances across the border. Since many manufacturing industries have migrated to the mainland, many Hong Kong SME representatives must travel frequently across the border. Due to the popularity of using QQ among the mainland Chinese, many Hong Kong businessmen have to install this instant messaging application even though it is not used among Hong Kong people. Therefore, mobile communication becomes an essential tool to fulfill their daily interaction purposes. However, their mainland business counterparts prefer texting over telephone calls because they can use it as record and reminder for specific tasks. Their usage habit of mediated communication tools match the findings of Nardi et al. (2002) who identified other functions of instant messaging at the workplace: (1) for quick questions and clarifications; (2) coordination and scheduling work tasks; and (3) coordinating impromptu social meetings. In sum, there are no findings indicating any

specific preferences on oral or written communication. The Hong Kong entrepreneurs’ choices of communication are mostly dictated by their mainland Chinese counterparts’ habit (e.g. the use of QQ and prefer face-to-face meetings) and their accessibility to certain telecommunication media (those only allowed by the Central Government).

Contributions and Limitations

Participants from small- and medium-sized enterprises are known to be difficult to reach for academic research due to their inflexible working schedule, concern over confidentiality and unwillingness to participate. The objective of this study does not only focus on the effect of *guanxi* in the modern business environment but also ties the concept with mediated communication media and relationship management. Thus, this study not only is successful in collecting valid data from this important business sector, the findings of this study could contribute to the existing communication studies as well as the relationship management studies in the business discipline. Spitzberg (2006) states that one of the most dramatic intersections of computer - mediated - communication (CMC) and social contexts is in the arenas of relationship initiation, maintenance, and dissolution. Past studies view CMC as text delivery media and suit mostly task-oriented applications and some suggest that mobile communication is not only task oriented (e.g., coordinate activities), but can reinforce and support social ties between members, and CMC interaction prior to FtF interaction can increase the enjoyment of the interaction (Dietz-Yhler & Biship-Clark, 2001). Commu-

nication literature has also suggested that effectiveness and appropriateness are two criteria for interpersonal communication competence within different contexts.

Hence, some interesting findings yielded in this study could contribute to the communication literature about the impact of guanxi perception on communication preferences and the adoption of relationship cultivation strategies in the Chinese business community serving as a complimentary element. However, the power of guanxi perception will subside and superseded by some routine and strategic strategy when attaining quality business relationships in the Chinese context. Despite the declining influence of guanxi perception, communicators should always be aware of the importance of appropriateness which can be understood as the communicator's manner which is reflected in the use of different communication channels when interacting in the Chinese community. Even with the popularity of telecommunication technologies, a written letter is still perceived as appropriate

for both business and legal contexts. For example, when e-mail was introduced, it replaced the function of letters and become widely used for personal and business communication. Nowadays, mobile instant messaging applications like Whatsapp, WeChat, Line, Instant Messenger, and alike have dictated our daily communication pattern. The choice of different communicative medium would depend on the receivers' need and appropriateness which is particularly true in the Chinese business community.

In regard with the limitation of this study, it only applied a quantitative questionnaire method; future research could incorporate in-depth interviews with the entrepreneurs to gain more up-to-date business circumstances and their communication habits in order to answer the research questions. Besides, this study focuses on the 11 traditional industries, future research should take consideration of the latest technology-related starts-up which industry has not been categorized as part of the SME.

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Appendix 1

SME Entrepreneurs' Communication Preferences.

Communication Preferences	Mean	Ranking
1. Send e-mails	3.95	1
2. Talking with smart-phone.	3.69	2
3. Talking with fixed line-phone.	3.64	3
4. Send documents/samples via post.	3.56	4
5. Use mobile phone to send documents /photos.	3.32	5
6. Texting via Whatsapp/Line/WeChat, etc.	3.13	6
7. Meeting at your mainland business partner's office in China.	3.13	6
8. Send faxes.	3.11	7
9. Leaving voice messages when no one answering the phone.	2.94	8
10. Leaving voice messages via Whatsapp/Line/WeChat, etc.	2.93	9
11. Instant messaging (IM) via Yahoo Massager/ Hotmail/Gmail/QQ/Weiboo, etc.	2.88	10
12. Sending SMS (short messages) via mobile phones.	2.81	11
13. Face-to-face meeting in your Hong Kong office.	2.73	12
14. Meeting in the mainland after office hours.	2.58	13
15. Meeting in Hong Kong after office hours.	2.49	14
16. Meeting out your mainland business partner's office in China.	2.46	15
17. Meeting outside of Hong Kong office, e.g. coffee shop.	2.39	16
18. Use emoticons (e.g. (^o^);  , etc.) when communicating with our mainland business partners online.	2.05	17
19. Use video-conferencing in office.	1.87	18
20. Communicating via websites/forum, etc.	1.72	19
21. Use video-conferencing via smart-phone.	1.59	20

Note. Scale: 1 = Never and 5= Very frequent. N=315-323.